

## Government at a Glance 2009

*Summary in English*

- *Government at a Glance 2009* identifies several key governance challenges and raises fundamental questions facing governments as they reassess their roles, capabilities and vulnerabilities in light of the recent financial and economic crises.
- It provides indicators that begin to shine light into the “black box” of how governments work, including data on the size of government in terms of revenues, expenditures and employment.
- With a specific focus on public administration, *Government at a Glance 2009* also looks at key policies and practices in human resources management, budgeting, regulatory management and integrity.
- The indicators provide insights into government’s administrative capacity to deal with current and future challenges, as well as the options governments face when trying to reduce deficits and debts.

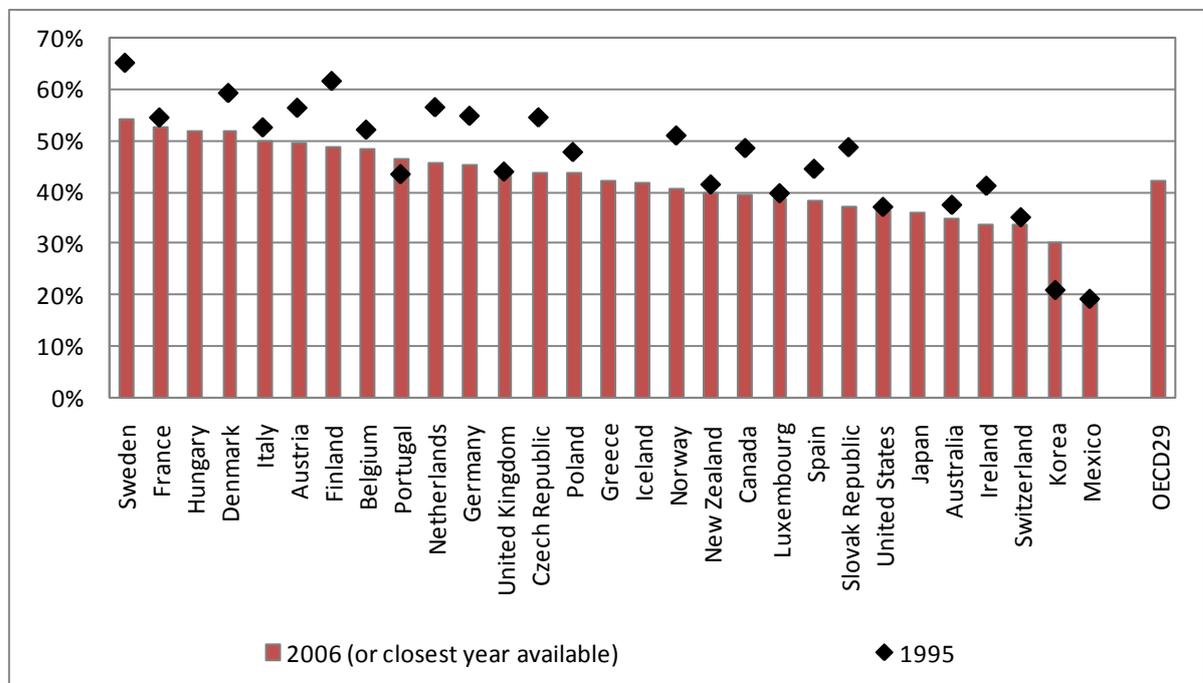


## Main governance challenges

Government capacity is being tested like never before. Decision makers are being confronted by a combination of policy challenges of unprecedented size and complexity – from unemployment to climate change, ageing populations, migration and other long-term concerns. Citizens are turning to governments, seeking immediate solutions to complex problems and demanding high-quality public services to meet their changing circumstances and needs.

Independent of recent extraordinary interventions, government plays a large role in the economy as a spender, taxpayer and employer. Government expenditures averaged 40% of gross domestic product (GDP) in OECD member countries (see Figure 1) and the government employed roughly 14% of the labour force. Government is a major actor in modern society, contributing to economic growth, delivering goods and services, regulating the behaviour of businesses and individuals, and redistributing income. It is imperative that governments work well.

Figure 1. General Government expenditures as a percentage of GDP (1995 & 2006)



Moreover, as they look to swiftly address the current financial and economic outlook, governments are re-thinking how to put in place a long-term growth strategy that improves productivity and competitiveness. As worlds become more interconnected, governments need to be agile to respond quickly in dynamic environments.

The pace of public sector reforms will undoubtedly have to accelerate in the three main areas described below as governments respond to current financial, economic, environmental and social challenges. Data in *Government at a Glance* provide information on the current status of several reforms in these areas, and help to illuminate some of the difficult choices facing governments.

## 1. Fiscal consolidation and efficiency gains.

The current economic crisis has profoundly weakened the fiscal health of nearly all countries. Many countries are experiencing unsustainable budget deficits, which have generated strong pressure to reduce public spending. Most of these same countries are also facing other severe long-term challenges – such as demographic change, global climate change and government contingent liabilities – that also have the potential to threaten their fiscal sustainability. While society's expectations of government are increasing, the resources available to meet these needs are becoming more limited. Under these circumstances, rethinking the role of government and the scope of activities, as well as improving public sector efficiency and effectiveness, have become more urgent.

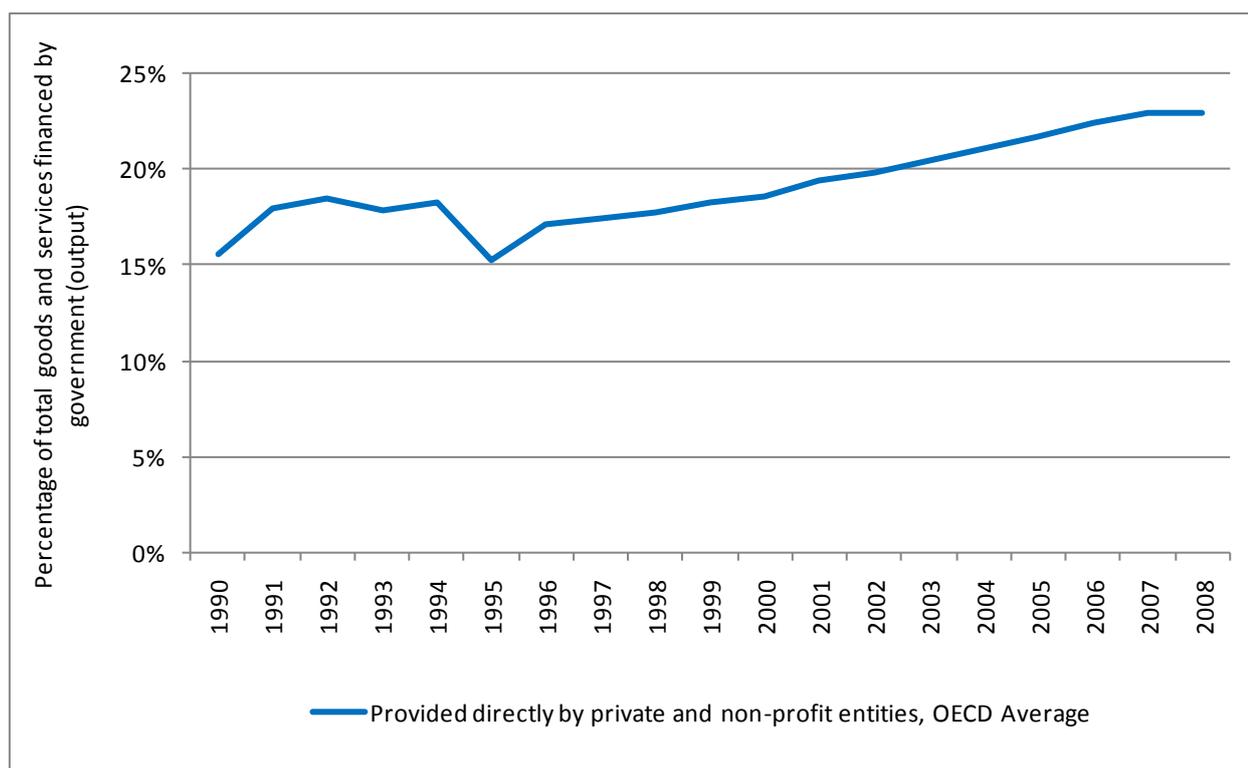
Most countries have already implemented some budget reforms to introduce a medium- and long-term perspective, and provide incentives to constrain spending in the short-run. However, the effectiveness of these reforms varies, and more action may be needed to strengthen fiscal discipline.

- All but five OECD countries use fiscal rules of some kind (most often rules concerning debt and balanced budget) as a means to constrain spending.
- Over the last decade, fiscal projections have become increasingly common among OECD member countries, and were used by 25 countries in 2007. Over half of all OECD countries prepare fiscal projections on an annual basis, five countries prepare them on a regular periodic basis (every three to five years) and two prepare them on an *ad hoc* basis.
- Medium-term expenditure estimates are produced in every member country except Greece, most often at an aggregate level.

Over the past 20 years, governments have implemented reforms in all areas of public administration in order to increase efficiency; many of these reforms have involved adopting market mechanisms and/or investing in communications technology. As governments continue to seek efficiency gains in the current environment of constrained resources, partnerships with the private sector to produce and deliver goods and services may increase, as may the use of information and communication technologies.

- Outsourcing is common in OECD countries; on average, 45% of goods and services used in government production have been contracted out in OECD countries. However, this percentage has been relatively stable in the last 20 years.
- Governments are increasingly using private and non-profit entities to provide goods and services directly to citizens. In 2008, 23% of all government-financed goods and services were provided by private actors directly to citizens compared to 15% in 1995. (see Figure 2)
- When compared to the high availability of e-government services, citizens' take-up remains low even for leading countries, suggesting room to harness more efficiencies from e-service delivery. Between 10% and 60% of citizens in OECD member countries used e-government services in 2006, compared to 55% to 90% of businesses.

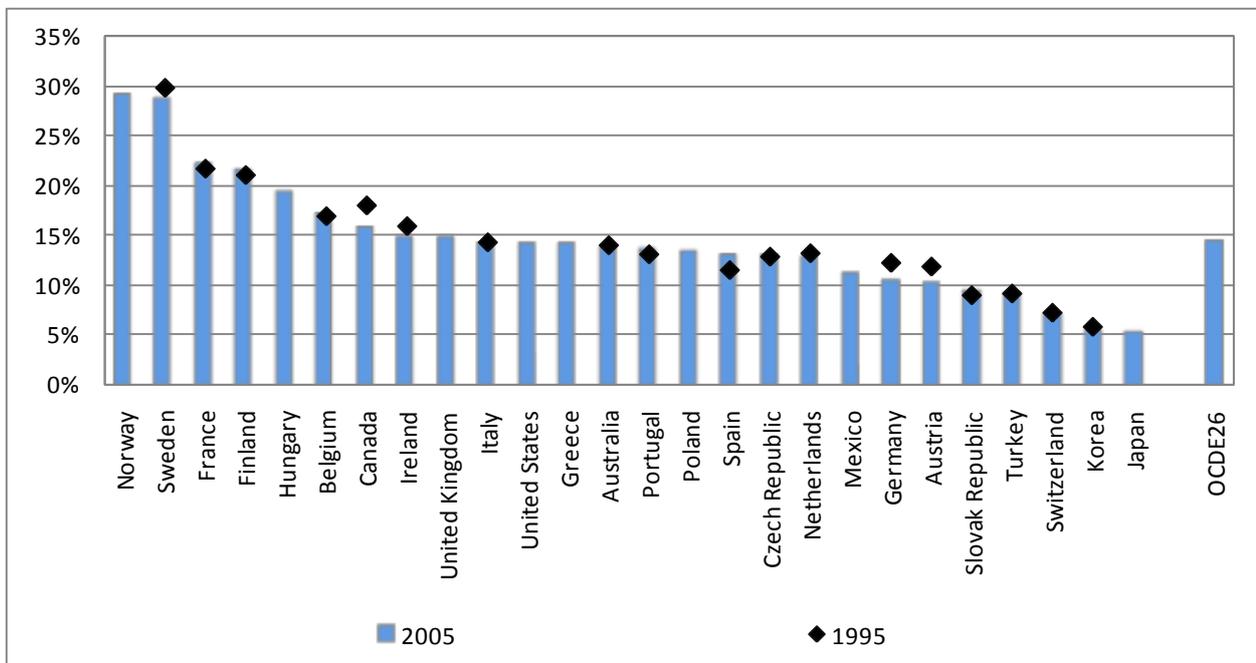
**Figure 2: Percentage of goods and services financed by government that are provided directly to citizens by private and non-profit entities**



While efficiency gains are critical, they will not be sufficient in most countries. Budget cuts to programmes may be inevitable. Governments will have to think critically about what goods and services they should provide and how best to provide them.

- Large differences in government employment across countries reflect policy decisions on the scope and level of provision of public services as well as the delivery method chosen (e.g. whether public services will be provided by government employees or the private sector). The proportion of the labour force employed in general government ranges from just over 5% in Japan and Korea to nearly 30% in Norway and Sweden (see Figure 3). However, government employment is relatively sticky, levels have remained stable over the past decade, and most employees work in state and local governments. Thus, central governments may have little room to manoeuvre in terms of cutting payrolls.
- The average OECD country spent close to 60% of total government expenditures on social programmes in 2006 (including unemployment insurance, health care, education and retirement programmes) compared to around 55% in 1995, indicating the difficult choices facing policy makers when looking for savings. Depending on the level of fiscal decentralisation, these choices may be made by state and local governments directly. In Switzerland, where the central government accounts for less than 15% of total expenditures, state and local governments play a much larger role in financing goods and services directly. In comparison, the central government accounts for 90% of all spending in New Zealand.

Figure 3: Employment in general government as a percentage of the labour force (1995 and 2005)



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## 2. Building strategic capacity to deal with complex problems.

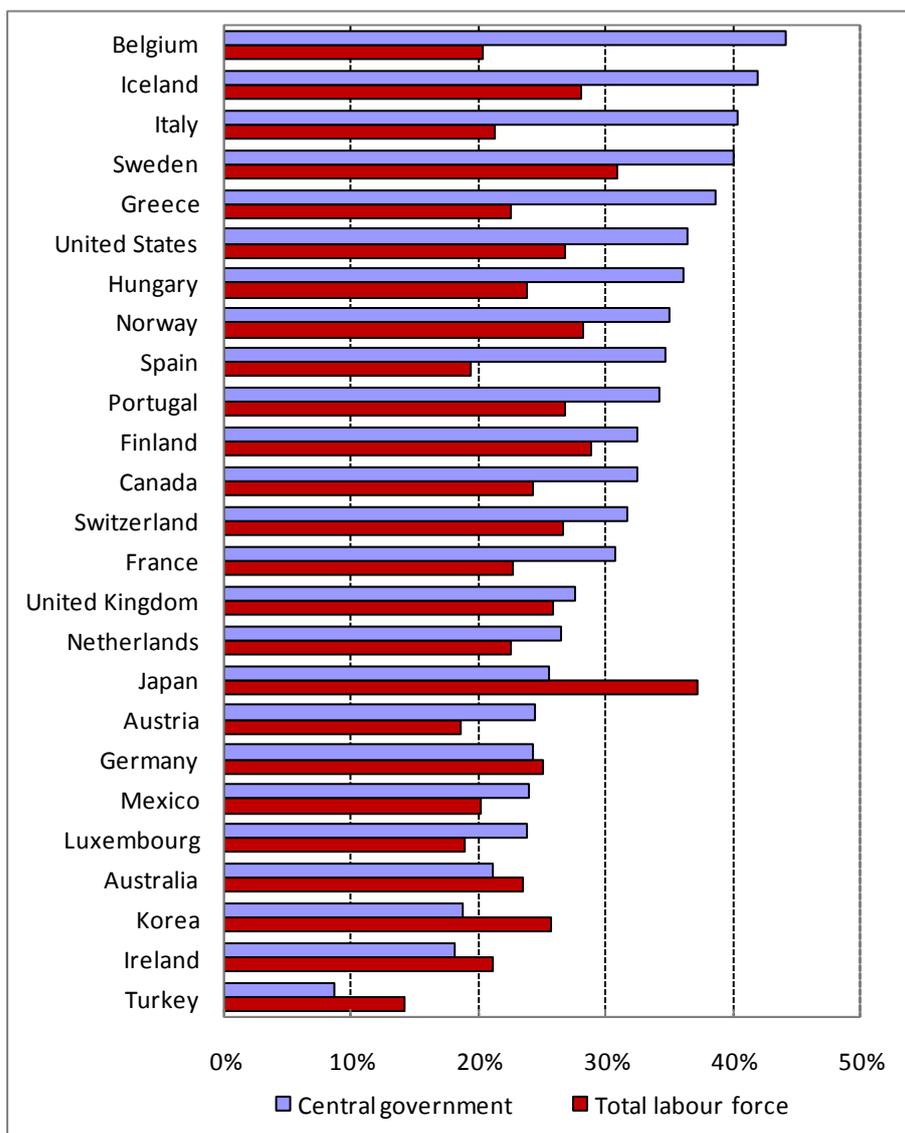
It is crucial that decision makers get the facts right and take a strategic view on public policy responses. In particular, due to the complex nature of the current policy challenges, governments must develop their capacities to think and act in the long-term, collaborate and co-ordinate across levels and sectors of government, and to analyse and process diverse information. This requires a skilled and educated workforce, good quality data and analysis, and incentives to take a medium- and long-term perspective.

Over the past 20 years, many central governments have reformed their human resource management (HRM) practices to delegate more decisions to line ministries, open recruitment to external candidates, introduce performance assessments and performance-related pay, and cultivate a separate senior management group.

The face of the central government workforce is already changing.

- Central government workers are ageing more rapidly than the wider labour market in many OECD countries (see Figure 4). In 14 OECD member countries, over 30% of the central government workforce will retire within the next 15 years. While this demographic change presents a challenge for continuity and leadership, it is also an opportunity to bring in staff with new skills and reorganise the structure of the workforce.
- Women are increasingly participating in government employment, often at higher rates than in the wider labour force. Out of every 100 central government staff, 45 were women in 2006 compared to 40 in 1995. However, full equality has yet to be achieved. Women are less represented at more senior levels than they are in the central government workforce, while they are more strongly represented at lower levels, or in administrative posts.
- Finally, the face of government is becoming increasingly “virtual” as more information and services are put on line.

Figure 4: Percentage of workers 50 years or older in central government and the wider labour force (2005)

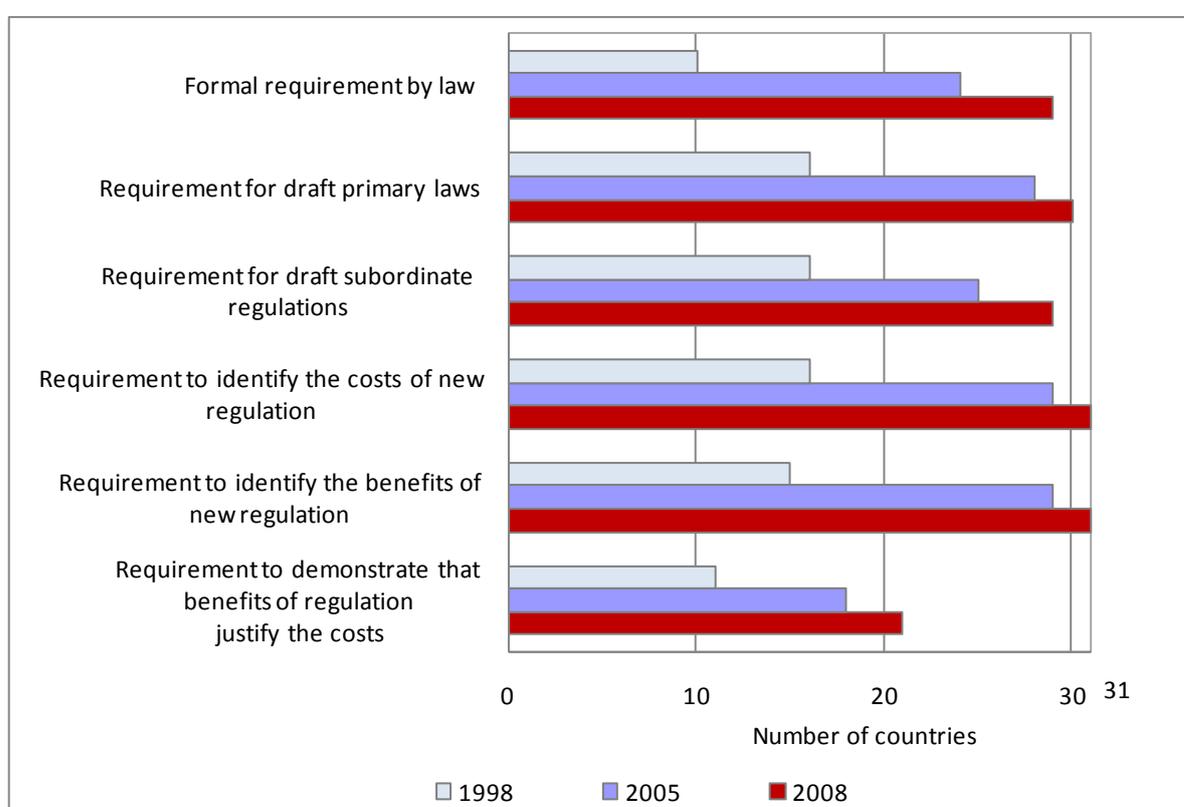


Going forward, the public sector will have to shape new rules for the private sector that balance public responsibility and private interest. This will entail creating a more balanced regulatory framework that prevents excesses and adequately manages risk, while not inhibiting entrepreneurship and innovation. To accomplish this, it is important that countries develop strong systems for regulatory management, including the use of impact analysis, public consultation when developing new rules and strategies to minimise burdens from existing rules. Some elements of these systems are already in place, but governments may need to do more.

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- Regulatory impact analysis (RIA) is a key policy tool that provides decision makers with detailed information about the potential effects of regulatory measures, including costs and benefits. Over the last decade, RIA systems have become more comprehensive across nearly all countries. However, the depth of these systems still differs. (see Figure 5)
- A large group of countries was heavily engaged in administrative simplification strategies in 2008. Among the most common strategies are the use of information and communication technologies and electronic record and reporting requirements, such as allowing businesses and citizens to file and pay taxes on line.

**Figure 5: Requirements for RIA at the central government level (1998, 2005 and 2008)**



### 3. Maintaining transparency and accountability.

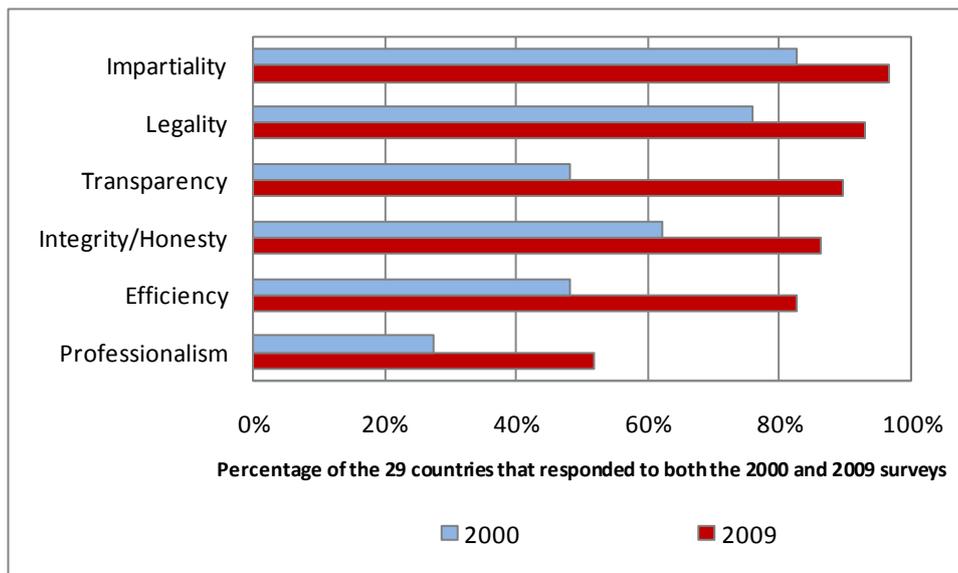
Calls for government transparency and accountability have gained increased support in the context of the public and private failures that contributed to the financial crisis, as well as the scale of government intervention and spending that the crisis has induced. Public procurement accounted for between 10% and 25% of GDP in OECD European member countries before the crisis, and has

been identified as the government activity the most vulnerable to corruption.

Within government itself, transparency has greatly increased in importance over the past decade. The number of governments identifying transparency as a core value almost doubled between 2000 and 2009. This increased focus on transparency is also reflected in reforms to budget processes, legislation promoting access to information, the strengthening of the integrity framework within government and the increased use of public consultation.

- Today, the legal framework for open government is largely in place in OECD member countries. It consists of laws on access to information, privacy and data protection, administrative procedures, ombudsman institutions and supreme audit institutions.
- All OECD member countries have a supreme audit institution to audit government accounts. While all countries ultimately make the audited accounts available to the public, there is considerable variation in the time it takes to do so. Fewer than half of OECD member countries release the accounts within six months after the fiscal year ends, as is suggested by OECD Best Practices for Budget Transparency.
- All but two OECD member countries require decision makers in the legislative and executive branches to disclose private interests to avoid potential conflicts of interest, although many disclosures are not fully available to the public.
- As of 2009, almost 90% of OECD member countries provide some sort of protection to whistle-blowers.
- There are many different mechanisms used by OECD countries to engage the public in the development of regulations, and the use of consultation has increased in the past five years. While most OECD member countries consult informally with selected groups, fewer than two-thirds publish public notices and calls for comments.

**Figure 6: Frequently stated core public service values (2000 & 2009)**



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