Public sector efficiency

The recent economic crisis has increased pressures on governments to achieve efficiency gains in delivering public services. Based on conventional economic theory, "efficiency" is defined as the relationship between one or more inputs (or factors of production) and one or more outputs.

Efficiency in health care

Average length of stay (ALOS) in hospital is a commonly used indicator of efficiency in delivering hospital services. All other factors being constant, a shorter stay will reduce resource requirements and the cost per discharge, thereby allowing the treatment of a greater number of patients for given inputs. However, shorter stays tend to be more service-intensive and more costly per day. Too short length of stays may also cause adverse effects on health outcomes, or reduce the comfort and recovery of the patient.

In 2012, the ALOS in hospitals for all causes of hospitalisation combined was just over seven days on average across OECD countries. Mexico and Turkey had the shortest ALOS, with patients spending on average only four days in hospitals. Hospital stays were highest in Japan, reaching about 18 days, followed by Korea (over sixteen days). Both Japan and Korea have "social admissions" in hospital, that is, a significant number of hospital beds are devoted to long-term care with patients staying for very long periods. In most countries, ALOS has fallen over the past decade, from an average of just over eight days in 2002 to just over seven days in 2012. Countries have used different strategies to reduce ALOS while maintaining or improving the quality of care. These strategies include reducing the number of hospital beds alongside the development of early discharge programmes that enable patients to return to their home to receive follow-up care, and promoting the use of less invasive surgical procedures (OECD, 2013).

Efficiency in tax administration

The share of administrative cost is often used to measure the efficiency in tax collection, comparing the annual costs of administration with the total revenues collected. A reduction of this ratio can be interpreted as evidence of a reduction in administrative costs (the numerator) and/or an increase in tax revenues through greater compliance (assuming that there are no other factors that may influence the cost/revenue relationship, such as economic growth or changes in tax rates). In most countries, between 2007 and 2010, the share of administrative cost in tax collection has increased due to the deterioration in tax revenues. From 2010 to 2013 the ratio has generally decreased as the tax revenue bases of countries recovered and/or taking account of government expenditure reduction efforts.

Comparisons of the efficiency of tax administrations must be made with caution. There are various factors that affect one or more elements of the ratio's computation and which hinder direct comparability across countries. In general, differences in tax rates, in the range and structure of taxes collected, in macroeconomic conditions affecting tax receipts, as well as differences in the institutional arrangements for tax collection (e.g. multiple bodies involved in revenue administration, as in Italy), and/or the conduct of non-tax functions (e.g. social contributions) may affect the administrative cost ratio.

Methodology and definitions

Average length of stay (ALOS) refers to the average number of days that patients spend in hospital. It is generally measured by dividing the total number of days stayed by all inpatients during a year by the number of discharges (for all causes). Day cases are excluded.

Data on tax administration are provided by surveyed revenue bodies or extracted from official country reports. Tax administration expenditures include three categories: administrative, salary and IT costs. IT expenditure was defined as the total costs of providing IT support for all administrative operations (both tax and non-tax related). For comparison purposes, efforts have been made to separately identify the resources used and the costs of tax and non-tax related functions. For more information regarding the underlying data please consult the OECD Tax Administration 2015 report.

Further reading

OECD (2013), Health at a Glance 2013: OECD, Indicators, OECD, Paris, *http://dx.doi.org/10.1787/health_glance-2013-en*.

OECD (2015, forthcoming), Tax Administration 2015, OECD, Paris.

Figure notes

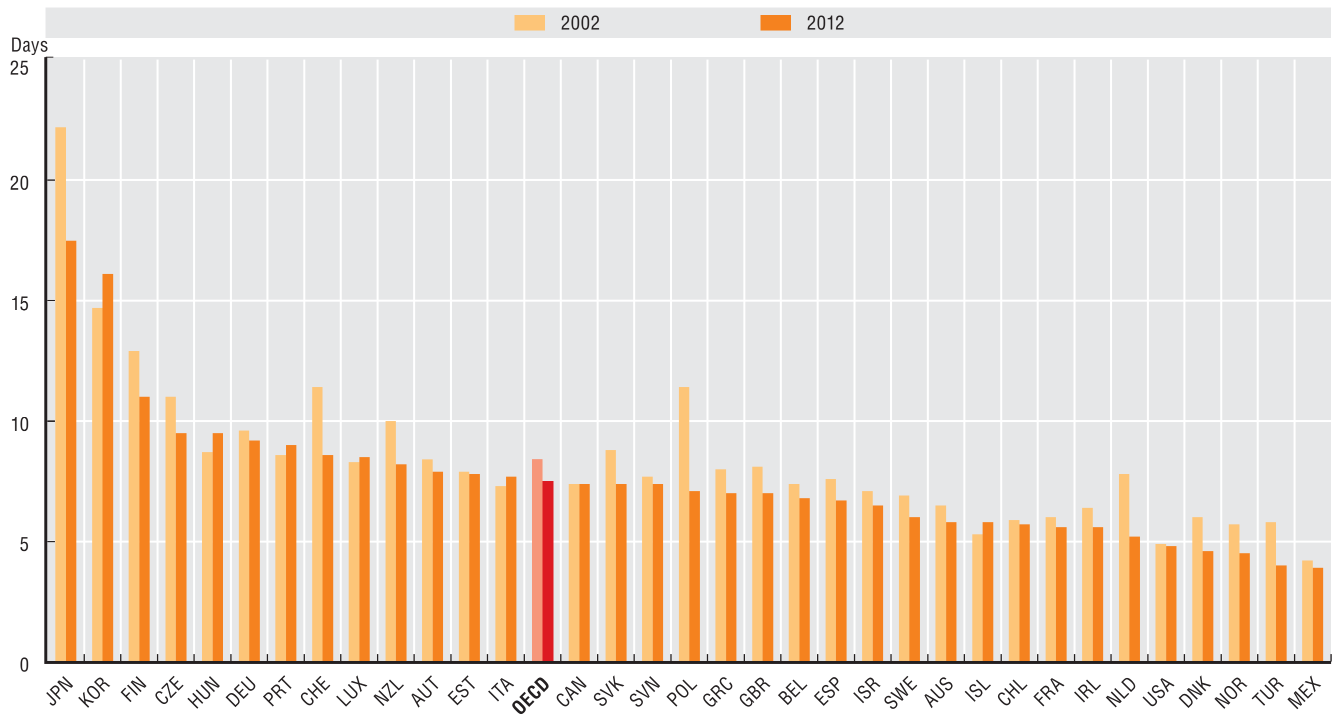
11.9: Data for Japan refer to average length of stay for acute care (excluding long-term care beds in hospitals).

Data for Slovenia are for 2004 rather than 2002. Data for Greece are for 2007 rather than 2012. Data for Iceland are for 2009 rather than 2012. Data for Denmark, Norway, Sweden and the United States are for 2010 rather than 2012. Data for Australia, Belgium, Canada, Chile and the United Kingdom are for 2011 rather than 2012. Data for Korea are for 2013 rather than 2012.

11.10: Estonia: Ratios for 2005 to 2007 include customs operations but not for subsequent years. Italy: The computed ratios for these years significantly understate the true ratio as they do not take account of expenditure incurred on tax-related work carried out by other agencies (e.g. tax fraud work of the Guardia di Finanza and enforced debt collection undertaken by Equitalia spa) that have not been quantified. United States: Ratios indicated vary from IRS-published ratios owing to use of "net" and not "gross" revenue collections as the denominator.

Information on data for Israel: *http://dx.doi.org/10.1787/888932315602*.

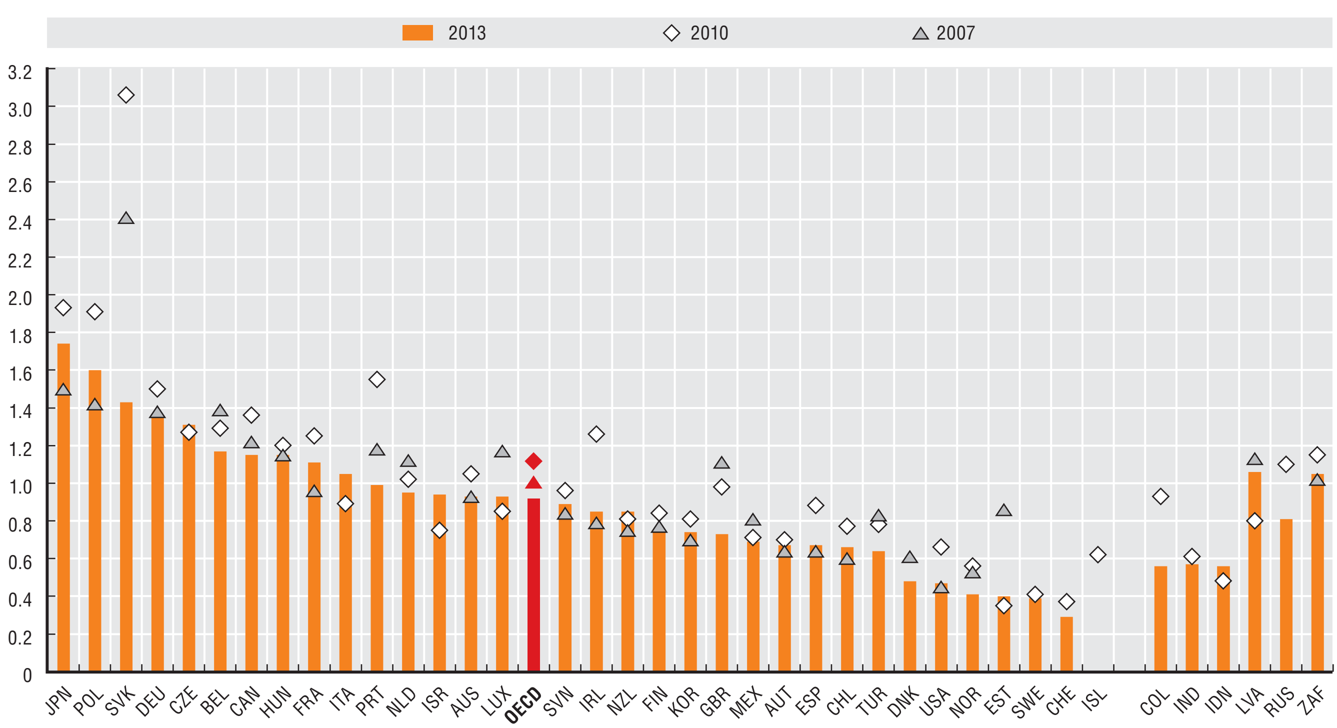
11.9. Average length of stay in hospital for all conditions, 2002 and 2012



Source: OECD (2014), *Health Statistics* (database).

StatLink http://dx.doi.org/10.1787/888933249301

11.10. Ratio of tax administration costs as a share of tax revenues, 2007, 2010 and 2013



Source: OECD (2015), Tax Administration 2015, OECD, Paris.
Note: International comparison of cost of collection ratios need to be made with care. There are various factors that hinder direct comparability which are highlighted in the OECD Tax Administration 2015 publication.

StatLink http://dx.doi.org/10.1787/888933249318

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