



Budgeting for Productivity? A Case Study of the Public K-12 Education Systems of Canada

Performance, Budgeting and Cost Efficiency in the Canadian Provinces

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What is the prospect for realizing productivity gains in the public sector? The objective of this paper is to evaluate the cost-efficiency of the public K-12 education systems in the ten Canadian provinces and to investigate the role of the budgeting process in realizing cost-efficiencies. The paper begins by applying a data envelopment analysis (DEA). It reveals that the cost-efficiency of Canada's provincial education systems has declined by more than 10 percentage point from 2000 to 2012. The cost-efficiency of education systems depend on a host of variables, some of them (such as teacher preparation) located at the school level, some of them (such as education expenditures) at the system level. In the remainder of the paper, we consider whether current budgeting processes are sensitive to performance concerns. Interviews were conducted with budget officials in most of the jurisdictions assessed using the DEA analysis. We find strong indications that incremental budgeting continues to characterize decision making. Budget managers—both central and departmental—are aware of performance metrics and policy aspirations, but they struggle to connect these outcomes to annual budget allocations. It is politicians, school board administrators and classroom teachers to whom budget managers assign responsibility for performance and productivity gains. We conclude that the declining cost-efficiency in the public education sector is consistent with the incremental budgeting practice. Using budgets as control mechanisms, focussed on reducing budgetary slack, is unlikely to permit the use of productivity dividends to improve performance.