

Regional Analysis Spain

Public sector: productivity and new technologies

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The Spanish economy is on a clear expansionary path. Activity and employment are recovering, but low levels of productivity persist, and this depresses competitiveness and long-term growth potential while keeping wages low. And yet this is nothing new. Historically, Spain has seen lower rates of growth in labour productivity than the average of Economic and Monetary Union (EMU) member countries. In fact Spain has posted average annual growth of 0.7% between 1996 and 2017 as against 1.1% for the EMU as a whole. This difference is explained above all by the private sector, since growth in the Spanish public sector was greater than that of the EMU as a whole (0.5% as against 0.3%). However, in terms of absolute levels, public sector productivity is still rather low. Another differentiating factor is that in Spain, productivity developed pro-cyclically in the public sector and counter-cyclically in the private sector. Among other factors, this different behaviour could be due on the one hand to the traditional role of the public sector as a cushion for employment, and on the other to the poor functioning of the Spanish labour market, with its high rate of temporary employment (above 26%, as against 13% for the EU as a whole). This figure is somewhat lower in the public sector - and more linked to the social and healthcare sectors - than in the private sector.

In order to obtain a more complete picture of the public sector's performance, we need to address alternative measures of productivity that can better reflected its complexity. Whereas productivity focuses almost exclusively on quantitative changes, the qualitative aspects are better reflected by efficiency. In this regard, one of the metrics most used is the Public Sector Efficiency Index developed by the World Bank. This indicator seeks to identify the perception of the quality of public services, the degree of independence from external pressures, the quality of the formulation and implementation of policies and the credibility of governments' commitment to them. In this index, Spain is placed 36th out of 209 countries in 2016, and last in Europe. On the positive side, it had climbed 12 places from its position in 2006. However, it is still below countries such as France and Germany. All this points to there still being plenty of room for improvement before we reach the levels that will allow us to join the leading group of developed countries.

As has been shown in many studies, greater efficiency and effectiveness of public institutions could translate into better outperformance of the economy as a whole, with a positive effect on a country's economic development, by improving levels of GDP and wealth, as well as increasing economic stability and improving the quality of human capital. Together with this, less bureaucracy and regulation, greater controls on corruption, more transparency and trust and appropriate management of public finances go hand in hand with greater competitiveness of the economy.

In an environment in which resources are scarce and citizens, increasingly well educated, demand better quality services, the public sector faces the major challenge of improving efficiency and productivity. To achieve this end, the adoption of the new technologies can help public authorities provide more and better services, reduce waiting times and increase the transparency of their actions. To this end, progress needs to be made among other things towards "paperless administration" and the use of citizens' data to improve the services provided. This way the modernisation strategies of the public authorities must integrate (as they are doing) digital technologies among their main objectives

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But that is not all. The development of a new digital society is demanding an organisational change in the public sector a new way of interacting with citizens, more open, democratic and participative. All this puts the process of digitisation of public administration at the centre of the debate, making it a priority objective of governments.

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