

The use of targets in public bureaucracies

Missing the point

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Britain is leading the world in setting exacting performance targets for its public services. But there are better ways of getting value for government money

WHEN the British government set local authorities a target for collecting recyclable waste, it seemed a good idea. Even better, the local authorities persuaded residents to take the trouble to separate the stuff that was worth recycling from all the rest—and met their target. There was only one snag. The target was for collecting recyclable waste, not for recycling it. As a result, some local authorities put the rubbish that had been so carefully separated back in with the rest of their garbage, and incinerated the lot.

More than any other country, Britain has taken to relying on output targets as a way of getting the best out of its public services. Government departments are currently striving to meet around 600 of them (see article “The trouble with targets”).



The government's determination to focus on the public sector's output is laudable. After all, ministries have for decades measured their success in terms of the size of their budgets—rather as though a business were judged a success when its costs, not its profits, were rising. But targetting, as the cautionary tale of the rubbish suggests—and as the history of the Soviet Union's economy argues—is not a reliable way of extracting value either.

Targets need to be simple, or they are no good as a management tool. Yet public services are often trying to fulfil many objectives. If public servants are asked to focus on one measure, they will (rightly) ignore the others. So when the government set a target for reducing class sizes within primary schools, these duly fell—and secondary school class sizes rose. And when the government set a target for raising literacy and numeracy, children became more literate and numerate—but at the cost of squeezing out other beneficial activities such as sport.

At worst, targets create “perverse incentives”—when workers are cleverer than targeters, and find ingenious, and not necessarily desirable, ways to meet their targets. That is why, for example, the government's commitment to reduce the hospital waiting list is now widely discredited. The target, cutting the number of people waiting for treatment by 100,000, has been met. But the number of people waiting to see a specialist—waiting to be put on the waiting list, in other words—increased. And Sir Barry Jackson, president of the Royal College of Surgeons in England, has said that the target has distorted clinical priorities: minor disorders can be dealt with more swiftly

than serious illnesses, so managers have been putting pressure on surgeons to give smaller problems priority over larger ones.

Most pernicious of all, targets are based on the illusion that the centre can drive change, that the man in Whitehall knows best. The opposite is true. Improvements in public services will generally come from individuals and teams finding better ways to work. The objective should be to spread best practice through benchmarking, not to dictate from the centre. Targets encourage bureaucracy and are thus likely to stifle initiative on the ground.

The customer is always right

Targets do have a role in areas of government where the market cannot easily reach—defence, for instance, and policing. But in areas such as health and education, where there is scope for more consumer choice than people are currently offered, targets are a poor substitute for the disciplines of the market. Rather than wasting public servants' time forcing them to measure their performance against some arbitrary target, let consumers measure the public servants' performance against each other.

If the government is serious about extracting as much value as possible from its public services, it should focus more on transparency than on targets. Tell people everything they might want to know about waiting lists, mortality rates, class sizes, exam pass rates and sporting successes and give them the power to choose between different providers. Winning custom is the toughest, and best, target of all.

The trouble with targets

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The government is relying heavily on targets to improve public services. The way things are going, this looks like a mistake

WITH a crumbling transport infrastructure and an overstretched health service, Britain may lag the rest of the rich world in the quality of its public services, but it leads it in the use of targets to measure how those services are performing. The government portrays targets as a revolutionary step in the delivery of better public services. If it is right, the British approach will be a model to other countries. If it is wrong, the experiment will serve as an object lesson in the perils of over-centralisation.

The rationale for targets is straightforward. What matters at the end of the day is what public services deliver—their outputs—not how much cash they absorb. Since the public sector is not subject to the same competitive pressures as the private sector, it requires external pressure to improve its performance. That is what targets are supposed to provide.

This month, a new set of targets has come into force. Linked to the government's spending plans for the three financial years that start this April and end in March 2004, they break new ground in their focus on the actual outcomes of public spending.

Whereas an output target might be the number of police officers, an outcome target is a reduction in crime. According to Colin Talbot of Glamorgan University, two-thirds of the new targets now comprise outcomes. Some of these stretch a long way into the future. For example, there are precise numerical commitments to reductions in mortality rates from heart disease and cancer by 2010.

The planners tried various expedients. They issued instructions that user demand should be met. They modified the bonus systems so that the achievement of purely quantitative targets should not be sufficient, that the assortment plan had also to be fulfilled, that costs had to be reduced, the wages plan not exceeded, and so on. They experimented with a kind of value-added indicator known as "normed value of processing". Each of these "success indicators" had its own defect, induced its own distortions. Thus, insistence on cost reduction often stood in the way of the making of a better-quality product. A book could be easily filled with a list of various expedients designed to encourage enterprises to act in the manner the planners wished, and the troubles to which each of them gave rise.

Alec Nove, "An Economic History of the USSR"

These new targets overlap with the first lot, which were introduced in early 1999 and mostly extend until 2002. There are around 600 of them. So how successfully are the public services meeting them?

There is no simple answer to that simple question. Not only is the information scattered across reports issued by individual departments, it is often difficult to interpret. "The target regime is virtually impossible to follow," says Tony Travers of the London School of Economics. "The government has engineered an incredibly complex world where targets and indicators change and it is very difficult even for experts to keep a grip on what they are and to understand whether they are being achieved."

In the arcane world of Target Britain, achievements boasted by Whitehall departments are often less than they might seem. Take the Department of Social Security. At first sight, it appears to be doing very well, on course to meet all but two of its 30 targets. But look a little closer and you start to wonder. Consider two "achievements": the completion of legislation to introduce stakeholder pensions and the maintenance of the minimum income guarantee (MIG) for pensioners. It is hard to see why the government should congratulate itself on meeting its legislative programme or on delivering on a commitment like the MIG which had been laid out in the 1999 budget.

Or take Britain's beleaguered agriculture ministry (MAFF), currently wrestling with the foot-and-mouth epidemic which has devastated rural Britain. According to MAFF's annual report, it is meeting ten out of its 13 principal targets. The trouble is that one of the three missed targets includes a pledge to prevent outbreaks of serious diseases. This illustrates a central weakness in scattergun targeting: some objectives matter more than others.

The government has accepted that its first set of targets did not hit the bull's eye. Supposedly SMART—specific, measurable, achievable, relevant and timed—they turned out to be anything but that. The new set of targets has sought to address the earlier weaknesses, through both the new focus on outcomes and a drastic cull in the number of "high-level" performance targets, from around 300 to 160.

But are the new targets any better? A recent report from the National Audit Office revealed nervousness within government about whether they will work. The NAO surveyed 17 departments and found that the biggest worry is about the lack of incentives for workers to meet the targets. Another concern is the difficulty in identifying "high-level quantifiable measures of the intended outcomes"—even though departments had spent a year laboriously negotiating just those. Departments were also worried about their ability to influence final outcomes.

These concerns are widely shared outside Whitehall. The King's Fund, a health-policy think-tank, says that the excessive use of targets in the NHS is reducing local managers' freedom to respond to local needs. Mr Talbot warns that "in general it is easier to measure outcomes than who is responsible for them." He says that "the jury is out whether the target regime will degenerate into something that is farcical and useless".

Although the targets generally appear to be worthwhile, there are worries that the focus on outcomes that can be quantified comes at the expense of others that cannot so easily be measured. So even if the individual objective is achieved, it may be at the cost of worse performance in another area. For instance, literacy and numeracy may easily be targeted, but improvements in schools in those areas may be at the expense of less measurable virtues, such as creativity.

John Kay, an economist, says that the whole experiment is doomed. “If targets work, then the Soviet Union would have worked.”

Since the government is so keen on targets, it is important to find out just how well they work. At present, the targets are agreed between departments and the Treasury, and the Treasury holds departments to account for their performance. The select committee of MPS whose job it is to monitor the Treasury says this is undesirable—that independent scrutiny of departments’ performance against their targets is essential. It calls for the government to set up an external audit by the NAO, or some such body.

As long as the government chooses to write and mark its own school reports, its use of targets will lack credibility. If it continues to refuse an external audit, suspicions will grow that targets are really about centralising power. If that is the case, the government’s infatuation with targets may turn out to be as unhealthy as most obsessions.

See also the National Audit Office report, “Measuring the Performance of Government Departments”, available online at http://www.nao.gov.uk/publications/nao_reports/00-01/0001301.pdf.