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STATSREVISORERNE
RIGSREVISIONEN



Extract from Rigsrevisionen's report on
relocation of government jobs
submitted to the Public Accounts Committee



1849
147.281
237
1976
114.6
22.480
908

June 2018

1. Introduction and conclusion

1.1. PURPOSE AND CONCLUSION

1. This report concerns the first round of the relocation of government jobs and its preparation that started in June 2015.

2. The study was initiated in October 2017 at the request of the Danish Public Accounts Committee, see appendix 1. The Committee stated as the reason for its request, the lack of experience with relocations of such a scale in Denmark, and the expectation that the relocation would involve one-off costs and a temporary loss of productivity and competences. In their request to Rigsrevisionen, the members of the Public Accounts Committee indicated that it would be useful to collect experience and assess the cost and positive and negative impact of the relocation, on a regular basis.

3. With its plan *Better balance* (in the following referred to as *Better balance I*) from October 2015, the government decided to move 3,899 government jobs away from the metropolitan area. The purpose of the relocation was to attain a better balance and development across Denmark and ensure that government institutions were located close to the citizens and businesses. Additionally, the relocation was to be implemented whilst maintaining a professional environment and efficient operation of the government institutions and authorities. The plan reflected the government's political ambitions to place more government jobs outside the Copenhagen metropolitan area. The decision was made in the knowledge that the relocation would represent a considerable challenge to the institutions and their staff, and that it would, temporarily, make it more difficult for the institutions to perform their duties.

4. We examine how the decision to relocate government jobs was prepared and implemented, and we provide a state of play of the relocation. We do not examine the government's actual decision to move government jobs outside the metropolitan area, because the Danish parliament, when it passed the fiscal act for 2016, approved a provision of DKK 400 million for the relocation and that the departments were to cover the remaining cost of the exercise. In doing so, the parliament approved the government's decision to relocate government jobs. The parliament also agreed to an additional allocation of close to DKK 190 million in the fiscal act, which was incorporated in the institutions' appropriations for 2017 and onwards. However, the parliament's approval of the government's decision does not change the fact that the departments are required to ensure that the relocation of jobs is implemented in the most economical manner.

We assess the departments' planning and implementation of the relocation against this backdrop. We also provide an overview of some of the financial consequences of the relocation, but we do not provide an overview of the total cost associated with the relocation, because the relocation of some of the institutions is still in progress, while others have not relocated any jobs yet. Many of the institutions are unable to estimate the exact cost associated with the relocation beyond direct one-off cost for moving, travelling, retention, etc. Lastly, it is still too early to determine the impact of the relocation and its long-term consequences for the operation of the institutions.

5. The purpose of the study is to assess whether the departments have implemented the relocation of government jobs in an appropriate manner. The report answers the following questions:

- Did the basis for the decision to relocate government jobs include assessments of the financial and operational consequences of the relocation?
- Did the departments' implementation of the relocation have focus on sustaining a reasonable production in the process?
- What is the preliminary state of play of the relocation of government jobs relative to economy, office space and staff?

CONCLUSION

Overall, the departments have implemented the relocation of government jobs in an appropriate manner. At the same time, however, Rigsrevisionen notes that the relocation has had negative consequences for the institutions' production which has also affected citizens and businesses. Three of the four institutions in the study have struggled to achieve their output targets, despite the fact that these had been downgraded on account of the relocation.

In cooperation with the affected departments, the Ministry of Finance worked out a basis for decision that included assessments of the operational consequences of the relocation. The Ministry of Finance estimated the total one-off cost of the relocation, and the departments made estimates of the economic consequences for the institutions, to some extent or other. According to the basis for decision, the relocation of the Danish Geodata Agency and the Danish Agricultural Agency entailed a risk of a production loss as well as a financial loss. The basis for decision was prepared in less than three months, during which time the initial proposals for relocation of jobs were upgraded by 1,000 man-years.

It is Rigsrevisionen's assessment that the departments planned the relocation with focus on sustaining a responsible level of production in the four institutions in the study. The point of departure of the planning was that the institutions should be able to perform their core tasks in a responsible manner. In several cases, this meant that other tasks were given lower priority and output targets had to be temporarily downgraded relative to normal operation.

THE FOUR INSTITUTIONS IN THE STUDY

- Nævnenes Hus (an agency providing secretariat services to 16 court-like tribunals) under the Ministry of Industry, Business and Financial Affairs.
- Statens Administration (agency responsible for governmental administration) under the Ministry of Finance.
- Landbrugsstyrelsen (the Danish Agricultural Agency) under the Ministry of Environment and Food.
- Geodatastyrelsen (the Danish Geodata Agency) under the Ministry of Energy, Utilities and Climate.

The relocation of the four institutions in the study has affected the citizens and businesses, as the processing of certain types of cases has taken longer than before the relocation. Furthermore, Denmark has been unable to observe its agreement with the Government of Greenland concerning the Danish Geodata Agency's production of new nautical charts and as a result, the safety of navigation has not been improved as planned. The Danish Agricultural Agency had to downgrade more tasks in order to perform its high-priority core tasks. Nævnenes Hus had to re-prioritise its work in order to manage a vast backlog of open cases. Many of the cases had accumulated over several years, but the problem was aggravated by the relocation. The institutions have implemented various retention measures depending on their current situation. The Danish Geodata Agency was established as a new organisation with a new management and decisions concerning retention measures were therefore delayed which contributed to a temporary high outflow of staff.

Production at the Danish Agricultural Agency, the Danish Geodata Agency and Nævnenes Hus continued to be adversely affected by the relocation in 2017. Statens Administration maintained its output targets during the relocation and production was on plan in 2017. Rigsrevisionen notes that the consequences of the relocation implemented in Denmark are in line with the experience of Norway and Sweden, where evaluations show that relocations of government jobs affected production for several years.

Based on figures reported by the affected departments, the Ministry of Finance estimated the direct one-off costs of relocating all the concerned institutions at DKK 910 million in its plan *Better balance I*. Still, the ministry's most recent estimate from April 2018 indicates that the cost will be lower, namely DKK 808 million, due, among other things, to the fact that in some institutions, fewer employees than expected have moved with their jobs. However, the estimate is subject to some uncertainty, because the institutions have not had access to accurate guidelines on how to record their relocation costs. To this should be added that the estimate does not include possible cost relating to, for instance, lower productivity and quality, and longer processing times.

By April 2018, 32 institutions had completed their relocation and approximately two thirds of the affected man-years had been relocated. Well over one third of the institutions were behind their original schedule. Approximately one fourth of the staff had decided to move with their jobs.

In Rigsrevisionen's survey, just under half of the institutions stated that sickness absence increased in the relocation phase, whereas the rest of the institutions did not experience any change or saw a fall in sickness absence. The survey shows that approximately one third of the relocated institutions have had difficulties recruiting staff with relevant qualifications after relocating. Particularly recruitment of managers, experts, academics and staff with relevant experience has been difficult. It should be noted, though, that sickness absence as well as recruitment may be affected by other factors than the relocation. Half of the relocated institutions have indicated that their task performance has been adversely affected by the relocation, particularly in respect to productivity and quality, resulting in extended processing times. The other half of the relocated institutions have not experienced any negative consequences for their task performance.

The Ministry of Finance follows up regularly on the consequences of the relocation for the economy, production and staff of the institutions - including the institutions that are part of the coming relocation round *Better balance II*. However, Rigsrevisionen finds that in order to arrive at a more uniform and precise statement of the total cost of relocating government jobs, the ministry should work out precise guidelines on how the institutions should record their relocation cost. Moreover, the current statement does not include cost relating to lower productivity and quality, and longer processing times.