Federalism and Benchmarking in Australia

Roger Wilkins, AO
Head of Government & Public Sector Group, Australia & NZ, Citi
Former Director-General of The Cabinet Office in New South Wales, Australia

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Introduction

Benchmarking and Federalism

Germany
- The Constitution gives the Länder responsibility for administration of programs, for delivery of government services
- Tax sharing arrangement - key taxes divided between the Länder and the Bund.

Australia
- States have been the level of government that has delivered most services to citizens
- Federal Government collects most of the revenue
- Federal Government raises 80% of revenue in Australia
- Large transfers from Federal to State
Benchmarking and Federal Reform

- Public reporting of results by the States as a pre condition for more fiscal autonomy
- Public reporting of results as the basis for less central control and more policy autonomy
- Public reporting of results by the States as the basis for harnessing competitive federalism and innovation
## Scope of Review

1. Report on innovation and reforms
2. Report on key indicators for Indigenous people

### Education
- Children's services
- School education
- Vocational education and training

### Health
- Public hospitals
- Primary and community health
- Breast cancer detection and management, and specialised mental health

### Justice
- Police
- Courts administration
- Corrective services

### Community Services
- Aged care services
- Services for people with a disability
- Children's services
- Protection and support services

### Emergency management
- Fire and ambulance services

### Housing
- Public and community housing, State owned and managed
- Indigenous housing and Commonwealth Rent Assistance
Reasons for measuring performance

- Help clarify government objectives and responsibilities
- Promote analysis of the relationships between agencies and between programs, allowing governments to coordinate policy within and across agencies
- Make performance more transparent, allowing assessment of whether program objectives are being met
- Provide governments with indicators of their performance over time
- Inform the wider community about government service performance
- Encourage ongoing performance improvement
Reasons for measuring comparative performance

- To verify good performance and identify those agencies which are ‘getting it right’
- To allow agencies to identify peer agencies that are delivering better or more cost effective services
- To generate additional incentives for agencies to address substandard performance

Example
Participation rate of people aged 15–19 in school education, all schools, 2005

<table>
<thead>
<tr>
<th></th>
<th>15 years</th>
<th>16 years</th>
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<td>NSW</td>
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</table>
Guiding Principles

1. A focus on outcomes
2. Comprehensiveness
3. Comparability
4. Progressive data availability
5. Timeliness

Lump circuit
Accelerate lump circuit to upgrade initial earnings and lift processing capacity – in current plans but not for a few years

Timeliness
Sources of Data

- The States collect most of the data. Many have their own internal benchmarking against State goals and objectives.

- There are Ministerial Councils for Health, Housing, Education and Training, Justice, Community Services and Emergency Management. These consist of Ministers from all the States and the Federal Minister. Most of these councils collect and publish information about outcomes in their own areas.

- There are a variety of Think Tanks, Research Institutions, Universities who do benchmarking studies.

- There are also international fora and studies e.g. PISA.
Review Process: Wider Context

- COAG
- Productivity Commission Process
  - Data
  - Feedback
- Ministerial Councils
- State Processes
- Universities/Think Tanks Etc.
- International Comparisons E.g. PISA
**Review Process: Performance Indicator Framework**

**Example: general model**

- Program or service objectives
- **Input**
- **Process**
- **Output**
- **Outcomes**

- **External influences**

- **Service**
  - Technical efficiency
  - Cost-effectiveness
  - Program effectiveness

**Example: fire services**

- **Fire service**
  - Reduction in loss of life due to fire
  - Labour and capital
  - Process
  - Fire incidents attended
  - Number of lives lost due to fire

- **Weather**
# Issues with the Review: Policy Issues

<table>
<thead>
<tr>
<th></th>
<th>Competition</th>
<th>Destructive/Constructive</th>
<th>Methodology Problematic</th>
<th>Insufficiency</th>
<th>Unrevealing</th>
<th>No standards</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Benchmarking can be a potent form of competition in a federal system</td>
<td>This type of competition can be destructive or constructive</td>
<td>Aspects of the methodology and the indicators adopted have been problematic</td>
<td>Insufficient attention to benchmarking as a diagnostic and management tool</td>
<td>Approach of looking at State aggregates in Australia’s case is not very revealing</td>
<td>Introduction of standards has not been part of this exercise</td>
</tr>
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</table>
Issues with the Review: Technical Issues

Outcomes are critical - the objectives or outcomes of programs can be important issues of policy.

A major source of complexity is the role of the private sector.

What you measure determines how people behave.

Few outcome indicators relate directly to equity.

There continues to be a paucity of information about cost-effectiveness.

What you measure determines how people behave.

1. OUTCOMES
2. MEASURES
3. PRIVATE SECTOR
4. EFFECTIVENESS
5. EQUITY
## Achievements

- greater transparency and accountability by governments to their citizens
- greater pressure on Ministers and departments to perform
- forced departments to review their business strategies and programs
- forced departments and agencies to cooperate more and better to get results that involve several government agencies
- complex – need to compare “apples and apples”
- tension or conflict between two very different objectives or set of objectives
Performance monitoring in other countries

- **OECD**
  - The OECD Factbook provides more than 100 indicators covering a wide range of areas: economy, agriculture, education, energy, environment, foreign aid, health and quality of life, industry, information and communications, population/labour force, trade and investment, taxation, public expenditure and R&D.
  - The information is outcome focused, and is not linked to specific service delivery agencies (OECD 2006).

- **United Kingdom**
  - In 2002, the United Kingdom introduced regular web-based reporting against public service agreements, and all key performance data on public service delivery is now available on a single website.
  - Public service agreements measure agency performance by setting out the aim of the department or program, the supporting objectives and the key outcome-based targets that are to be achieved during a specified period (HM Treasury 2004).

- **New Zealand**
  - The New Zealand Ministry of Social Development produces an annual *Social Report*, which provides information on the health and well-being of New Zealand society.
  - Indicators are used to measure levels of wellbeing, to monitor trends over time, and to make comparisons with other countries.
  - A limited number of high level indicators are presented for each domain, but there is no attempt to comprehensively address the full range of objectives of any specific government service (Ministry of Social Development 2006).
Where does Australia go from here?
The new Australian Government is embarking on a process of reforming the federal system

- **Scenarios**
  - We are likely to see a reform of the multiplicity of intergovernmental agreements to do two main things—broaden their scope and concentrate on outcomes rather than process.
  - We are likely to see a far greater convergence between economic policy and social policy.
  - Expect to see the adoption of national goals and standards that are outcome-based.
  - Benchmarking should be a crucial part of this process.
National Reform Agenda

- Agreed to by COAG, 14 July 2006

<table>
<thead>
<tr>
<th>Life stage</th>
<th>Indicative Outcomes</th>
</tr>
</thead>
</table>
| Conception to birth      | Significantly improve the proportion of children born healthy.  
                          | *Subsidiary outcome:* The gap between Indigenous and non-Indigenous children is closed.                                                                                                                                                                                                     |
| 0-5                      | Significantly improve the proportion of children acquiring the basic skills for life and learning.  
                          | *Subsidiary outcome:* The gap between Indigenous and non-Indigenous children is closed.                                                                                                                                                                                                     |
## National Reform Agenda

<table>
<thead>
<tr>
<th>Life stage</th>
<th>Indicative Outcomes</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>School age</strong></td>
<td>Increase the proportion of young people meeting basic literacy and numeracy standards, and improve overall levels of achievement.</td>
</tr>
<tr>
<td></td>
<td>Reduce the prevalence of key risk factors that contribute to chronic disease.</td>
</tr>
<tr>
<td></td>
<td>Increase the proportion of young people making a smooth transition from school to work or further study.</td>
</tr>
</tbody>
</table>
### National Reform Agenda

<table>
<thead>
<tr>
<th>Life stage</th>
<th>Indicative Outcomes</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Working age</strong></td>
<td>Reduce the proportion of the working age population not participating and/or under-participating in paid employment due to illness, injury or disability</td>
</tr>
<tr>
<td></td>
<td>Increase the proportion of adults who have the skills and qualifications needed to enjoy active and productive working lives.</td>
</tr>
<tr>
<td></td>
<td>Reduce the incidence of preventable chronic disease and serious injury amongst the working age population.</td>
</tr>
<tr>
<td></td>
<td>Reduce the prevalence of key risk factors that contribute to chronic disease.</td>
</tr>
<tr>
<td></td>
<td>Improve overall workforce participation, with a particular focus on income support recipients, the mature aged and women, in a manner consistent with the long term interests of the individual and the economy, giving due regard to productivity. Increased provision of flexible working arrangements within the workforce, in a manner consistent with the long term interests of the individual and the economy.</td>
</tr>
<tr>
<td></td>
<td>Increase the effectiveness of the health system in achieving health outcomes.</td>
</tr>
</tbody>
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Case Study – Education
Are we serious about an education revolution?

By Brian J. Caldwell

Kevin Rudd is to be congratulated on making education his top priority in government. There had been an air of expectancy for most of 2007, following his promise in January of an education revolution.

Rewarding quality
Merit pay would help stem the exodus of teachers
AT the outset of the Rudd Government's

PRODUCTIVITY COMMISSION REPORT HIGHLIGHTS
TASMANIA’S LITERACY AND NUMERACY PROBLEMS

Students deserve genuine educational reform

Public school teachers slam funding plan
Australia’s formal system of education

- Australian, State and Territory governments fund government and non-government providers to deliver formal education and training services

- Government providers include:
  - government schools (preschool, primary and secondary),
  - technical and further education (TAFE) institutes, and
  - universities.

- Non-government providers include:
  - privately operated schools and preschools, and
  - private registered training organisations (RTOs) in the Vocational Education and Training (VET) sector

**Total government expenditure on education, 2005-06**

- 55.2% Primary and secondary education
- 27.6% University and tertiary education nec
- 9.5% TAFE
- 5.6% Pre-school and other education not definable, or nec
- 2.1% Transportation of students

*Source: ABS (2007a); table BA.3.*
Outline of the Australian education and training system

- **Primary education**
  - Years 1-6/7
  - Certificate I
  - Certificate II
  - Certificate III
  - Diploma
  - Advanced diploma
  - Graduate diploma
  - Masters degree
  - Doctoral degree

- **Secondary education**
  - Years 7-12
  - Certificate IV
  - Advanced diploma
  - Graduate diploma
  - Masters degree
  - Doctoral degree

- **Senior secondary certificate of education**
  - Years 11-12

- **Vocational education and training**
  - Undergraduate degree
  - Advanced diploma
  - Diploma
  - Graduate certificate
  - Graduate diploma
  - Masters degree
  - Doctoral degree

- **Higher education (universities)**
  - Bachelor degree
  - Associate degree
  - Advanced diploma
  - Graduate diploma
  - Masters degree
  - Doctoral degree

2006 Snapshot

- 3.4 million full time school students attending 9612 schools in Australia, including 6902 government schools (ABS 2007b).

- 1.7 million people undertook VET programs in 2006, 1.2 million students participated in government recurrent funded programs.

- There were approximately 984 000 students attending higher education institutions that received funding on behalf of students from the Australian Government in 2006, an increase of 2.8 per cent from 2005.
  - These students undertook a variety of courses, ranging from diplomas to doctorates across a range of public and private providers.
  - The most popular fields of education were management and commerce, and society and culture. Students in these fields undertook, for example, courses in accounting, tourism, marketing, political science, law, economics and criminology (DEST 2007).
Performance Indicators for all schools

- **Goals and Objectives**
  - **PERFORMANCE**
    - **Equity**
      - Access and equity measures for attendance, participation and retention
      - Attendance
      - Participation
      - Retention
    - **Student learning**
      - **Effectiveness**
        - Inputs per output unit
        - **Recurrence expenditure per student**
        - **Staff expenditure per student**
        - **User cost of capital per student**
        - **Student-to-staff ratio**
      - **Outcomes**
        - **Reading performance**
        - **Writing performance**
        - **Numeracy performance**
        - **Science literacy performance**
        - **Civics and citizenship performance**
        - **Information and communication technology literacy performance**
        - **VET in schools participation**
        - **VET in schools attainment**
        - **Completion**
        - **Destination**
        - **Other areas to be identified**

**Key to indicators**
- Data for these indicators comparable subject to caveats to each chart or table
- Data for these indicators not complete or not directly comparable
- These indicators yet to be developed or data not collected for this Report
Effectiveness

Indicator of governments' objective that young Australians should attain high standards of knowledge, skill and understanding in core curriculum areas.

<table>
<thead>
<tr>
<th>Measures</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Reading performance</strong></td>
</tr>
<tr>
<td>Proportion of assessed years 3, 5 and 7 students who achieved the national reading benchmark for a given year, reported by sex, Indigenous status and LBOTE status</td>
</tr>
<tr>
<td><strong>Writing performance</strong></td>
</tr>
<tr>
<td>Proportion of assessed years 3, 5 and 7 students who achieved the national writing benchmark for a given year, reported by sex, Indigenous status and LBOTE status</td>
</tr>
<tr>
<td><strong>Numeracy performance</strong></td>
</tr>
<tr>
<td>Proportion of assessed years 3, 5 and 7 students who achieved the national numeracy benchmark for a given year, reported by sex, Indigenous status and LBOTE status</td>
</tr>
<tr>
<td><strong>Science Literacy Performance</strong></td>
</tr>
<tr>
<td>Proportion of sampled year 6 primary students achieving at or above the proficient standard in scientific literacy, reported by sex, Indigenous status, LBOTE status and geolocation (national data only are available for subgroups).</td>
</tr>
</tbody>
</table>

Source: Broker Research.
Effectiveness

Indicator of governments' objective that young Australians should attain high standards of knowledge, skill and understanding in core curriculum areas.

<table>
<thead>
<tr>
<th>Measures</th>
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<tbody>
<tr>
<td>Civics &amp; Citizenship performance</td>
</tr>
<tr>
<td>Info &amp; Communication technology literacy performance</td>
</tr>
<tr>
<td>VET in schools participation &amp; attainment</td>
</tr>
</tbody>
</table>

Source: Broker Research.
Effectiveness

<table>
<thead>
<tr>
<th>Measures</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Completion</td>
<td>the number of students who meet the requirements of a year 12 certificate or equivalent expressed as a percentage of the potential year 12 population.</td>
</tr>
<tr>
<td>Destination</td>
<td>the number of school leavers who left school in a given year and who in May the following year were attending post-school education and training, as a percentage of all school leavers in the given year. It is reported by highest level of schooling completed (year 12 or year 11 and below).</td>
</tr>
</tbody>
</table>
Proportion of 15 year old students achieving level 3 or above, overall reading literacy scale, 2006

Source: ACER (unpublished); table 4A.101.
Proportion of year 7 students achieving the numeracy benchmark

Source: MCEETYA (2005a, 2005b, 2006a, 2007a); tables 4A.38, 4A.55, 4A.73 and 4A.91.
# Equity

Indicator of governments' objective to develop fully the talents and capacities of young people through education and learning.

## Measures

<table>
<thead>
<tr>
<th>Attendance</th>
<th>The number of actual full time equivalent 'student days attended' over the period as a percentage of the total number of possible student days attended over the period</th>
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<tbody>
<tr>
<td>Participation</td>
<td>The number of 15–19 year old full time school students as a proportion of the estimated resident population of the same age</td>
</tr>
<tr>
<td>Retention</td>
<td>The number of full time school students in a designated level/year of education as a percentage of their respective cohort group (which is either at the commencement of their secondary schooling — at year 7 or 8 — or at year 10).</td>
</tr>
</tbody>
</table>

Source: Broker Research.
Participation rate of people aged 15–19 in school education, all schools, 2006

Source: ABS (2007); table 4A.114.
# Efficiency

Indicator of governments’ objective to fund and/or provide education in an efficient manner.

<table>
<thead>
<tr>
<th>Measures</th>
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<tbody>
<tr>
<td><strong>Recurrent expenditure per student</strong></td>
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<tr>
<td>Government recurrent expenditure per FTE student. It is reported for in-school primary, in-school secondary and out-of-school services, and for government and non-government schools.</td>
</tr>
<tr>
<td><strong>Staff expenditure per student</strong></td>
</tr>
<tr>
<td>Government recurrent expenditure on staff per student is defined as government expenditure on staff per FTE student in government schools. Expenditure on staff is the major component of spending on schools.</td>
</tr>
<tr>
<td><strong>User cost of capital per student</strong></td>
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<tr>
<td>Dollars of UCC per FTE student</td>
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<tr>
<td><strong>Student-to-staff ratio</strong></td>
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<tr>
<td>The number of FTE students per FTE staff. A low ratio means there are a small number of students per teacher.</td>
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</tbody>
</table>

Source: Broker Research.
Real government recurrent expenditure on staff per FTE student, government schools (2005-06 dollars)

Questions & Answers
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