

Improvement Network

The Economic Social Research Council (ESRC) Public Services Programme - ['Managing by Numbers: the Way to Make Public Services Better?'](#)

Purpose of briefing: To provide a short overview of The ESRC Public Services Programme's paper examining the use of performance measurement in transforming public services

Section 1 - introduction

- 1 The paper, written by Christopher Hood, Ruth Dixon and Deborah Wilson, argues that performance management is often the subject of political debate. Target successes and high scores in international rankings are publicised by governments, while target failures and poor rankings are highlighted by opposition parties.
- 2 Given such an assertion, the paper considers three questions:
 - Do targets and rankings make public service better?
 - What do they do well and what are their shortcomings?
 - Are they a luxury that can be dispensed with when budgets get tight?
- 3 The paper concludes with a discussion of the current challenges and future developments for performance management.
- 4 Issues to note:
 - Hood et al talk of the reliability of performance indicators being eroded by 'volatility'. Volatility is caused, in part, by changes to inspection frameworks.
 - The paper talks of a 'colder bureaucratic climate', in which performance management systems could be scrapped in favour of ensuring front line services continue as normal.
 - The paper questions the validity of central government agencies in manipulating performance data, and questions whether this could be done by independent concerned parties or private agencies.

Section 2 – Hood et al's findings

Performance measurement since 1997

- 5 The paper states that since 1997 more aspects of public service performance have been measured in ways that have consequences for governments and public managers. Three factors are attributed to the growth in performance indicators:
 - The long-term development of a performance measurement movement, aided by advances in IT, that spans the worlds of consultancy, academia and government central agencies.
 - The appeal to some public managers of transparent steering processes such as rating and ranking.
 - The appeal to politicians of objective systems that do not rely on high trust in public service providers and that provide demonstrable evidence of achievement for voters, while still being able to be finessed to fit political needs.

Do performance indicators improve public service quality?

- 6 Hood et al believe that, where indicators are linked to sanctions for target failure, performance has sometimes improved. The paper gives the example of waiting times for elective surgery in hospital falling faster in England than in Scotland in the early 2000s, when the English indicators were linked to a tough regime of sanctions for target failures that was less apparent in Scotland at the time.
- 7 Linking indicators to incentives for public service providers can sometimes have a positive impact on output. The Quality and Outcomes Framework (QOF) introduced for GPs in 2004 involved payments linked to measures of GP activity, and GPs greatly exceeded the targets set for the treatments that were measured and incentivised.
- 8 However, Hood et al point to areas where indicators did not always lead to sustained performance improvement. Concerns are:
 - Initial improvement followed by flat lining of output.
 - Output distortions. It argues that GP's who operated under the QOF framework focused on incentivised treatments rather than non-incentivised treatments and holistic patient care, leading to a major overspend on the relevant NHS budget in 2005¹.
 - A danger that public service providers resort to gaming in order to boost rankings or hit targets.

Are performance indicators reliable measures?

- 9 The paper argues that the extent to which indicators lead to better public service performance depends on how well the indicators measure the aspect of public service that is of interest to policy makers.
- 10 Hood et al state that a threat to the reliability of performance indicators is volatility. If indicators are unreliable or produce information that is of little interest, public service providers have no firm basis for assessing their performance. It states that the 'ever changing methodologies and limited lifespans' of CPA and English hospital star ratings have contributed to volatility.

Section 3 – The challenges facing performance management

- 11 The paper states that the current 'colder bureaucratic climate' and greater fiscal pressure is likely to mean more focus on input reduction and productivity targets than previously, and perhaps less focus on user satisfaction measures. Hood et al also suggest that costly measurement systems may come under greater pressure to justify themselves when the resources involved could be put to other, front-line uses.
- 12 The paper questions whether ranking public sector providers should be done by central government or whether independent or private companies could compile the information (such as the relationship between *The Times* and its Good University Guide).

¹ National Audit Office, *NHS Pay Modernisation: New Contracts for General Practice Services in England*, National Audit Office, 2008.

13 The paper argues that in a harsh fiscal environment much can be learnt from shared practice across and comparison between public service providers. For such comparison to be effective it states that there needs to be commensurability of indicators.

14 The paper finishes with a thought on the future of performance management:

The key challenge for the 2010s would seem to be more one of how to use PIs more intelligently in the context of better performance regimes than of doing away with them altogether.