Measuring and Evaluating Determinants of Public Administration Productivity

Bureaucracy Lab
Development Impact Evaluation | Global Governance Practice
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Managers and Productivity in the Public Sector

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Italian Social Security Agency (INPS)

- Istituto Nazionale di Previdenza Sociale (INPS) - since 1933

- Large centralized government agency (30,000 employees)

- Main HQ in Rome, ~ 20 Regional HQ, ~ 100 main offices, ~400 local branches

- Each employee has a workstation, and they work on the same software to review and approve/reject claims

- 30 years ago INPS created a rudimental set of statistics to keep track of office over time. These statistics have developed into sophisticated system to monitor office performance
Productivity is notoriously hard to measure (especially so in the public sector).

Observability and measurability

INPS employees perform routine tasks

Productivity_{it} = \frac{Output_{it}}{Worker_{it}} = \frac{\sum_{k=1}^{K} C_{k, it} W_{k, it}}{FTE_{it}}

- \( C_{k, it} \): # claims of type k processed by office i at time t
- \( W_{k, it} \): weight associates to \( C_{k, it} \)
- \( FTE_{it} \): full time equivalent workers of office i at time t

there are more than 1,000 products and hence weights

it is analogous to the SMV (or SAM)

weights represent how many hours it should take on average to process each claim.
Measuring Quality

- Is there a trade-off between volumes and quality of the service provided?

- **Quality index**: weighted average of two components:
  
  - **Timeliness** (share of claims processed within the first 30 days)
  
  - **Error rate** (share of claims that have to be processed again because of an error in initial processing).
    
    - How are mistakes found? audits, routine checks, appeals filed by benefit claimants
• Managers’ earnings = fix component + bonus

• The bonus is a sophisticated function of the performance of the office (productivity + quality) relative to
  I. Production target
  II. Previous year performance
  III. National Average

• Recently INPS has divided offices into clusters based on their performance and benchmarked their performance against the cluster mean rather than the national average
Thank you!

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