

PUBLIC SECTOR PERFORMANCE

An international comparison of education, health care, law and order and public administration

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SUMMARY

Aim of the present report

By adopting the Lisbon Agenda, member states of the European Union (EU) set themselves in 2000 the daunting task of making the Union the most competitive economic area in the world. Four years on, it seems increasingly doubtful whether this ambitious mission can be successfully completed. Anyway, the performance of the public sector of national economies is a crucial factor in the race to achieve the goals included in the Lisbon Agenda. Countries can try to improve the functioning of their public sector by adopting best practices found in other nations. The present report is written with these purposes in mind. It compares the performance of the public sector in the twenty-five EU member states and in four non-EU members of the Organisation for Economic Co-operation and Development.

Our main aim is to trace differences in public sector performance (in terms of productivity, quality and effectiveness in the delivery of services) of all countries concerned, and to identify institutional factors that might help explain the differing performance of nations. The following policy areas will be addressed: education (Chapter 3), health care (Chapter 4), the criminal justice system (Chapter 5) and public administration (Chapter 6). For good measure, Chapter 2 first presents key demographic and socio-economic data for the twenty-nine countries covered. This essential background information is supplemented by data on the level and composition of public expenditures, and economic performance.

Demography and the economy (Chapter 2)

The population of the countries covered varies enormously in size, from almost 300 million in the United States (US) to less than 0.4 million (Malta). Population growth in non-EU Anglo-Saxon countries, Luxembourg and Ireland is about 1% per year. Most other countries under review record limited population growth. The Czech Republic, Hungary and the Baltic states see their population actually decline. Gross Domestic Product (GDP) per capita is highest in the mini-state of Luxembourg, with the US following at some distance. Greece, Portugal, Spain and the new member states follow at a considerable distance.

In 2003, government spending in the EU amounted on average to 45% of GDP. The public expenditure ratio was in excess of 50% in Sweden, Denmark, Belgium, France, Austria, and Slovakia. Ireland and the US have the lowest ratios, at 33% and 35% respectively. A breakdown of public expenditure shows that Sweden, Denmark, France, Belgium, Finland and the Netherlands devote a relatively large share of public outlays to finance individual consumption (health care, education, and so on). By contrast, income

transfers (social security benefits) claim a relatively limited share of GDP in the Netherlands, and also in the Anglo-Saxon countries and Ireland.

If both public outlays and private expenditure on health care, education, social security and traditional government functions (public administration, law and order, defence) – for which we use the term ‘public service sector’ – are lumped together, the picture changes significantly. For example, the US government spends 16% of GDP on consumption goods, putting the country almost at the bottom of the league of nations covered in the report. However, in terms of production (‘value added’) of the public service sector (accounting for almost 20% of GDP) the US is located in the higher middle range of the league. It follows that the level of ‘social’ expenditure in the US is no lower than in other countries, but a much greater proportion is paid for directly from private resources.

Indicators to measure macro-economic performance are drawn largely from the criteria contained in the Stability and Growth Pact and the Lisbon Agenda. We focus on GDP growth, unemployment, labour market participation, inflation, the budget deficit, income inequality and the poverty rate. This summary highlights budget balances and income inequality.

In the late 1990s, virtually all governments succeeded in reducing the budget deficit. In recent years, partly in response to the economic downturn (Europe) and as a consequence of an expansive policy stance (US), many countries saw their budget position deteriorate once more.

Income inequality was reduced in most countries during the past ten years. One exception is the US, where inequality has been increasing for decades. The poverty rate, according to an EU benchmark, averaged 16% in the EU-15 in 2000. It was substantially higher in the US (23%), Australia, Ireland, Portugal and Greece. At the other end of the spectrum are the Czech Republic with a poverty rate of 8% and the Northern European countries, Germany, Slovenia and Slovakia on 10% to 11%. In 2000, the Netherlands had the lowest poverty rate of the EU-15 (10%).

Some postulate a trade-off between efficiency and equity. Generous benefits (serving to reduce income inequality) are thought to blunt work incentives, thus limiting potential GDP growth. At the same time, high government spending on income transfer drives up the tax burden, which can undermine the competitive position of countries. However, a recent analysis of the performance of EU member states (CPB/SCP 2003) found the opposite: countries with limited income inequality, such as Denmark, Sweden, Finland and the Netherlands, also post high labour market participation rates. They do, however, have a relatively large proportion of part-time workers and a relatively short official working week. Clearly, high taxes stimulate workers to prefer untaxed leisure time over taxed working hours. Including the Anglo-Saxon countries in the analysis makes the picture more varied:

labour market participation is highest in countries with marked income inequality, such as the US and the United Kingdom.

Can the outcome of explorations in Chapter 2 be used to compile some kind of economic 'Champion's League'? Four of the measures examined concern stability and growth (GDP growth, unemployment, inflation and the budget deficit), the fifth concerns the personal income distribution. We have combined the four indicators of stability and growth, unweighted, country by country, to calculate a composite score. Scores awarded were then confronted with national performance in the fight against poverty. The results show that the Central European countries combine moderate economic stability and a low poverty rate. Western and Northern European countries score generally well on both dimensions, while the Southern European countries show a less positive performance. The Anglo-Saxon countries, including the UK, are characterised by moderate economic stability and a relatively high poverty rate. The Netherlands scores reasonably well in terms of economic stability, and is apparently successful in bringing down the poverty rate.

Education (Chapter 3)

Government intervention in the production and consumption of education is justified by positive externalities, and for reasons of social justice – to create equal opportunities of access. Based on the structure of primary and secondary education, the report identifies four types of education system:

1. Systems with a strong degree of differentiation from the first or second year of secondary school onwards. This group comprises Belgium, Germany, Luxembourg, the Netherlands and Austria, as well as Hungary, Slovakia and the Czech Republic.
2. Systems with a uniform first phase of secondary education. In the second phase, pupils receive either general or vocational education. This group comprises France, Ireland, Italy, Spain, the United Kingdom, Cyprus, Lithuania, Malta and Australia.
3. Systems where primary and lower secondary education are integrated. In these systems, too, there is differentiation between general and vocational education from the second phase of secondary school. This group includes the Scandinavian countries, Portugal, Latvia, Estonia, Poland and Slovenia.
4. Systems with uniform primary and secondary education, where vocational education plays a minor role: the US, Canada and New Zealand.

On average, countries spend 5.5% of GDP on education. The leaders include Denmark, Sweden and Cyprus, with a figure of around 8%, while Greece, Luxembourg and Slovakia make up the rear, on 4%. The Netherlands finds itself somewhere in the (lower) middle

range, having gained considerable ground in recent years. The number of teachers per 1000 inhabitants ranges from 21 in Spain to around 45 in Lithuania and the US. Here, too, the Netherlands is in the mid-range, on 27. Teachers' pay is relatively high in countries as diverse as Denmark, Spain, Portugal, Australia and New Zealand. It is low in Sweden and a number of the new member states. The Netherlands pays high salaries to teachers in upper secondary education, and fairly average salaries for primary and lower secondary teachers.

Enrolment among school-age children is virtually 100% in all countries, as would be expected. In the 15-19 age group, enrolment ranges from 72% (Italy) to 91% (Belgium). The Netherlands follows directly behind the leaders, along with France and Germany. The EU Lisbon Agenda sets targets to reduce the number of early school leavers. Those leaving school should boast at least a basic qualification, i.e. they must have completed a general or vocational course at upper secondary level. Currently, only 50% of all youngsters achieve a qualification at this level in Malta and Portugal. By contrast, Denmark, Germany and the Czech Republic score 90% or more. At around 70% to 80%, the Netherlands again finds itself somewhere in the middle. Most of the new member states and the Anglo-Saxon countries do well on this criterion.

A distinction is drawn in the report between two forms of tertiary education (A and B). Type A involves relatively long, theoretically-oriented courses, and type B relatively short, skills-based courses. With an entry rate for tertiary type A education of over 50%, the Netherlands takes a position in the upper middle range. At the head of the field are Finland, Sweden, Poland, Australia and New Zealand, with entry rates of 65% or more. If tertiary type B education is also taken into account, the Netherlands switches to a mid-ranking position.

Only the non-European Anglo-Saxon countries, Sweden, Denmark, Austria and Italy spend more per pupil in primary education than the Netherlands (4000 euros per year). Spending levels in Greece, Ireland and – in particular – the new member states are substantially lower, reflecting lower per capita income in these countries. In terms of spending on secondary education, the Netherlands is somewhere in the middle (5500 euros per pupil). Spending is substantially higher in Austria, France and the United States, and considerably lower in Greece, Ireland and the new member states.

Dutch primary and secondary schools have a high student/teacher ratio. Only Ireland and Australia have larger primary school classes, while only Canada has a higher student/teacher ratio in its secondary schools. Recently, the Netherlands has introduced measures to reduce primary class sizes, raising spending per pupil substantially between 1998 and 2002. The extra money is intended to improve the quality of education, but whether this lofty goal will be met remains to be seen. Research trying to link average class size and

educational attainment in Dutch primary education has not found small classes to have a positive effect on the quality of education.

One objective indicator to assess the quality of national educational systems is the probability that pupils will complete their course successfully. Data on the 'survival rate' are available for tertiary education. The country average is 67%. The Netherlands comes close, on 69%. Spain, Ireland, Finland, the United Kingdom and Poland post relatively high scores (75% or more), while Sweden and Italy have low survival rates (between 40% and 50%). Apparently, this is the price Sweden pays for its very high intake figures.

A subjective measure of quality is public confidence in the education system. Parents express great confidence in schools in Finland, Malta, Ireland, Austria, Poland and Slovenia, and voice doubts on the quality of schools in Greece, Italy, the Czech Republic and Portugal. The Netherlands and the US take a middle position. Strikingly, public confidence bears little or no relation to the type of education system, the level of education spending (in terms of GDP), or objectively defined qualifications obtained by pupils.

Results of international comparative achievement tests – which measure reading skills, mathematical skills and scientific literacy among 15-year-olds – are highly informative. The Netherlands scores high on these tests, as do Finland and Canada. The United States ranks somewhere in the middle, whereas Luxembourg, a number of Mediterranean countries and the new member states book low achievement test scores.

Besides data on pupils' skills, information is also available on the quantity and quality of academic research performed. A quantitative indicator is the number of academic papers published per 100,000 inhabitants. The average for the EU-15 is around 100. With its score of 140 the Netherlands is among the leaders, along with the Scandinavian countries and the United Kingdom. The US comes close to the EU-15 average. One measure of the quality of academic papers is the extent to which they are cited by other academics. Roughly speaking, the score for this indicator is consistent with that for the number of papers published.

Alongside skills, or educational achievement, educational attainment – the level of qualifications acquired – is an important yardstick to measure the quality of an education system. An indicator is the proportion of the population aged 25-34 year to have attained upper secondary education or tertiary education. The country average is around 62%. The Netherlands scores only slightly higher (65%), which puts it behind eleven other nations. Portugal comes bottom with 20%. The Netherlands occupy a similar mid ranking position with respect to the proportion of tertiary (type A plus type B) graduates.

We have attempted to encapsulate the overall effectiveness of national education systems in a single measure which combines achievement and attainment indicators. Top of the table

are Canada and Finland, which score high on both indicators, followed by the other Anglo-Saxon countries and the Netherlands. The Netherlands is something of an exception, combining a high score for achievement with a fairly mediocre score for attainment.

OECD analyses provide additional insight into the effects of education systems in the form of literacy tests among 15-year-olds (Education at a Glance 2003: 91-98). They distinguish between 'within-school variation' and 'between-school variation'. Scores reported by the OECD appear to correlate closely with the four education systems distinguished here. Countries in group 1 have high between-school and low within-school variation. The reverse applies to the other groups, particularly group 3 (the Northern European countries).

Promoting equal educational opportunity for children from different backgrounds is an important aim of Dutch education policy. This presumably is also the case in other countries. Ideally, the average achievement score should be high and there should be little difference in the performance of children from families with high or low socio-economic status. Reading skills scores suggest that these two aims are not mutually exclusive. It would therefore appear that there is no unavoidable trade-off between equality of opportunity and quality. Education systems that perform well are also better at reducing differences related to the varying social background of pupils.

Is there a link between the attributes of education systems, the average level of achievement and inequality of educational opportunity? Our results are far from unambiguous. Group 1 – countries with maximum differentiation in their education system – includes the Netherlands, with a high average score for achievement and good equality of opportunity, and also countries where the reverse applies (Germany and Luxembourg). Group 3 – countries with minimum differentiation – includes countries that score well in both respects (Sweden and, above all, Finland) and one country with fairly poor scores: Portugal. On balance, however, a pattern does emerge. Most countries in group 1 perform less well in terms of equality of educational opportunity and have mediocre to poor scores on results of the school system. The Netherlands seems to be the exception that proves the rule. The countries in groups 3 and 4 generally score well on opportunity and results, and countries in group 2 are widely distributed around the average on both counts.

Although further research is certainly needed in order to draw definite conclusions, our preliminary results indicate that broad-based, undifferentiated educational systems generally perform better.

The composite effectiveness score does not correlate strongly with public confidence in the education system. Finland and Ireland are at one end of the spectrum, and a number of Southern European countries are at the other. System characteristics would seem to have very little bearing on public confidence.

The effectiveness of national education systems can be set against the costs of education (in euros). On the curve (the 'frontier') are Poland, with very low costs and poor results, Hungary and the Czech Republic with moderate costs and moderate results, New Zealand with good results at fairly low costs, and Finland and Canada which incur fairly high costs, but achieve very good results. The Netherlands, the United Kingdom and Ireland also strike a good balance between costs and effects. The US, Sweden and Denmark achieve reasonable effects, but incur relatively high costs. Portugal, Greece and Italy have fairly low expenditure, but record also poor results.

It was agreed in the Lisbon Agenda that the number of early school leavers should be reduced to 10% by 2010. By then, 85% of all persons aged 22 year should have attained at least upper secondary education.¹ It is doubtful whether either of these targets will actually be hit. Despite the rise in the overall level of education over the past half century, there are signs that many countries are reaching saturation point. The Netherlands, for example, has a persistent problem group of around 17% – a figure that is rising, if anything – comprising unqualified school leavers and problem pupils for whom upper secondary education is simply an unattainable goal. A further 8% begin upper secondary education but fail to complete it. Against this background, it is difficult to understand why some other countries do not seem to have similar problems on this scale. Part of the explanation may well be that some countries apply less rigorous standards for their final qualifications. Some features of the Dutch school system may also have a negative impact, notably early and radical differentiation by school type that might lead to stigmatisation. The arrangements in lower secondary education may contribute to a discontinuation of the school career of pupils and weaken the labour market position of school leavers. If lower secondary education were to last three years or – as is the case in some countries – would start at the age of eleven, pupils would have the opportunity to make the switch to secondary vocational education earlier, and would experience greater incentives to complete their education.

The moral of this story for policymakers in the Netherlands is that the nation will not succeed in bringing about a substantial reduction in the number of early school leavers, without either changing the system or setting more flexible qualification standards. As a result, the Netherlands is also unlikely to achieve the Lisbon target for secondary and higher qualifications (85% of all persons aged 22 year). As a matter of priority, the country should therefore reduce the number of people leaving secondary professional and higher education before graduating.

¹ Other objectives, such as those connected with lifelong learning and the reduction of differences in higher education enrolment rates between men and women do not fall within the scope of this chapter.

Health Care (Chapter 4)

Universal access, high product quality and financial sustainability are key objectives of government health policy in virtually all OECD countries. The funding of health care is one of the greatest challenges facing governments today. Health spending is on the rise, for a number of reasons. One reason is that the costs of health care products are rising much faster than the costs of other goods and services. Many expect demographic ageing to push up health spending further.

The financial sustainability of largely publicly funded health care is a prime concern for policymakers in the EU-15 countries. Most of the new member states face a different challenge of improving the efficiency and accessibility of their health care system.

Most countries try to maintain the financial sustainability of their system by adjusting supply and introducing more market forces. Measures to adjust supply include providing more health care outside expensive institutions, introducing tighter budget restrictions and reducing the coverage of the compulsory insurance package. Market forces can be strengthened by introducing out-of-pocket payments to reign in demand for services. In addition, policymakers hope to encourage individuals to adopt a healthier lifestyle. Cleaning up the environment can also improve public health.

Although policy objectives are roughly the same everywhere, countries have put very different health care systems in place to achieve them. This applies both to supply mechanisms and to funding. In some countries, private parties supply care: doctors are self-employed, hospitals are privately run. In other countries, most doctors are on the payroll of state-run hospitals. In funding, the main focus is either on private payment (including premiums for private health insurance) or on funding from the public purse (taxes, compulsory social insurance contributions). Most countries in fact have mixed systems. At opposite ends of the spectrum are the United States, which has a mainly private system, and Sweden with its virtually exclusively public system.

Countries covered in this report can be grouped as follows:

- (1) East European countries where funding is from compulsory contributions (Bismarck system) and patients are rarely required to make out-of-pocket payments.
- (2) Countries with a largely public health care system and few out-of-pocket payments: Finland, Latvia, Portugal, Italy, Australia and New Zealand.
- (3) Countries with a largely public system and a role for out-of-pocket payments: Denmark, Spain, Canada, Ireland and the United Kingdom

- (4) Corporatist countries, where funding comes from compulsory contributions and patients are frequently required to make out-of-pocket payments: France, Germany, Belgium and Austria.
- (5) A heterogeneous 'other' group consisting of the US, Greece, Sweden, Cyprus, Malta, Luxembourg and the Netherlands

In 2000, the EU-15 countries spent over 8% of GDP on health care. In the accession countries, health spending is 5% to 7% of GDP. The US has by far the highest health spending ratio of all, at 13% of GDP. High costs are caused in part by high incomes earned in the health care sector. Also, litigation by patients has pushed up insurance premiums, increased the number of medical tests carried out and prompted health care suppliers to use the most modern equipment available.

In the Czech Republic, Sweden, Denmark and the United Kingdom, more than 80% of health spending comes from public coffers. The Netherlands belongs to a broad band of countries where 65% to 80% of health care is publicly funded. The US is the only country where more than half of all health care is privately financed. In the Netherlands, private financing comes mainly from insurance premiums. The share of out-of-pocket payments is fairly small. In Portugal, Finland, Spain, Greece, Poland and New Zealand, on the other hand, private financing is mainly in the form of out-of-pocket payments.

The large differences in health spending per capita correlate strongly with GDP per capita. The higher a country's income, the greater the demand for health care and the higher the cost price of health care products. There is virtually no link between spending levels and the type of health care system. Another notable point is that the differences in spending levels cannot be explained to any great extent by the degree of demographic ageing. Factors such as lifestyle (smoking, alcohol consumption, overweight), the use of medical equipment and the degree to which general practitioners act as gatekeepers to specialist care also offer very little explanation for differences in the share of GDP devoted to purchasing health care services.

Inpatient care is provided in regular hospitals, psychiatric hospitals and nursing homes. Austria is notable for its relatively high number of hospital admissions: 270 per 1000 inhabitants. Austria as well as other countries in the corporatist cluster (particularly France and Germany) generally have high admission rates. The admission rate is high in the East European countries and Finland, too. Spain, Portugal, the Netherlands, Canada and the US have fairly low hospital admission rates, at around 100 per 1000 inhabitants. The average number of hospital bed days per patient in the EU-15 was 6.7 in 2000. The Netherlands posted a higher figure: 8.6 bed days.

There are major differences in the number of doctors' consultations per capita, both general practitioners (GP) and medical specialists. Two countries – Hungary and the Czech Republic – record exceptionally high scores, with an average of over 12 consultations per person per year. The score in most countries is somewhere between 4 and 8, and the Netherlands comes just below the EU-15 average, on 6.

There seems to be a slight positive correlation between the number of GPs and the number of hospital admissions. Where GPs act as gatekeepers, one might expect to see a negative correlation. However, this is not the case at country level, suggesting there is in fact complementarity between the consumption of both health services: countries where people visit the doctor more frequently also make greater use of inpatient care provisions.

Costs per bed day differ significantly from one country to another. These costs are relatively high in Sweden, followed at a slight distance by Canada, the US, Italy and Spain. The Netherlands comes just behind the leaders. Germany, the UK and Finland have the lowest costs per bed day in the EU-15. Analyses suggest that in the Netherlands three factors play a role in increasing costs per bed day: (1) more intensive treatments in hospitals, (2) demographic ageing and (3) the general rise in the relative cost price of labour-intensive services. The lower the number of bed days per capita, the higher the cost per day. This is probably partly because of more intensive treatments and the more efficient use of the capacity available.

Product quality is an increasingly important issue in health care. On the basis of the data available, we can report here only on waiting times for non-urgent curative care (elective surgery) and public confidence in the health care system as a whole. Nine of the EU-15 countries report substantial to long waiting times for elective surgery. Five EU countries (Belgium, Austria, France, Germany and Luxembourg) report no waiting times of any note. The Netherlands occupies a position in the middle.

Generally speaking, it would appear that greater capacity, more financial resources and higher user payments, all reduce the likelihood of waiting lists. Thus, waiting list problems occur primarily in health care systems with limited market forces. Since there is a clear link between capacity and the length of waiting lists, one is inclined to conclude that additional resources can help reduce waiting times. However, this is not necessarily the case. In practice, an unconditional increase in supply can cause a rise in demand. Policy makers may therefore consider to introduce targeted financial incentives, to prevent this happening. Improving patient management in hospitals, such as more efficient planning of procedures and prevention of cancellations, can also help reduce waiting times.

One important quality indicator is public confidence. Residents of Malta, Austria and Finland express great confidence in their health care system, in contrast to the residents of some Mediterranean countries, including Greece, Italy and Portugal. Health care systems in the new member states of Eastern Europe do not generally enjoy much public confidence either.

The main aim of health care systems is of course to improve the health of the population. Good health is reflected in long life expectancy, low infant mortality, a high proportion of healthy life years and a general feeling of good health. These indicators together constitute an index of health status, measuring the effectiveness of national systems. Scores on this index range from 1.6 in Hungary to 6.3 in Sweden. Most countries score between 5 and 6. Portugal, the US and the new member states fail to make 5.

There is certainly no direct relationship between health spending as a proportion of GDP and the effectiveness of the health care system. The US combines relatively limited effectiveness with extremely high spending. On the other hand, the Czech Republic manages to achieve a reasonable effectiveness score with relatively limited inputs. Limited inputs are in some new eastern European member states linked to low labour costs, which is the source of dissatisfaction in the profession. Quite surprisingly, the relationship between a country's health status index score and health spending is hardly affected by differences in the demographic make-up and life styles of the population.

As noted, accessibility, quality and financial sustainability are other important dimensions of health care systems. Therefore, it is interesting to examine health scores and health spending in conjunction with these dimensions, focusing on the effectiveness of systems in a broader sense. Indicators of the functioning of national systems selected here are (1) public confidence, (2) the length of waiting lists for non-urgent hospital care and (3) the proportion of health spending in the form of out-of-pocket payments. It is assumed that high out-of-pocket payments might impede access to health care for the poor. By analogy with the method applied by the World Health Organisation, the health of the population and the functioning of the system have been given equal weight.

Sweden, France and Austria lead the broad effectiveness index. Leading countries owe their position to the fact that they score fairly well on all four components (health of the population, confidence, waiting lists and out-of-pocket payments). Only Sweden scores lower on the waiting list indicator. France has very high out-of-pocket payments. Countries at the bottom of the list score badly on at least one indicator: Hungary for the health of the population, Portugal and Poland for the high proportion of health spending out of patients' pockets.

Some of the countries that do well in terms of effectiveness in the narrow sense (health status of the population) drop down the ranks when the effectiveness of their system in a broader sense is measured.

If the aim is to achieve good health at a reasonable cost, one could do worse than follow the examples of Sweden and France. Austria and Belgium do almost as well. Although Germany and Luxembourg achieve similar results in terms of health and health care, these countries incur considerably higher costs. The Netherlands, Australia, Canada and Denmark achieve a slightly lower standard of health and health care with similar costs as Sweden and France. Spain and Finland achieve the same levels – as do Ireland, the UK, Italy, New Zealand and Greece, albeit to a slightly lesser extent – but these countries spend much less on health. Portugal spends almost the same as Spain, but clearly achieves lower standards of health and quality. The same applies to Hungary, which spends almost the same as the Slovakia and the Czech Republic, but achieves lower standards. The US is again the exception: a poor performance in terms of the health of the population and the functioning of the system, at very high cost.

The correlation between the five types of health care system and the score on the composite index appears to be fairly weak, although corporatist systems do have systematically higher scores. They appear to allow countries like France, Germany, Austria and Belgium to achieve good performances. However, with the exception of France, corporatist countries fail to achieve the standards of Sweden, even though their spending exceeds Swedish levels.

Law and order (chapter 5)

Observed trends in crime figures may have specific national causes, but they will often fit in wider international patterns. For instance, over the past ten years violent crime in the Netherlands and most of its neighbours rose at roughly the same rate. Clearly, then, forces not confined to the Netherlands are at work. For various reasons, national crime figures are sometimes hard to interpret. The compilation of international comparative crime statistics is especially fraught with difficulties, because law enforcement is organized so differently in the countries covered by this report.

In classifying legal systems, one can start with the traditional distinction between the Anglo-Saxon common law tradition and the continental European civil law tradition. However, the specifics of the criminal justice system depend on many other system properties, including the distinction between an adversarial and an inquisitorial legal system (the former is characterized by an impartial position of the judge and is typical for the Anglo-Saxon and Scandinavian countries), the importance of private security firms (high in the Anglo-Saxon

countries), and the repressiveness of the system (severity of punishment and staff per inhabitant; high in Southern and Central Europe and the US). On the basis of these criteria eight country groups are recognized: a Scandinavian, three West-European, a South European, a Central European and two Anglo-Saxon groups.

In the publicly-funded law and order sector, staff numbers range from 270 (in Finland) to 830 per 100,000 inhabitants in Italy. Relatively high numbers also occur in most other Southern and Central European countries, low numbers in the Scandinavian countries, the UK, Australia and Canada. However, the latter three countries and the US are characterized by a sizable private security sector. At 400, numbers are slightly on the low side in the Netherlands. For the police force alone, the staff numbers for Finland, Italy and the Netherlands are 150, 540 and 260 per 100,000 inhabitants, respectively. The Netherlands has average staffing levels in its prison service. Greece, Slovakia, Denmark and Belgium have low numbers of prison staff, in contrast to the US and Estonia, which have high staffing levels.

Sweden, Finland and New Zealand have the highest levels of recorded crime, at over 10,000 offences per 100,000 inhabitants. Ireland, Cyprus and Slovakia, on the other hand, post fewer than 2000 recorded offences per 100,000 inhabitants. The Southern European countries and new member states also do fairly well. The same applies to the US, despite its bad reputation in this respect.

Arguably, the most dramatic of all crimes is homicide. Curiously, homicide is relatively frequent in a number of countries that do not otherwise post high crime rates, such as the Baltic states and the US. Even the rough data in this report support the theory that wide availability of firearms increases the likelihood of violence involving firearms.

The pattern is very varied when it comes to other violent crime. England/Wales, Sweden, Belgium and Finland have high rates of assault. The highest figures for rape are found for the US, followed by Ireland, Sweden and Belgium. Robbery is most prevalent in Estonia. The Netherlands has average rates for all of these crimes. Greece, Italy and the new member states (with the exception of the three Baltic states) record low rates of violent crime.

Sweden has the highest rate of property crime, followed by the Netherlands, England/Wales and Denmark. The Netherlands' high rate is mainly the result of the many bicycle thefts that occur here. Low property crime figures are typical of the Southern European countries and the new member states. The number of drug-related crimes is particularly low in the Netherlands. This can be explained by the Netherlands' policy of tolerance, whereby drug dealing is prosecuted, but possession of drugs for personal use is not. The scale of problematic drug use and the proportion of young people who have used

marihuana or cannabis are also relatively low in the Netherlands. By contrast, however, the Netherlands is unmistakably a major centre of the international drugs trade.

The prison population in the Netherlands is not particularly large in comparison with other countries. The number of prisoners is just below the EU average. However, the Dutch prison population has grown rapidly since 1987. The US and the Baltic states are notable for their very large prison populations.

In the system analysis we focus on the repressiveness of the criminal justice system, that is, the extent to which countries are tough on crime. We measure 'toughness' by comparing the type and length of sentences and the staff and resources deployed in the fight against crime. The Southern and Central European countries have rather repressive systems. The US and Latvia are the most repressive, with more than 50 prison days per recorded offence.

To obtain a comprehensive snapshot of the way the entire criminal justice system functions, the number of convictions can be expressed as a proportion of the number of recorded offences. By this criterion, Greece has the highest score, at over 40%, followed by a number of new member states with scores between 15% and 25%. Finland and England/Wales have the highest rates among the EU-15 (15% to 20%). The Netherlands comes bottom of the table, on 7%. However, the latter number rises considerably if out-of-court settlements by the public prosecutor are counted as convictions.

Labour productivity in the criminal justice system can be expressed as a quotient of the number of convictions and the number of staff. Thus defined, productivity is very high (at 5 to 8 convictions per full-time equivalent) in Finland, Sweden and England/Wales. We should note, however, that in the case of Sweden multiple crimes are counted as as many convictions. Productivity is low (at less than one conviction per FTE) in Ireland, the Southern European countries and in a number of new member states. The Netherlands scores 1.7 convictions per FTE. However, this number rises considerably if out-of-court settlements are taken into account.

Staff numbers in the criminal justice system per 1000 offences vary sharply from country to country. They fall well below 50 in the Netherlands, Denmark, Finland, Sweden, England/Wales and Canada. Cyprus lies at the other extreme, on 900. Greece, Spain, Ireland, Italy, Portugal, many of the new member states and the US also have high scores (between 140 and 280 FTE per 1000 offences). The Southern European countries and many new member states have low crime rates and high staff numbers. The reverse applies to Sweden, Finland, Denmark, Canada, England/Wales and the Netherlands.

Like Denmark, Ireland, Finland and Sweden, the Netherlands has a ratio of prisoners to prison guards of 1:1. In the majority of countries the ratio is between 1:1 and 3:1, but it is much higher in Slovakia and the US. Expenditure per prisoner is also very high in the

Netherlands, at approximately 90,000 euros per prisoner, as against 30,000 in the US. It is not clear whether the high staffing levels and high expenditure per prisoner in the Netherlands should be seen more as a sign of inefficiency or as an indication of high quality.

Only a fairly small proportion of crimes (10% to 20%) are reported to and recorded by the police. Population surveys therefore give a clearer picture of crime rates. The key questions in such surveys concern the extent to which respondents have themselves fallen victim to crime. Strikingly, the Netherlands turns out to have the highest risk of victimization, mainly as a result of the high frequency of two types of offence: bicycle theft and car vandalism. The picture is clearly different when it comes to certain other types of crime.

There is strikingly little correlation between fear of crime and the actual risk of victimization. Respondents in Portugal, Poland and Australia often say to feel unsafe, even though the probability of falling victim to crime in those countries is very low, average and high respectively. The Dutch feel relatively safe, on the other hand, even though they have a relatively high risk of victimization.

Scores for confidence in the police and criminal justice system range from 2 to 8 (out of 10). The highest marks go to Denmark (8), Finland (over 7) and Austria (almost 7). The Netherlands has an average score (5). The Czech Republic, Estonia, Latvia and Slovakia score less than 4.

Contrary to expectations, there is a weak positive correlation between crime rates and confidence in the police and criminal justice system. The Northern and Western European countries, Australia and New Zealand typically have average to high crime rates, but in surveys respondents express average to high confidence in the system. The Southern European countries and, more especially, the new member states, combine low confidence with low crime rates. Table S.1 relates these surprising outcomes to a number of other findings.

Table S.1 Connections identified in this report (schematic)

	crime rate	repressiveness (severity of punishment)	repressiveness (number of staff)	likelihood of punishment	productivity	confidence
Northern and Western Europe, Australia, New Zealand	high	low	low	low, except for Finland and England/Wales	high	high
Southern and Central European countries	low	high	high	high, except for Portugal and Spain	low	low

Source: SCP

Countries in each group have similar levels of repressiveness (severity of punishment and size of resource inputs), likelihood of punishment and productivity. The low productivity in countries with low crime rates is associated with high staff numbers in relation both to population size and crime figures. Low confidence in the police and criminal justice system in

these countries is probably connected with another inherent aspect of repressiveness: a strong focus on tackling crime and catching offenders might mean that there is less regard for the rights of offenders and the quality of evidence. There might also be a link between low pay in the public sector and low confidence in connection with corruption in some of these countries (see also Chapter 6). An alternative explanation could be that a lack of confidence moves people not to report crimes to the police. Indeed, the discrepancy between the number of crimes reported in population surveys and registered offences is relatively high in countries such as Poland, Portugal and Spain. However, this registration failure can only partly explain the differences between the country groups. Further research of an entirely different kind would be needed to shed more light on such relationships.

Public Administration (Chapter 6)

Declining confidence in government institutions and growing demands on the public finances have prompted governments to initiate policies aimed at trimming the public sector and increasing its efficiency and effectiveness. The view that decentralization may improve the functioning of the public sector is gaining support in many quarters. Decentralization is usually seen from a financial perspective, with a focus on devolving public resources. Three groups of countries may be distinguished here. Firstly, the Scandinavian countries, with a very strong local sector; second, a number of Central European countries, including France, with a medium-sized local sector, and finally a number of countries with a small local sector, mainly Southern European countries. The degree of decentralization is also reflected in the distribution of public servants among different government tiers. Over the years, the statistics show a shift in staff employed by central government to staff on the payroll of local and regional authorities. The Scandinavian countries and most of the federal countries have relatively small central governments. Belgium is an exception. In unitarian states such as France, the Netherlands and Italy, the proportion of public servants working in central government is significantly higher.

Outlays for public administration purposes (policy making, legislation and general management) vary between 1.3% (United Kingdom) and 4.8% (France) of GDP. Most countries spend between 2.5% and 3.5%, except for Ireland and Spain (somewhat less) and Sweden and Austria (somewhat more). The number of government employees per 1000 inhabitants ranges from 4 in Cyprus to 33 in the United States. In EU-15 countries the ratio of public administration staff is relatively low in Greece, Italy and Ireland and high in Belgium, Denmark and France. The staff-ratio ends up between 15 and 25 per 1000 inhabitants in the other EU-15 countries.

The financial reform agenda focuses on three major policy issues: (1) introducing greater financial responsibility for public sector managers, (2) working towards results-based budgets and (3) adopting multi-year budgets.

More involvement of elected officials with the budget implies greater limits to discretionary powers of public managers. One indicator of the degree of parliamentary control over the budget and the ensuing restrictions for managers is the degree of detail to which the budget is appropriated. In some countries, parliamentary appropriation occurs at an aggregated level and it is possible to carry over unused budget resources at the end of the year, albeit sometimes only under certain conditions. This group includes Australia, Denmark, the Netherlands and the United Kingdom. Diametrically opposed to this group is a cluster of countries with less management freedom, where there is no end of year flexibility and parliamentary appropriation is very detailed (the US, Slovenia, Spain). Another indicator of parliamentary control is the legislature's influence on the budget. In most countries studied, the budget submitted by the executive is approved without major amendments (amounting to less than 3% of the total budget) and in some countries parliament approves the budget without making any amendments.

Increasingly, governments focus on results of policy efforts as the basis for their budgeting. Also, a number of countries are moving towards accrual budgeting, a system showing costs and benefits instead of cash flows. Australia, New Zealand, Finland and Sweden have introduced full or partial accrual budgeting whereby performance information is provided for all programmes. In the US, the Netherlands, Denmark, Slovenia and Spain performance information is included in the budget documents, but they have opted (as yet) not to make the move towards accrual budgeting. Finally, Ireland, Portugal, Austria, the Czech Republic and Greece maintain the traditional line-item cash budget geared mainly to inputs, with little performance information.

The third trend in the modernisation of government finances has been a move towards the adoption of multi-year budgets. Most countries add multi-year forecasts to their budgets to place their annual income and expenditures in a longer-term perspective. In most cases, these forecasts are purely informative. However, in Italy and the United States, parliament does have to approve the multi-year budget.

Nowadays, strategic human resources policy, competency management and equal opportunities policy are key concepts in the modernisation of human resources management. The Lisbon agenda aims to raise the employment rate of women from an average of 51% in 2000 to more than 60% by 2010. As yet, an average of 47% of staff employed in public

administration and defence are women. The average is much higher in education (69%) and in the health care and social welfare sectors (80%).

The development of a knowledge-based society also has implications for the services produced by the public sector. When ranking the e-performance of public administrations, the list is headed by the US and the other Anglo-Saxon countries. The Scandinavian countries and the Netherlands perform well too.

By the very nature of its products – shaping policy in a wide variety of areas, law making, maintaining public order, managing the government apparatus – no ‘natural’ performance indicators are available for the public administration as such. Arguably, the functioning of government administrations can therefore be measured best by using subjective indicators. Such indicators reflect mainly trust and confidence in the Civil service. For the purpose of this report, four indicators of government quality have been selected: (1) the size of bureaucracy, (2) transparency and (3) effectiveness of government interventions, and (4) corruption. Bureaucracy seems to hinder economic activities more in Southern than in Northern European countries. Between 1995 and 2003, bureaucracy is perceived to have been on the increase, especially so in New Zealand but also in Germany, Sweden and the United Kingdom. Transparency of government is judged by survey respondents markedly more positive than bureaucracy. Within the EU-15 area, Northern countries generally perform well in this respect. The level of transparency has strongly improved between 1995 and 2003. Effective implementation of decisions and regulations is found in the Scandinavian countries. Greece, Germany and Italy are seen as having some difficulty in implementing government decisions. Effective implementation of governmental decisions did not change much between 1998 and 2003. In the perception of respondents, corruption levels differ strongly in European countries. Especially Scandinavian countries are seen as less corrupt. The relatively poor scores of Italy and Greece are striking, as well as the poor scores of most new member states in Eastern Europe.

Confidence of the population in the Civil service differs strongly across countries. On average, confidence in the Civil service amounts to about 70% of confidence in other public sector institutions, like health care, safety, justice, education and social security.

Tentatively, the effectiveness of public administrations can be assessed by relating expenditure on administrative services (per capita) to subjective statements of respondents in opinion surveys on (1) the quality of government performance and (2) confidence in government institutions. For the purposes of this report, subjective statements on the quality of the government are bundled into a composite index of perceived bureaucracy, transparency, effectiveness and corruption. It turns out that there is only a weak relation

between expenditure per capita and government performance as perceived by respondents. Low spending countries are seen as generally performing slightly below average, whereas high spending countries do slightly better. The most striking observation concerns Finland, which combines a fairly moderate spending level with a perceived high quality of government interventions. In general, a strong correlation exists between subjective quality of government expressed by the business community and confidence in the Civil service expressed by the population at large.

To summarize, from an EU-15 perspective it is possible to identify two clear extremes and a large middle group. The Nordic countries are highly territorially decentralized. Local authorities are sizeable and enjoy a large degree of autonomy. Financial management and e-government are fairly well developed. A relatively large number of women work in the public administration. The performance of the government and Civil service is valued highly, both by the business community and the population. In terms of most indicators, the Netherlands and Luxembourg are in line with these countries, except in terms of the gender balance. The other outlier comprises a number of Mediterranean countries, particularly Italy, Greece and Portugal. Spain differs somewhat from these three. Local administrations operate on a much smaller scale, but no clear picture emerges as to their financial modernization processes. These countries also post low scores when it comes to e-government. Few women are employed in the public service, and the appreciation of administrative performance is below the European average. The third and largest group of countries are located somewhere in between and exhibit no systematically differing properties. This group includes the countries of Central Europe (Belgium, Austria, Germany, France) and the Anglo-Saxon countries (the United Kingdom and Ireland).

Public sector performance (Chapter 7)

The concluding chapter of the report synthesizes findings presented in earlier chapters. It links the performance of the public sector of welfare states to (1) institutions and (2) scarce resources allocated to (public) programmes. A typology of the public sector of the countries studied should tie in with structural characteristics of welfare arrangements, which – at least in part – determine the degree to which citizens enjoy basic rights such as to education, health care, law and order and quality services from a trustworthy public administration. Three sets of indicators are employed to group welfare states in terms of public services delivered: (1) resource inputs, (2) the way countries finance the services concerned and (3) how services are delivered to citizens. The first set of indicators represents the input of scarce resources to produce public sector services. Since inputs are measured in absolute

levels at comparable prices, this indicator reflects to a large degree income per capita in the countries covered in the report. The second set of indicators reveals the public versus private orientation of national institutions. The key factor here is the degree to which health care and education programmes are publicly or privately financed. Notably, this set of indicators also reflects the degree of repressiveness of law and order institutions. Countries with a stronger orientation towards private financing of health care and education tend to tackle law and order problems more rigorously. A final set of indicators reflects three policy dimensions: the type of welfare state, the degree of differentiation in the education system, and the type of criminal law system.

Combining the first and second sets of indicators, we find three country clusters: Poland, Lithuania and Greece are located in the private, low expenditure area; the US in the private, high expenditure area and Denmark, Sweden, Luxembourg, Austria, Belgium and France are in the public, high expenditure area. When combining the second and third sets of indicators, the Scandinavian countries are found in one cluster, reflecting a publicly oriented welfare system, relatively low expenditure on the police and judiciary, a school system with little early differentiation between pupils and a Beveridge-type health care system. A second cluster comprises most of the countries of Western and Central Europe, with publicly-oriented systems, generally strongly differentiated school systems and Bismarck-type health care systems. A third cluster includes the non-European Anglo-Saxon countries, which combine a stronger privately-oriented system with a Beveridge-type health care system and a uniform education system. A final cluster holds the Southern European countries, with a Beveridge-type health care system and various types of education system.

To measure the quality of public sector services, separate scores for education, health care and the fight against crime may be combined to create a single performance index for each country for which sufficient data are available. This particular index may be said to represent the allocation function of the public sector. The score of most countries deviates unambiguously from the average. Ireland and Finland score well above average, followed by a group of EU-15 countries, the Czech Republic, Slovakia and Canada. Poland, Hungary and Portugal make up the rear. Ireland achieves its top position thanks to its very low crime rate, a good score for education and an average score for health. Finland scores very well on the quality of education and health services, but is beaten to the top position by Ireland because of its poor score on law and order.

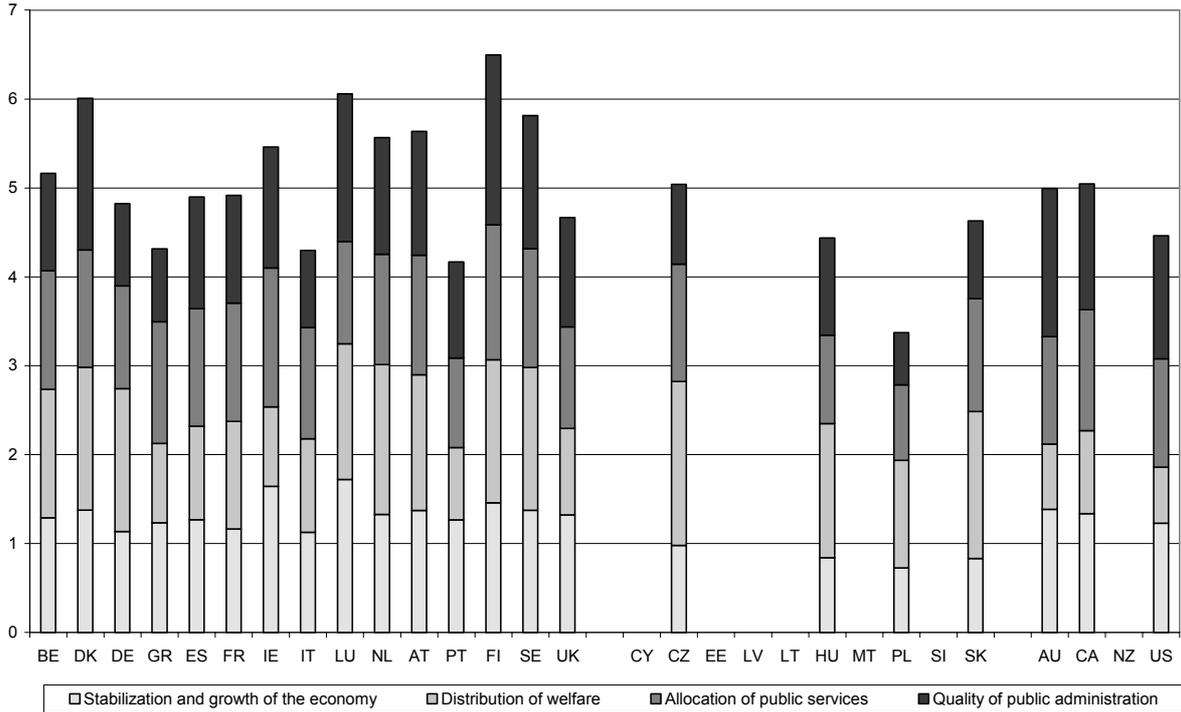
At country level, a significant relationship is established between overall public sector performance and certain system characteristics, but the observed correlation is rather weak. Income per capita still appears to have the strongest influence on overall performance of the

public sector. Also, our results suggest that publicly-oriented systems perform on average better than privately-oriented systems. When overall performance in the policy areas of education, health care and law and order is linked to inputs (resources used), it appears that Ireland and Finland combine relatively limited expenditures (as a proportion of GDP) with high levels of performance. Spain, the United Kingdom, the Czech Republic, Slovakia, Hungary and Poland also use relatively few resources. However, the last two countries, in particular, are characterised by a relatively weak performance. Portugal is rather exceptional, with weak performance at average expenditure levels, as is the US, with fairly poor performance and extremely high spending, especially on health care.

The performance of the public sector can be put into broader perspective, and be related to the three conventional functions of the government: distribution, stabilization and allocation. Here, the quality of public administration is added as a separate function and relevant economic indicators have been selected with the Lisbon Agenda in mind. Altogether, nineteen different criteria are involved in the analysis. However some of these criteria are closely correlated and most other criteria show a considerable degree of correlation. As a result 43 percent of total variance can be explained by one single factor or principal component. Only economic growth, poverty rate and crime are independent of this common factor. Altogether, 85% of total variance is explained by the first 5 components. In a plot of the country positions on the first and second component, summarizing characteristics of the performance of countries, a by now familiar grouping of countries emerges: Central, Southern, Western and Northern Europe and the Scandinavian countries.

The score on various government functions can be combined in one overall index of public sector performance. Figure S.1 shows the performance of twenty-two countries in terms of (1) stabilization and growth of the economy, (2) distribution of welfare, (3) allocation of public services and (4) quality of public administration.

Figure S.1 Overall performance of countries



Source: various

The score for individual variables generally lies between 2 and 8. The variation in the overall score is considerably smaller, at 3.5 to 6.5. This is because no country posts high scores for all individual performance variables. Leaders like Denmark and Finland score high for the quality of their public sector and for distribution, but low on allocation, particularly as a result of their high crime rates. Poland trails the rest of the field, but does well on criteria like economic growth, income distribution and preventing school drop-outs. Generally speaking, the new member states score badly for stability and allocation, the Anglo-Saxon countries do badly on distribution, and Poland in particular does badly in terms of the quality of its public administration.

The overall performance of the public sector can also be related to the confidence that the population vests in their national institutions. Italy, Greece and the Czech Republic score particularly low on public confidence. The Northern European countries, Austria, Ireland and Luxembourg book the highest scores. The Netherlands falls somewhere in the middle, together with the bulk of the Western European countries. There is a fairly strong correlation between public sector performance and confidence in the government expressed by the public. Notable exceptions are the Czech Republic, with reasonable performance but low confidence, and Poland, where the reverse applies.

Furthermore, the overall performance of the public sector can be related to the resources absorbed by producers active in the public sector. Roughly speaking, there is little connection between public sector performance and the level of government spending. By this measure, Finland is the most efficient in producing public services of high quality at moderately high costs, while – in terms of efficient production – Ireland scores slightly above average. Just behind these leaders we find Sweden, Denmark, Austria, Luxembourg and the Netherlands; the first three countries post relatively high government spending levels, while the last two have fairly average spending. Australia, Canada, Spain and the Czech Republic combine an average performance score with fairly low government spending, while others (particularly Germany, Belgium and France) occupy fairly average position in both respects. The US and the United Kingdom perform fairly poor at relatively low public spending levels.

One of the most striking outcomes of the analysis in the present report is that the same clusters of countries repeatedly emerge in analyses of public sector performance, regardless of the policy area reviewed, or the level of analysis. Again and again, Northern European countries, Western European countries, Southern European countries, Central European countries, and Anglo-Saxon countries are demonstrated to form fairly consistent clusters. Table S.2 lists some of the main characteristics of these five groups of countries.

Table S.2 Country clusters

	Northern European ¹	Western European ²	Southern European ³	Central European ⁴	Anglo-Saxon ⁵
1. ageing	medium	medium	high	low	low
2. prosperity (GDP per capita)	medium	medium	low	low	high
3. economic growth	medium	low	high	high	medium
4. public spending (% GDP)	high	medium	low	low	low
5. size of quaternary sector (staff)	high	mixed	low	low/medium	medium
6. private share of quaternary sector	low	medium	low/medium	low	medium/high
7. educational differentiation	low	high/medium	medium	mixed	low/medium
8. educational performance	medium/high	medium/high	low	low/medium	high
9. health care system	Beveridge	Bismarck	Beveridge	Bismarck	Beveridge
10. health care performance	high	high	medium/high	low/medium	medium/high
11. repressiveness of criminal justice system.	low	medium	medium	medium/high	mixed
12. crime	high	medium	low	low	mixed
13. quality of public administration	high	medium	low/medium	low/medium	medium/high
14. aggregated confidence	high	medium/high	low/medium	low/medium	medium*

¹ Finland, Sweden, Denmark

² Germany, Austria, France, Belgium, Netherlands; Luxembourg is a special case

³ Greece, Portugal, Spain, Italy; Cyprus and Malta are special cases

⁴ Czech Republic, Slovakia, Hungary, Poland, Slovenia and Baltic States

⁵ United Kingdom, US, Canada, Australia, New Zealand; Ireland is a special case

* Based on partial data.

Source: SCP

Country characteristics taken into account include demographic profile (1), institutions (7, 9, 11), resource inputs (4, 5, 6) and performance of the public sector (2, 3, 8, 10, 12, 13, 14). It should be noted that, though there is a considerable correlation between public sector performance in the different areas, it is by no means perfect. See the previous discussion of results shown in Figure S.1.

In most respects, the Netherlands shares characteristics with other Western European countries. The Netherlands falls somewhere in the middle when it comes to the size of its quaternary sector. Public confidence in the public sector is fairly low. In our own ranking of public performance, the Netherlands comes sixth. In the World Competitiveness Yearbook, the Netherlands spent several years near the top of the rankings. The country was hit severely by the economic downturn after 2000 and political upheaval in 2002-2003. It would appear that both factors contribute significantly to explain the recent fall of the country to the middle of the ranks among EU-15 countries.

Concluding comments

After mining some of the most outstanding sets of international comparative data on public sector performance, our main, sobering conclusion is that policymakers can draw no quick and easy lessons from our analyses of these data. This is not to say that international comparisons can shed no light on the cost effectiveness of government interventions in individual policy areas (see the relevant chapters in this report). We should note, though, that – at the present stage – it seems difficult to perform in-depth analyses, given the limited quality of and lack of detail in the data available. In particular, in many cases there is a lack of robust and comparable data on output of the agencies concerned and on outcomes of government policies pursued. Therefore, it is to be hoped that international organisations – notably Eurostat and the OECD – continue their efforts aimed to broaden the scope and enhance the quality of statistical work in progress. To this end, different quality and performance indicators are currently formulated.

Having said that, the material brought together in the present report allows to draw a number of conclusions that should be relevant to policymakers and certainly merit further analysis.

Spending ratios are a case in point. Participants in national policy debates often point out that their country spends a smaller share of GDP on, for example, health care or education than other nations do, with the implied message that expenditure on the government programs involved should be raised. However, our report demonstrates convincingly that there is no one-to-one relationship between resources made available to sectors like health care and education and the (overall) performance of the public sector. Put

simply, in many cases more money does not guarantee more effective policy outcomes. Apart from differences in the efficiency with which public sector services are produced, there are several explanations for the weak link between public money and public performance. Firstly, demography is important. If the age group 0-14 is shrinking, less resources are needed for primary education without loss of quality. Similarly, ageing populations imply greater demand for nursing homes. Seen in that light, policymakers may be surprised that the report finds no clear link between the relative size of age group 65 and over and the level of health care spending. Relative wage levels in the market sector and the public sector of the economy offer a second explanation for the weak link between money and policy outcomes. If wage levels in the labour intensive production of public services are relatively low, taxpayers get more and arguably better services, if a given share of GDP is available for (public) funding. Conversely, relatively high wage levels in the public sector reduce the volume and arguably the quality of public services that can be bought for the money available. A final explanation is that large bureaucracies often have trouble handling an outpour of new money. Part of additional resources will be used to improve working conditions and incomes, or simply be wasted.

Clearly, public spending and private payments for public services should be lumped together to measure the total resources a nation devotes to health care, education and other service sectors. This is yet another reason why public spending ratios should be interpreted with care.

The report distinguishes between four types of education system and ranks countries in five groups on the basis of their health care system. It appears that there is no systematic relationship between country systems and spending levels and between country systems and performance.

A fourth finding of interest is that in many instances there is no one-to-one relationship between the quality of public sector services as perceived by citizens or the business community (subjective performance indicators) and quality measured by objective performance standards. In those cases where citizens underestimate public sector performance, policymakers may consider providing additional information to the public at large, in order to redress misperceptions. Comparative performance data included in the present report may support designs of campaigns to better inform the public.

Some other examples of policy-relevant conclusions from the report include:

- Policies aimed to stimulate economic growth and policies to further equity are not mutually exclusive. The hypothesised negative correlation between the level of government spending and taxation on the one hand, and economic growth on the other hand, is much weaker than is often maintained.

- In education systems, early differentiation between pupils generally leads to poorer performance. However, the exception that proves the rule seems to be the Netherlands, which produces reasonable to good outcomes with a highly differentiated education system in place.
- Radical systemic change will be needed in the Netherlands to reduce the number of early school leavers.
- High health spending provides no guarantee whatsoever of good system performance. This is best illustrated by the US and Germany. The same can also be said of the privatization of health care.
- Repressive criminal justice systems correspond with lower crime rates than systems geared to the reintegration of offenders.

These and other conclusions have been examined in detail in the individual chapters.