

CHAPTER 9

GOVERNMENT EFFICIENCY

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“Are we getting our money’s worth from government in Hawai‘i?”

Hawai‘i is a high-tax, big-government state. We paid 14.1 percent of our personal income in state and local taxes in 1990, well above the national average of 11.5 percent. Not too surprisingly, we also had above-average government expenditures that year: \$626 more per man, woman, and child than the national average. And while everyone expects the number of government workers to increase as a state grows, from 1980 to 1991 the number of government workers in Hawai‘i increased about 10 percent faster than did the state’s population. In other words, the trend is toward even bigger government and higher taxes. Perhaps this helps explain why we increasingly hear phrases like “tax hell,” “paradise tax,” and “bloated bureaucracies.”

Money’s worth? If we were to ask the community-at-large if it’s getting its money’s worth from government in Hawai‘i, is there any doubt that the resounding answer would be no?

But I’m not sure that would be fair. Government grows partly because we allow it—but mostly because we demand it. The size and growth rate of government are directly related to what we ask it to do. Through our duly elected officials, we increasingly have asked government to be responsive to our needs, to ensure fairness for all, and to protect us from an expanding range of possible misfortunes. In short, we

have insisted that government take on more and more services and problems, most of which used to be left to the private sector. Examples include everything from housing the homeless to giving middle-income residents a chance (literally) to own a home.

We demand that criminals be locked up longer ("throw away the key") but insist that expensive due process be provided for anyone who's been accused of a crime ("make sure you got the right person"). We want convention centers and more promotion of tourism and better highways. Then there's the occasional bailout (Thrift Guaranty Corporation, Hamakua Sugar, Hilo Coast Processing, Hawaiian Airlines) and the taking over of failing and sound businesses alike (Hawaiian Insurance Group, after-school child care). The list is long and growing.

I wonder, are the people who complain about high taxes and big government the same people who asked for all the above?

Government doesn't know. We really can't determine if we're getting our money's worth from government until we know what it has accomplished (called "outputs"). This is difficult since government itself seldom knows.

Governments generally focus exclusively on the level of resources needed for each particular activity (called "inputs"). For example, the Department of Human Services can tell you how many social workers it has and how many people are on welfare at any given time (inputs) but not how well its workers did their jobs or how many individuals managed to get off welfare during any particular year (outputs). Similarly, the Department of Education asks for funding each year based on the number of teachers and other resources needed to get a certain number of students through the year (inputs) rather than on how well those teachers taught or what the students actually learned or were trained to do (outputs).

Unfortunately for the citizenry, the problem of focusing only on inputs is widespread throughout all levels of government. Nationally, the failure of the Department of Housing and Urban Development's policy to promote housing through loans to developers has been linked to a focus on how many loans were made (inputs) rather than on how many houses were built (outputs). Incredibly, no one realized that little housing was actually being provided or that large numbers of developers

were defaulting on their loans. The success of the program was measured by the number of loans made rather than houses built.



"WITH THE BUDGET SQUEEZE, IT CAME TO A CHOICE BETWEEN SAVING THE PAYROLL OR THE SERVICES..."

Procurement input. In Hawai'i, the recent attention given to procurement policies has focused on inputs. That has put undue emphasis on procedure. Whether the best product was received for the best price has pretty much been ignored.

Out of the fear of corruption (or, worse yet, bad press), increased controls are likely to be placed on procurement inputs. We can only hope that the legislature won't choose to handcuff *all* government workers (figuratively speaking) because of the small percentage who

might be willing to do something illegal or unethical. Increased diligence, stiffer sanctions, and protection for whistle-blowers might provide the necessary controls and still allow emphasis on outputs.

The current backward approach is perhaps most obvious when one reviews year-end spending. Managers who do not get their entire budget (inputs) spent by the stroke of midnight on the last day of each fiscal year not only lose the unspent funds forever but probably get a reduced budget the next year. Is it any surprise that even normally frugal bureaucrats spend like frenzied shoppers at a day-after-Christmas sale?

Another example of backward thinking is the focus on line items (i.e., the breakdown of how certain funds are supposed to be spent). This fiscal straightjacket prevents managers from being creative or taking advantage of unexpected opportunities. It is terribly frustrating for government workers to see a crying need for something on line 1 (school books) when the only available funds are on line 2 (a school bus).

It doesn't have to be this way. Government can be more effective, responsive, and efficient. Just because something needs to be done doesn't necessarily mean government should be the one to do it. Many activities are best done by the private sector. The authors of *Reinventing Government* use the image of a boat (we'll make that an outrigger canoe): government should be steering but not paddling. Social policy, politics, and a whole bunch of other factors should be looked to by government as it charts a course and keeps us pointed in the right direction.

The real issue. Getting the private sector to do the paddling involves privatization, but that's only one of many possible mechanisms. The real issue isn't privatization, it's government reform. Privatization can introduce efficiencies, but that's secondary to government's need to chart a better course.

We need to decentralize. Hawai'i is currently the most centralized state in the union and is pulling away from the pack. In 1980, 75 percent of state and local government workers in Hawai'i worked for the state. By 1991, that was up to 80 percent. The trend should be reversed, with more responsibility in local jurisdictions, partly to get more workers thinking about outputs, but mostly just to get them thinking.

A highly centralized bureaucratic hierarchy encourages workers to

operate on automatic pilot, to just push paper and go through motions. Why think when you have no flexibility or authority? Decentralization gets decision-making pushed out to the periphery, into the hands (and minds) of folks who are on the front lines and in the trenches. These are the people who can see what's happening, who can focus on outputs. Give them more decision-making authority and, virtually overnight, their agencies will become more flexible, innovative, and productive.

Citizen involvement. Effective, responsive government requires informed and involved citizens. Democracy means paying attention.

Decentralization of government implies giving decision-making back to the citizens, too. The idea is to create community-owned government. In this model, citizens are empowered to have control over services and make decisions about resources. Hawai'i's School Community-Based Management is a good example of a government agency trying to give more control to the local community by involving schools boards, community groups, and teachers in decision-making at their schools.

Rather than allocate funds to agencies and then *hope* something worthwhile comes of it, government needs to set realistic standards and then *know* they are met. It needs a system of accountability that focuses less on "what you received and whether you spent it" and more on "what you expected to accomplish and whether you did so." You know, outputs over inputs.

We need to insist that government set priorities that require tough decisions about the allocation of limited resources. It is through such decisions that we establish and live by our community values.

Output with a twist. A lowering of taxes and reduction in the size of government will not reduce our frustrations or lead us to believe we're finally getting our money's worth. We must recognize that there will never be enough funds for government to do everything. We must articulate and debate our needs. Then we must insist that candidates for office state clearly their vision for the future of Hawai'i and how they propose to get us there. Finally, we too need to focus more on "outputs," but with a twist: elected officials who haven't lived up to the rhetoric of past campaigns need to be "put out" of office.

