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Measuring Effectiveness of Production In The Public Sector

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Measuring Effectiveness of Production In The Public

Sector[☆]

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Abstract

Key concepts in efficiency analyses are efficiency and effectiveness. Efficiency is popularly connected to ‘doing the things right’ and effectiveness to ‘doing the right things’. The paper elaborates upon the latter concept within a setting where resources are transformed into outputs under the control of a public provider, while outcomes with outputs as inputs represent higher social goals, but this production is outside the public provider’s direct control. A new measure of overall preference effectiveness is introduced and its decomposition into output-oriented efficiency and output-mix efficiency is shown. The monumental task of getting the necessary information for calculating effectiveness is highlighted.

JEL classification

D20, D24, H40

Keywords

Public sector; outputs and outcomes; factorially determined multi-output production; overall preference effectiveness; output mix efficiency

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