

---

# 1 THE APPROACH TO PERFORMANCE MEASUREMENT

Performance can be defined as how well a service meets its objectives given the external constraints placed on it.

Governments play two roles in ensuring services are available for the community. First, governments specify, to varying degrees, the service to be provided and who should receive it, and they ensure that it is supplied at an acceptable standard through funding and regulation. Second, they often operate the service.

To judge how well governments fulfil these roles:

- performance needs to be measured across a comprehensive set of objectives;
- indicators need to focus on outcomes and/or outputs aimed at meeting those objectives; and
- reported data needs to be comparable across jurisdictions and time.

The Steering Committee is continuing to refine the approach to performance measurement outlined in more detail in Chapters 1 and 2 of the 1995 and 1997 Reports (SCRCSSP 1995 and 1997a).

## 1.1 What is performance?

The term ‘performance’ is used in many different ways. Sometimes the emphasis is on compliance with established processes, and at other times on the level of activity, expenditure or outcomes achieved. The Steering Committee defines performance as *how well a service meets its objectives, given the external constraints placed on it*.

The Review of Commonwealth/State Service Provision aims to provide objective information that facilitates well-informed judgements and sound public policy action. Australian governments set up the Review to provide information about how effectively government actions influence outcomes through specific services. These actions can be regulation, direct production of services, or funding external providers or clients. The focus on the performance of government was adopted to harness the benefits of analysing different approaches through cooperative efforts across jurisdictions. The outcomes for

the community from service provision (including services which support people in need) also depend on the actions of individuals, families and community groups, but these actions are largely outside the scope of the Review.<sup>1</sup>

To meet the Review's aim, a key task is to collect and publish ongoing comparisons of government agencies' performance across a broad range of services (see p. xxii for the Review's terms of reference). These comparisons help identify where better performance may be possible. Governments and service providers are able to use this information to help improve the ways in which services are provided to the community.

## **1.2 Why measure performance?**

Measuring the performance of government services is important for several reasons. First, these services are vital to the community's wellbeing; improving them will deliver major social and economic benefits. Second, assessments of whether the best services are being produced or purchased at the lowest cost, and whether those services are reaching the people who need them most, can be usefully informed by comparative performance information.

### **1.2.1 Importance of government services**

The services covered by this Report directly and indirectly affect the wellbeing of all Australians. Some are services most Australians would expect to use to some extent during their lifetimes (for example, school education, public hospitals and police), while others form important parts of society's safety net (for example, public housing, disability services and aged care).

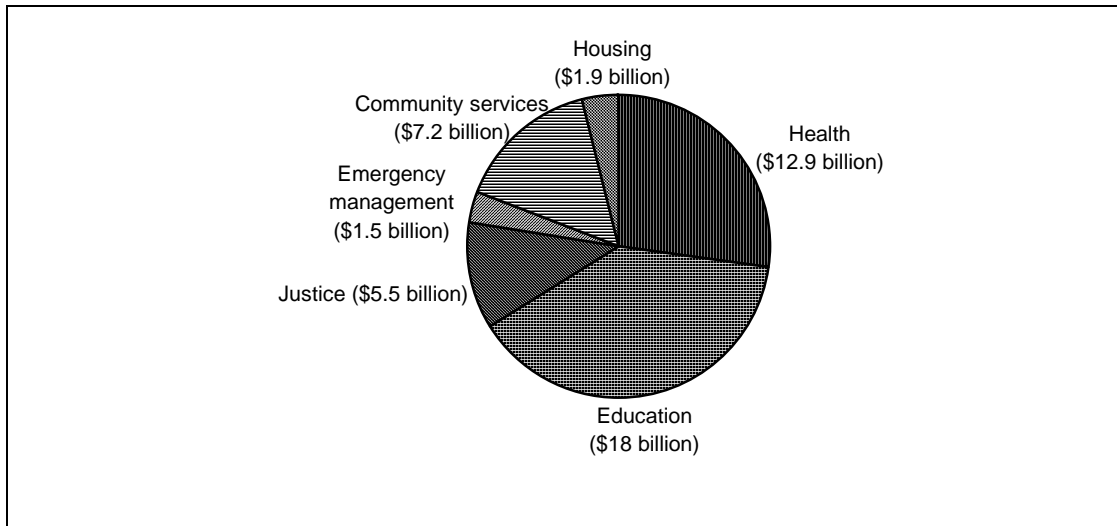
These services also contribute to economic growth in a number of ways. The education and health of the workforce, and hence its productivity, are affected by the services of the health and education systems (including schools and vocational education and training systems). The justice system protects assets and adjudicates on commercial disputes, in addition to enhancing social order and security. Moreover, all the services covered by the Report receive significant government funding — more than \$47 billion in 1996–97 (equivalent to about 9 per cent of Australia's gross domestic product)

---

<sup>1</sup> The activities of governments, including the administration of specific programs can affect the actions of individuals, families and community groups and the relationships which underpin them (which are often collectively described as the 'social capital'). The effect of these government activities would be captured through their effect on the outcomes that governments achieve.

(Figure 1.1).<sup>2</sup> Improving the performance of services not only benefits users of these services, but allows governments to increase the level of services provided and/or reduce the tax burden on the community.

Figure 1.1: Estimated government recurrent and capital expenditure on services covered by the Report, 1996–97<sup>a,b,c</sup>



a 1996–97 expenditure data were not available for all services: health used a combination of 1995–96 data (for public acute care hospitals) and 1994–95 data (for public community health); justice used 1995–96 data for police; community services used 1994–95 data for protection and support; and housing used 1995–96 data for public housing.

b Capital expenditure data was not available for all services: only recurrent expenditure data was available for health, courts and corrective services in justice, and aged care, disability services and protection and support for community services.

c These figures are not directly comparable to those reported in SCRCSSP (1997) because the scope of some services has increased and others have used different data sources.

Sources: Relevant chapters

This is the third *Report on Government Services* and again the scope has been extended.<sup>3</sup> It now covers aspects of emergency management (fire and ambulance) and extends the coverage of health services (to include public and community health) and of school education (to better cover the overall provision of school education, including some information on private schools) (Box 1.1).

<sup>2</sup> See notes to Figure 1.1 for sources and caveats.

<sup>3</sup> The name of the Report has been changed this year from *Report on Government Service Provision*. The terminology of ‘purchaser and provider roles’ is increasingly used in the public administration literature and the use of ‘provision’ in the title of this Report might have misled some readers to misinterpret the focus of the Review as being only on those services provided directly by governments.

**Box 1.1: Services covered in the 1998 Report**

Education and training	– School education <sup>a</sup>
	– Vocational education and training
Health	– Community health and public acute care hospitals <sup>a</sup>
Justice	– Police
	– Court administration
	– Corrective services
Emergency services	– Emergency management <sup>a</sup>
Community services	– Aged care
	– Disability services
	– Children’s services
	– Protection and support services <sup>b</sup>
Housing	– Public and community housing <sup>b</sup>

<sup>a</sup> New service or expanded scope for the 1998 Report.

<sup>b</sup> Some descriptive information was provided previously but the 1998 Report contains the first performance data.

These services share the following characteristics:

- they have similar core objectives across jurisdictions;
- they were not generally subject to national comparative performance measurement in the past; and
- they make an important contribution to the economy and/or community.

They also collectively form a large part of government expenditure.

### 1.2.2 Why report comparative performance?

Governments are continually re-evaluating whether the community is receiving the appropriate service mix and whether the services are getting to those most in need. Moreover, governments need to know whether their policies are being implemented efficiently. The broader community also needs information to assess the performance of government services. Publishing performance measures can help with each of these goals (Box 1.2).

**Box 1.2: How comparative performance information facilitates performance improvement**

Performance measurement can:

- help clarify government objectives and responsibilities;
- make performance more transparent, allowing assessment of whether program objectives are being met;
- inform the wider community about government performance;
- facilitate yardstick competition which enhances incentives for agencies to reinforce gains and address substandard performance;
- allow agencies to identify peer agencies that are providing superior services from which they might learn; and
- promote analysis of the relationships between agencies and between programs, allowing governments to coordinate policy across agencies (for example, the interrelationship between policing, courts and correctional services).

Decision makers, both in government and elsewhere, operate in a world of imperfect information. However, imperfect comparative data or indicators can often be useful where no better information is available, but it must be used carefully because of the potential to be misunderstood. Thus, the Report provides relevant available data even if they have shortcomings — weaknesses are acknowledged and, where relevant, users are advised to treat the data with appropriate caution.

Comparative performance measurement is important for government services because of the limited information available to those deciding what services to supply and to whom. Only one police service, one protection and support service agency and one public hospital system operates in each jurisdiction. Even if there is a choice of provider, the government determines the broad parameters in which all providers operate and the level of public subsidies (for example, public and private schools must teach to the same curriculum framework, and public hospitals operate under state-wide funding and other guidelines). Even where private prison operators compete for contracts to operate prisons (in the providing role), the community has only one agency determining the prison's specifications and broad operating guidelines in each jurisdiction (that is, the purchasing role).

Given that, for consumers of these services, choices are always constrained, those responsible for providing the services do not receive the same level of

information that is available to providers in competitive markets.<sup>4</sup> Examples of information that may not be available include information about the preferences of consumers, about where providers are performing successfully, and about how providers could do better).<sup>5</sup> Nor do service providers face the same incentive to perform. Those agencies which are better at ensuring that the best set of services are being produced or purchased at the best price, and that the services are reaching the people who need them most, do not prosper at the expense of those who perform these tasks less well.

Comparative performance indicators can play an important role by facilitating surrogate or yardstick competition in the absence of the information and incentives to improve performance provided by competitive markets. Governments and the community can assess providers and those developing and implementing policy in the context of the performance of their peers (in much the same way organisations engaged in more direct competition are judged). This can occur even when providers or policy makers do not directly compete with each other for clients or resources.

### **1.3 What dimensions of performance should be measured?**

Governments fulfil two different roles in service provision:

- they manage and fund (or partially fund) the service provision *system*, (including specifying the service, regulating and selecting providers); and
- they often manage the *operation* (or production) of a service.

These two roles often are described as the ‘purchaser’ and ‘provider’ roles in contracting terminology. They can also be thought of as government exercising its authority (the rule of law) and government acting as a firm or unit of production.

Once a government accepts responsibility for funding and/or regulating a service, it accepts a system management role, but there are several ways of delivering the service. Options include:

- subsidising users of a service — for example, child care funding;

---

<sup>4</sup> There are different views about whether recipients of some government services should be termed ‘patients’, ‘clients’, ‘users’, ‘customers’ or ‘consumers’ and the use in this Report does not imply that the Steering Committee has endorsed any particular term.

<sup>5</sup> For some services there will be some choice — for example, between different hospitals or schools — but this choice will be constrained by government imposed controls.

- funding external producers — for example, government support of not-for-profit organisations that deliver welfare services; and
- operating or producing the service — for example, government-operated prisons.

Comparative performance measurement can contribute to the continuous improvement of those aspects of service provision for which government is responsible and accountable. It follows that performance measurement should be considered at the *system* level for all services and at an *operational* level where governments also have operational responsibilities.

Performance assessment needs to be linked to objectives. If there are significant differences in objectives at the system and operational levels, then different sets of indicators may be needed to measure performance at the two levels.

At the system level, objectives are typically broad — to achieve general outcomes at an acceptable cost. At this level, governments give greater consideration to the interactions between services, providers and other parts of the economy. The correctional system, for example, may hope to reduce returns to crime by enhancing employment opportunities of offenders, so improved educational skills of prisoners may be an important outcome of the system.

At the operational level, objectives and responsibilities of individual government providers may be narrower — to produce services or outcomes of a specified type and quality to specified groups at an acceptable financial or resource cost. However, it may be hard to isolate and assess the effect of publicly-operated service delivery on outcomes where service recipients move between public and private providers (for example, in prisons). The focus of performance measurement at an operational level may be on the type and standard of service provided (for example, the standard of educational services provided) rather than on the outcomes (for example, improvements in literacy).

It can be more difficult to consistently identify the full cost of a government-operated service because shared costs and overheads are allocated differently and there is only limited information on costs such as assets and liabilities. In the absence of reliable cost information, partial indicators of efficiency such as input–output ratios for specific resources can be useful. Staff numbers per student are reported in schools, for example.

The separation of the government system and operations roles and objectives is somewhat artificial for many services and a single consolidated indicator framework (incorporating indicators relevant to both roles) may be appropriate. However, even for these services, the conceptual distinction between the roles is often useful in identifying a suitable suite of indicators.

## 1.4 A comprehensive approach to performance reporting

Because the Report's scope extends across services and jurisdictions, it facilitates assessments of the relative quality of performance reporting and encourages improvement. Reporting under a common framework also provides opportunities to share insights into approaches to performance assessment.

Governments have competing objectives which force trade-offs in decision making — for example, there may be a trade-off between improving general services and improving those provided to some special needs groups. Those seeking to compare performance across jurisdictions, therefore, need indicators which measure performance against each of the key competing (and common) objectives. This allows the users of the information to assess overall performance according to their views on the appropriate trade-offs.

The Steering Committee has developed an integrated indicator framework for each service, and a set of descriptors, to facilitate performance assessment. Performance is judged under two broad categories: first, effectiveness — whether the service is achieving the desired objectives; and second, efficiency — how much the service costs.

Broadly, the *effectiveness* of a service is indicated by its overall outcomes or impacts. Specifically, effectiveness is based on characteristics of the output or service such as quality, access and equity and appropriateness. *Efficiency* measures deal with the success with which government uses its funds or resources to produce outputs or outcomes (see the Glossary on p. xxi). Neither category should be considered in isolation. Any sensible assessment of performance must view each indicator category in light of the other, considering the potential trade-offs.

A general framework has been developed for measuring performance by the Steering Committee (Figure 1.2). It includes four major effectiveness indicator groupings:

- overall outcomes;
- access and equity;
- appropriateness; and
- quality.

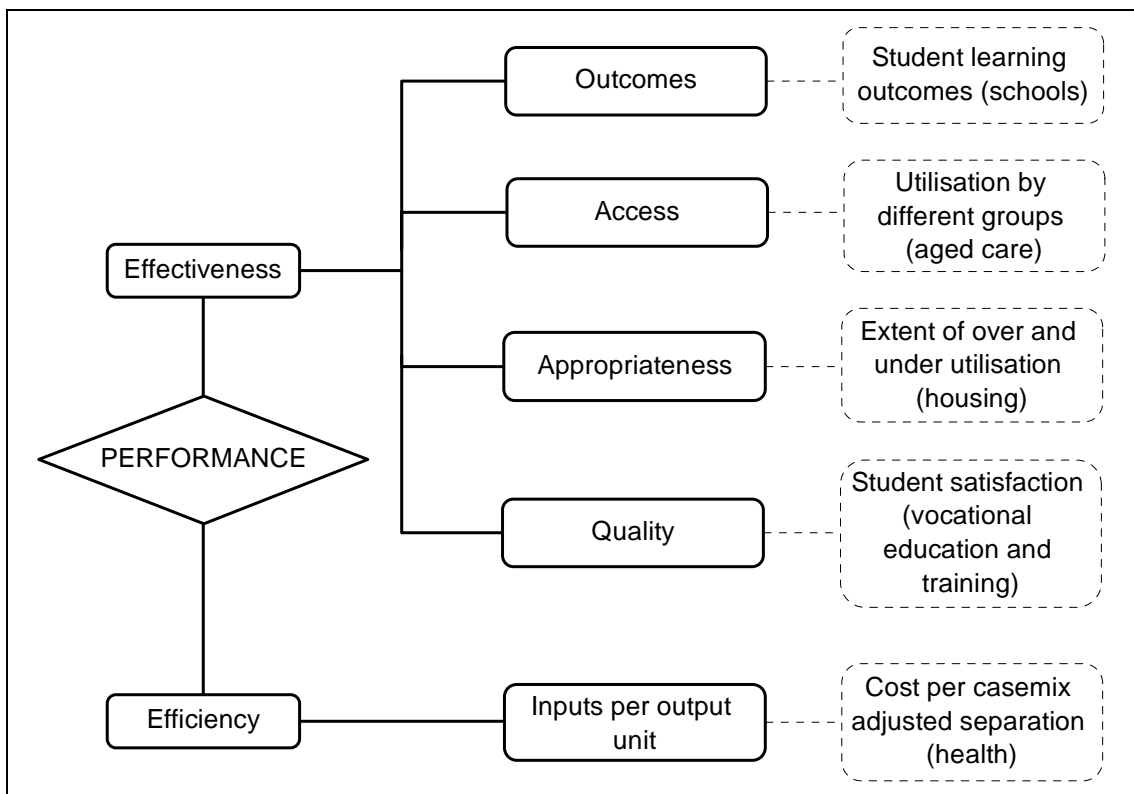
In addition, efficiency is measured, where possible, in terms of inputs by government per unit of output.

Within this general framework, the actual indicators used across the services differ for a number of reasons. The usefulness of particular indicators depends on the characteristics of clients, providers and the service. Customer satisfaction



surveys, for example, are often a useful tool but may be less robust when used with some client groups (such as the frail aged, who are generally appreciative of whatever assistance is offered them), or may be more difficult to collect for some services (such as those for people with a severe mental disability). Waiting list information, on the other hand, may be easier to collect from acute care hospitals because there are relatively few such hospitals and they have more sophisticated medical records systems compared to say, public health providers. Thus, different indicators can be used to report similar aspects of performance across services.

Figure 1.2: A general framework and examples of performance indicators



The measurement of each dimension of performance involves complex conceptual and practical issues and the Steering Committee's approach is iterative. The framework of indicators used is discussed for each service. The general approach is outlined in more detail below.

### **1.4.1 Outcomes**

A perennial problem for performance measurement is the difficulty of establishing cause and effect between the activities of a service and the final outcomes it seeks to influence. Individual services may be only one of several influences on outcomes, and they may be evident only after considerable time. An example would be the lag between primary school learning outcomes and employment. It is easier to measure the output of service providers, but more or better outputs may not achieve improved outcomes.

The Steering Committee's approach is to:

- use a mixture of indicators of short-term and longer-term outcomes; and
- present outcome indicators, while explaining that the service is only one of the contributing factors that affect an outcome.

An example of the Steering Committee's approach is reporting on police services. A key objective of this service is to enforce the law. To provide indicators of performance against this objective, the Police Working Group of the Steering Committee encouraged the ABS National Centre for Crime and Justice Statistics to develop measures of results of investigations as a high priority. These indicators are reported here for the first time.

The development of better outcome indicators is a significant challenge for the complex services covered by the Report. However, it is not one that can be ignored. The Steering Committee is seeking to apply the lessons of the different service areas, and of overseas experience, to improve indicators. It is anticipated overseas experience in outcome measures for disability services will be included in the 1999 Report, along with data allowing the outcomes of education systems to be compared.

### **1.4.2 Access and equity**

An important reason for government funding of services is to promote equitable access. This objective is relevant whether it is intended that the service be used by all (for example, education services) or by a target group with special needs or disadvantages in accessing privately funded services.

This Report generally focuses on two aspects of access and equity:

- timeliness of provision (for example, waiting times for public hospitals and public housing); and
- provision to those who may have special difficulties gaining access.

Timeliness is an important indicator of the level of access for those who must rely on publicly rather than privately funded services. Public patients can experience considerable delays in being admitted for elective surgery compared with those faced by privately insured patients, for example. Similarly, most people seeking private rental housing do not experience the significant delays that may be faced by those seeking publicly subsidised housing.

### *Groups with special difficulties*

In May 1997, the Prime Minister, with the support of the Premiers and Chief Ministers, requested that the Report give particular attention to the performance of mainstream services in relation to indigenous Australians. Other criteria used to classify potential service recipients as disadvantaged include:

- language or literacy;
- gender;
- age;
- race or ethnicity; and
- geographic location.

The Report aims to provide information to allow assessments of whether special strategies are needed to address access barriers or, if special strategies are already in place, whether they are effective. Several issues need to be addressed in considering indicators of service access by specially disadvantaged groups. First, is access for particular disadvantaged groups a key objective of the service? Second, how might these groups be defined? Third, how might the extent of the service's accessibility by the identified groups be measured?

There are typically many trade-offs in developing and applying definitions of particular disadvantaged groups. Detailed criteria for classification may appear to improve the precision of identification, but they may be impractical and lead to many non-responses. Often different criteria will be used by different groups or in different situations (Box 1.3).

Classification based on set criteria may appear to be objective, but it can still introduce biases and people may refuse to provide relevant information on ethical/confidential grounds. Self-identification, whether active (asking people to classify themselves) or passive (leaving people to volunteer their classification) will be influenced by the clients' perception of the net advantages of classification and, consequently, may change over time.

Assuming that those with special disadvantages need a service as much as the rest of the target group, the best indicator of the extent of their reduced

accessibility is their use relative to that of the target group as a whole. Existing indicators are based on the representation of the target group in the client base compared with their representation in the total population. Reporting on this indicator requires consistent information on the proportion of disadvantaged people in both the client group and the target group.

**Box 1.3: Reporting on the delivery of services to indigenous people**

The Prime Minister, in consultation with Premiers and Chief Ministers, has asked that the Report provide more information on how mainstream services meet the needs of indigenous Australians.

However, the challenge of developing definitions of particular groups is illustrated by the approach adopted for indigenous people. A definition of an indigenous person — commonly referred to as the Commonwealth working definition — is in widespread use in Commonwealth agencies. It has three components:

- the person is of Aboriginal or Torres Strait Islander descent or origin;
- the person identifies as an Aborigine or Torres Strait Islander; and
- the person is accepted as an Aborigine or Torres Strait Islander by the community in which he or she lives.

However, in practice, the ABS uses a single question in the Census which focuses on the first component of the Commonwealth definition — ‘Are you of Aboriginal or Torres Strait Islander origin? For a person of both Aboriginal and Torres Strait Islander origin mark yes in both boxes.’

The methodological issues are not trivial and the definition adopted can have a significant effect on results. A joint program of the ABS and Australian Institute of Health and Welfare is working at developing strategies to resolve these issues.

*Sources: ABS 1997; ABS and AIHW 1996*

There are significant gaps in the data. Data on the number of clients in disadvantaged groups are normally obtained through administrative data collections by service providers. A number of services covered by the Report have data, which are reported if available. However, there are often differences across jurisdictions in the criteria used to classify clients and the way in which

the criteria are applied. The approaches to addressing such deficiencies are included in the discussion of future directions for the reporting on individual services. Nevertheless, it is likely that high quality comparable data on disadvantaged clients will not be available for some important services for some years.

Data on the proportion of a service's target group who have special disadvantages is generally best collected from the Census or more targeted population surveys. Unfortunately, availability of this type of data is even more limited than availability information on disadvantaged clients. Very general information on disadvantaged groups such as that available from the Census is of limited use because it does not allow those in a specific service's target group to be identified. A limited number of targeted surveys infrequently undertaken by the ABS are used in the Report. The national Aboriginal and Torres Strait Islander Survey was undertaken in 1994 and there is a five-yearly Survey of Disability, Ageing and Carers. However, specialised surveys to collect more information are usually costly given the small size of the targeted groups and, thus, the need for a large overall sample size.

Given that there is no simple solution to overcoming these data gaps, the Steering Committee has drawn on available data. The Steering Committee is attempting to ensure that the value of cross-jurisdictional information is recognised when relevant data collections are being undertaken.

Data deficiencies mean that complete reporting on access for such disadvantaged groups is unlikely in the foreseeable future in most instances. Nevertheless, reporting of the services provided to disadvantaged groups is being pursued as a secondary indicator for all services where access for these groups is a high priority.

### **1.4.3 Appropriateness**

The appropriateness of a program or service may be interpreted as how well the scarce service is distributed to ensure it reaches those with the highest needs. The aim is to measure whether the distribution of services across individuals is appropriate. Examples include assessing the intensity and suitability of aged care services and the adequacy of targeting. The proportion of public housing that is moderately overcrowded or underused are measures of whether the right mix of dwellings is available and well allocated.

Developing good measures of appropriateness is important but often difficult. Higher quality or more timely services are better, all things being equal, but it may be unclear whether more or less of some services is appropriate. If the

number of patients treated in hospital is significantly different in one jurisdiction than another, for example, the difference may reflect better access or over-servicing. Consequently, a high or low number for some measures of appropriateness is largely useful as a signal that more detailed analysis is needed. Significant differences in the use of various medical procedures across areas, for example, has been useful information for governments (although it must be interpreted with care) (Renwick and Sadkowsky 1991).

#### **1.4.4 Quality**

The quality of a service can be seen to have two dimensions:

- whether it conforms to specifications; and/or
- whether it is 'fit for the purpose' for which it was intended (Walsh 1991).

The first dimension can be measured by identifying the incidence of service failure (for example, incidents of repeat abuse and neglect within 12 months of case closure for child abuse and neglect cases). Other indicators such as accreditation and the quality of inputs (such as staff qualifications) can also be used, but they are further removed from the impact which the service has on clients.

The degree of consumer satisfaction with a service is one approach to measuring 'fit for purpose' from the clients' perspective. This is used in several areas of the Report, with nationally comparable data available for public housing, vocational education and training, police and some jurisdictions' hospitals. There may be concern that some disempowered (particularly elderly) clients may rate poor services positively because of a concern that otherwise the service may be withdrawn (see Human Services 1996 for a summary of the issues). However, if there is a consistent bias in the results, comparative data across jurisdictions may still provide insights.

#### **1.4.5 Efficiency**

Efficiency relates to how well organisations use their resources to produce services. The Steering Committee focuses on government actions, so the Report measures efficiency in terms of the relationship between the level of funding or the inputs provided by government and the level of outputs. Governments only part-fund some services, in which case the Report measures the outcomes only in relation to government funding, rather than the full cost to the community of providing a service. Therefore, the efficiency indicators should not be interpreted as measures of the services' full cost to society — many services

covered by the Report rely on significant inputs from consumers, the general community or charitable groups.

Efficiency may be measured in terms of quantity of output (that is, the highest level of output for a given set of inputs) or by cost (that is, the least cost or inputs associated with producing a given level of output). The implicit assumption in any such comparison of efficiency is that the quality is comparable, so any assessments must simultaneously draw on an analysis of the effectiveness indicators.

The efficiency indicator used in the Report is the cost to government per unit of service (or unit cost). The unit of output chosen for calculation generally differs across service areas. Efficiency may be measured by the cost of: an episode of service in hospitals; a prisoner day in corrective services; or an hour of service delivery for children's services, for example.

Ideally, all costs to government per unit of output should be captured consistently. Where governments purchase services from external providers and those providers supply all inputs (that is, including capital inputs such as buildings), the full cost will be the price paid by government plus the costs of contract management. The picture becomes considerably more complex where governments operate the service or provide some inputs.

The Steering Committee has been working to improve the costing of services and has benefited from broader developments in government reporting. Previously, some costs of government services had not been allocated to individual budget sector departments or within departments to individual services — for example, workers' compensation premiums have not been allocated, and the full cost of future superannuation liabilities has not been measured. Labour costs account for a significant proportion of the total costs of delivering many government services, and superannuation can represent a considerable proportion of those costs, particularly for services such as police and emergency services. The extent of the differences in costing method across jurisdictions and even between services within jurisdictions remains unclear. The Steering Committee is addressing this significant issue.

There have been improvements in other areas of costs — for example, the unit cost measures for disability services now include a proportion of expenditure by their umbrella departments. The costs associated with capital inputs are gradually being better recognised, with improved asset valuations and some moves towards including capital user charges.

Many agencies produce a number of services which are covered separately in the Report, or fall outside its current scope. Improving the quality and

consistency of the allocation of common costs across their various outputs is a major challenge. Police services, for example, have introduced activity surveys to estimate how police officers' time is allocated to various outputs.

Agencies face a number of forces encouraging more complete cost data. The introduction of accrual accounting is leading to better treatments of the costs of capital items (such as depreciation) and accrued liabilities (such as superannuation). Thus, the unit cost data in the corrective services chapter includes depreciation on capital assets for the first time. Government service providers competing with private providers need to comply with the competitive neutrality requirements of the *Competition Principles Agreement* (COAG 1995) — a requirement which has enhanced incentives to improve costing frameworks.

Unit cost measures often remain imperfect, in practice, particularly where governments operate a service. The Report supplements these imperfect measures of the efficiency of government operations with comparable physical productivity measures (where available) for the two main factors of production: labour and capital (for example, the offender-to-staff ratio and the value of assets per prisoner for corrective services).

## **1.5 Developments in performance measurement**

The Steering Committee has refined its approach to performance measurement with each successive Report, drawing heavily on working groups which include members with expertise in statistical aspects and members who understand operations at the line agency level to develop better indicators (Box 1.4). Developments this year have largely occurred in:

- the addition of new areas — for example, emergency management and community health;
- conceptual thinking — for example, dealing with emerging purchaser/provider issues. This partly reflects moves to refine objectives, to redefine roles and responsibilities with external deliverers, and increased use of external delivery;
- the development of new indicators — for example, access and indicators for services to indigenous people;
- improvements in the quality and comparability of the data; and
- the redirection of priorities to improve the Report's conceptual basis. This involves focussing on more complex dimensions of performance, such as



quality and access, as the methods for basic unit cost and output measures become better understood.

**Box 1.4: Characteristics of a good performance indicator set**

Indicators developed to assess performance should:

- be simple, well defined and easily understood;
- incorporate all aspects of the organisation's activities;
- be able to focus on long-term impacts when the service outcomes are not evident immediately; and
- be able to capture direct and indirect benefits of service delivery.

The Report's scope, extending across services and jurisdictions, helps assess the relative quality of performance reporting and the rate of progress in addressing the gaps. By highlighting those agencies and services whose progress has been slower, it can create incentives for improved reporting. It also creates opportunities to share insights about performance measurement approaches by reporting under a common framework.

The Steering Committee has encouraged participating agencies and others to think about performance indicators and to explore better ways of reporting performance. The Report has been widely distributed to encourage debate, not only about the results, but also about the method adopted. Feedback from participating agencies and others, such as academics, will ensure that the reporting improves over time.

## **1.6 Interpreting performance indicators**

The Steering Committee aims to present indicators as a suite, discouraging their isolated interpretation in performance assessments of a given sector. Moreover, the Steering Committee emphasises that the performance of a given sector should be seen within the context of a much broader framework, recognising the links among sectors. Young peoples' participation in post-compulsory education and training, for example, is measured across schools, higher education and vocational education and training (as recommended by Finn 1991). Further, a descriptor for one sector may be an outcome for another — for example, the

number of offenders sentenced is both a descriptor of the size of the corrective services sector and an outcome of the judicial system.

There are often issues of comparison and interpretation too. The method of data collection may vary (resulting in measurement or sampling errors). The definition of terms may also differ among jurisdictions (for example, there are the different definitions of waiting time for public housing).

The measured performance of services will be affected by the broader environment in which the service operates. This makes it important for any assessment to consider the local differences.<sup>6</sup> Such differences can affect interpretation in three main ways.

First, organisations may pursue different objectives and this may be important when assessing services designed to respond to local preferences. Ignoring these differences when examining national comparisons of managerial performances could stifle local initiative and encourage uniformity (even when this is inefficient).

Second, the clients of services may differ across jurisdictions, which affects the costs of achieving a given level of outcomes. Older patients are often more costly to treat than younger patients with similar conditions, for example, so the age structure of the population can affect the measured efficiency of public hospital systems.

Third, organisations may face different input prices or operate at different scales. Types of service outlets have been separately identified where possible to reduce the influence of some of these factors (for example, the costs of metropolitan schools have been identified separately from the costs of schools in non-metropolitan areas). Background information has also been provided to make such differences more transparent.

All these issues must be taken into account when using the indicators to examine or assess performance. If interpreted with care, performance indicators can provide a wealth of information about the outcomes achieved by different systems. When combined with additional information about client groups, providers and the preferences of the local community, this information can be used to assess how differences in program delivery can produce different outcomes and so aid better program development.

---

<sup>6</sup> This Report includes descriptors relating to differences among jurisdictions which affect service provision — for example, the size of the service system, client mix and geographic dispersion, and the environment within which government services are delivered.

## 1.7 Related Review projects

The Steering Committee has undertaken research in related areas, in addition to developing and publishing comparative performance information. This work aims to make insights from an individual service in a particular jurisdiction available to those working in other service areas and jurisdictions.

The Steering Committee recently published *Reforms in Government Service Provision* (SCRCSSP 1997b), a series of case studies examining the issues and options addressed in the implementation of:

- a shift to purchasing of community services in SA;
- output-based funding of public acute hospital care in Victoria; and
- competitive tendering and contracting of Queensland prisons.

It has also released *Data Envelopment Analysis: A Technique for Measuring the Efficiency of Government Service Delivery* (SCRCSSP 1997c), which examined the application of this sophisticated efficiency measurement technique. The aim of the Data Envelopment Analysis (DEA) information paper is to promote a better understanding of this technique, which is considered well suited to analysing the delivery of government services. Case studies using DEA examined:

- acute care hospital services in Victorian hospitals;
- Queensland oral health services for school students;
- NSW correctional centres;
- NSW police patrols; and
- NSW Roads and Traffic Authority motor registries.

These case studies demonstrate the potential for using DEA to measure the efficiency of the services covered by the Report.

Further, the Steering Committee's approach has influenced the method used to measure the performance of a range of service areas. The heads of agencies providing disability services, for example, have jointly decided to draw on the performance information framework developed for the Report to improve the nationally comparable data available in this service area (Black *et al.* 1997). The Industry Commission has used the insights it has gained as Secretariat for the Steering Committee to inform its work on performance indicators for Local Government (IC 1997) and its advice on how national indicators might be developed for occupational health and safety and workers' compensation.

In 1998 the Steering Committee will publish a second research paper examining the issues associated with the implementation of reforms. The second set of case studies examining implementation issues will include:

- brokerage and client choice in WA disability services;
- devolution and client choice in Victorian government schools;
- competitive tendering and contracting of breast screening services in Tasmania;
- consumer charges in the Federal and Family Courts; and
- competitive tendering and contracting of public hospital care in NSW.

## **1.8 Conclusion**

Comparative performance measurement is being undertaken in a number of different forums across the various levels of government to meet a variety of objectives. This Report aims to provide information on the performance of government funded services which, when combined with other information and insights, allows consumers to establish performance benchmarks and to assess performance against them. The objectives of the Report have influenced the choice of indicators, the degree of data checking, and its presentation.