

Doing it better

Enhancing productivity and value in the public sector

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Productivity growth is important; it's the means by which our society progresses. Without it, our economy stagnates and living standards decline; we get progressively poorer and the opportunities and services available for us and our children diminish. Editor JOHN O'LEARY looks into the issue.

Productivity growth is especially important in the private sector, which creates the bulk of New Zealand's wealth, but it's also important in the public sector, which by some estimates makes up around 20 percent of the country's GDP. But what exactly is productivity when it comes to the public sector? How can it be measured and analysed? And if it's growing only slowly, or even declining, how can it be enhanced?

In truth, we don't know that much about productivity in the public sector, partly because it's inherently difficult to measure. In the private sector productivity can often

be assessed, for example by counting the number of products a factory produces in an hour (if the figure goes up, productivity has increased). But how does one measure the productivity of, say, social workers? They may see more clients in a day than before, but if the quality of their interaction with clients is poor, and the resultant outcomes not good, then can they be said to be more productive?

Some attempt has been made to measure public sector productivity. Work by Statistics New Zealand, for example, shows that in the health area, inputs have been growing, but productivity has been growing more slowly; in education,

meanwhile, labour inputs have also been growing, but productivity has actually been declining. Information such as this suggests that productivity is weak in the public sector when compared to other measured sectors such as services, agriculture and manufacturing.¹

Gaps

What is the reason behind low productivity in the public sector? The main thing to understand is that there isn't just one reason; rather, a number of different factors are at play. According to the Productivity Commission, the body set up in 2011 to address the issue of New Zealand's relatively low productivity levels, these factors include gaps in communication between employees and management and between/among agencies, tolerance of poor working practices, excessive aversion to risk, lack of development of workforce capability, >

confusion over key regulatory issues, and poor evaluative practices – to name just a few. A seminar earlier this year on creating high-performing public sector organisations led by Victoria University of Wellington’s Centre for Labour, Employment and Work (CLEW) identified other problems, such as poor leadership, weak people management and flawed information flows. And a 2013 CLEW report on workplace dynamics commissioned by the PSA found a number of areas of concern among public sector staff in relation to how they were being managed, such as poor upward communication and inadequate appraisal and reward processes. Most striking, perhaps, was the finding that many staff did not think their managers were creating the right social climate for good performance at work and that public sector agencies were too often not living up to their potential (more on this later).² While it is important to keep these findings in perspective – none of the factors mentioned above are peculiar to New Zealand, or much worse here than elsewhere – they do suggest that there is room for improvement when it comes to productivity in the public sector.



Distracting

So how do we enhance productivity in the public sector? The Productivity Commission has a number of suggestions which include building upon the PIF process, dealing better with poor performance, delegating better, collaborating better, and embedding a good leadership culture (the right leaders in organisations). Constant restructuring is *not* the answer; in the words of Murray Sherwin, head of the Productivity Commission, “it’s difficult, it’s distracting, it takes your eye off the job and it’s not going to get you there”. The seminar run by CLEW came up with its own solutions, which included improving collaboration and developing a culture of trust between agencies, developing leadership capability, involving staff more in decision-making processes, and increasing stakeholder support for public sector organisations.

So far so good. But what is actually being done, right here, right now, to enhance productivity in the public sector? What is being done to make our public service better, more efficient?

A good example is the work done by three agencies at Auckland airport (NZ Customs, Civil Aviation Authority and Auckland Airport) which won them the 2015 Deloitte Fujitsu Public Sector Excellence in Achieving Collective

Impact award. The Combined Departures Process (CDP) project saw the three organisations collaborating closely to streamline the processing of passengers leaving the airport while still ensuring safety and security. Fundamentally, the CDP project involved looking at the processing experience from the customers’ point of view, rather than just the organisations’, and re-shaping the departure process procedures accordingly. The results have been impressive: a smooth movement of passengers toward the departure gate and easier compliance with



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restrictions concerning liquids, aerosols and gels [for more about this project, see our story on the 2015 Awards on page 13].

The CDP was designed through initiatives of the State Services Commission and its mandate to implement a continuous improvement culture within public sector agencies. “It’s an excellent example of public sector bodies looking beyond their organisational boundaries, seeing the ‘big picture’ and co-operating closely to produce a better outcome for the public,” says Alison McDonald, Deputy Commissioner, Performance Improvement Programmes Group at the State Services Commission.

“It’s about focusing on the things that matter to the public and doing what works, rather than just concentrating narrowly on meeting organisational accountabilities. Accountabilities are important, of course – but they’re not the whole picture, and public servants need to look beyond them and consider how they can serve the public more effectively.”

Effectiveness

This theme of serving the public more effectively is echoed by McDonald’s colleague at SSC, Al Morrison, Deputy Commissioner, State Sector Reform. “People talk about productivity as being the issue, but in fact when it comes to the public sector what actually matters is effectiveness. An agency can be ‘productive’, it can even be ‘efficient’, but if it’s not being effective in what it does then it’s failing to fulfil its purpose.

“We’re not going to solve the long-term social, environmental and economic problems that we face if our agencies aren’t working effectively together in the agency work they are accountable for and the system work they are responsible for. Working effectively, indeed, will tend to lead to gains in efficiency and productivity.”

The problem, says Morrison, is that too often frameworks have been set up that make it difficult for people to perform effectively. “We need to change our mindset and start thinking much more flexibly and dynamically about how we provide services to the public. This means, for example, stretching how we use our PIF



framework: asking how we can make it more impactful, for example, and how we can use it across agency boundaries.

“It means embedding the continuous improvement process even more deeply and making it consistent across the entire system so that people understand that if they’re not continuously improving how they are doing things then they’re standing still, or even going backwards. And it means making better, more intelligent use of the data we have so we can improve outcomes for our customers.”

It’s early days yet, says Morrison. “We’ve made some really significant change but it’s still largely at the margins. We need to embed transformational change till it becomes business as usual. And already we’re looking ahead, beyond the Better Public Services programme that was set in motion in 2012. What comes next? Where does the public service want to be in 2025 and what are the barriers to getting there?”

‘Commissioning’

Morrison’s observation that the public service needs to start thinking more flexibly and dynamically about how it provides services is impressively illustrated by the winner of the 2015 Deloitte Fujitsu Prime Minister’s Award for Public Sector Excellence, the Canterbury Clinical Network (CCN). The network, an initiative set up in 2007 by the Canterbury District Health Board, developed a community-focused, citizen-centric health system where everyone involved in a person’s health pathway works in collaboration, enabling more people to access care in the community, closer to their homes. The result has been shorter waits for care, higher rates of elective services and reduced pressure on hospitals, with acute medical admission rates some 30 percent lower than the national average, age adjusted [for more about this project, see our story on page 10].

“The work of the CCN is a prime example of the ‘commissioning’ approach,” says Graham Scott, a Commissioner at the Productivity Commission and an expert on, among other things, the healthcare sector.

“The term ‘commissioning’ is not much used here in

New Zealand, but basically it means taking a much more holistic approach to providing services in areas such as health, where we have had problems with improving outcomes. It means moving away from the traditional model of formulating policy and then proceeding to implementation towards a model that engages much more effectively with patients, communities and frontline providers.

“It means moving away from a directive, hierarchical mode of working towards an approach that’s less silo’d and more flexible and common-sensical.

“One small example from the health care area might be sending round homecare nurses to make sure that elderly people’s homes don’t have furniture and carpets that can trip them up, resulting in things like hip fractures, which can mean long hospital stays. It’s a simple thing to do, but the pay-off in terms of fewer hospital admissions and better health outcomes is significant.”

It sounds so obvious. Why don’t we see more of it?

Often it’s a question of leadership, says Scott. Another problem he identifies, echoing Al Morrison above, is that existing systems are not well set up to encourage innovation and lateral thinking. “We need to strengthen the horizontal ‘glue’, so to speak, so we can draw on the resources and expertise of bundles of organisations working in parallel.

“In terms of NGOs, for example, we need to move away from short-term, over-specified contracts which suppress the creative energy that lies in many of these organisations. Frontline services can sometimes need a bit of discretion, a bit of latitude, to solve a problem, and we should allow for this.

“In the end, as they say, it’s about doing what works.”

The Productivity Commission is examining related issues in its current inquiry into making social services more effective, including how agencies identify the needs of people who use the services, how they choose organisations to provide the services, and how the contracts between agencies and organisations work. The inquiry report was delivered to ministers at the end of August and is expected to be published in September.

Engagement

Enhancing public service effectiveness is also an area of interest for the Public Service Association (PSA). “We tend not to talk about enhancing productivity as in many areas of the public service productivity is already high,” says Erin Polaczuk, one of the PSA’s National Secretaries.

“We prefer to talk about ‘high engagement’, which has been shown to be a factor in workplace performance. And there is an issue here, because in many respects there is still a command-and-control approach taken by managers in the public service. This tends to inhibit discussion/feedback from staff and their union and limits the possibility of improvement.”

Studies by overseas survey/research groups such as Eurofound, points out Polaczuk, have shown that organisations exhibiting a systematic and involving or interactive and involving approach do significantly better in terms of performance and workplace well-being than those which maintain a more traditional, passive management or top-down, internally oriented style.³

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with staff and their unions – listening to their concerns, taking on board their suggestions, and acting on them – has major benefits in terms of workplace effectiveness. This is the thinking that lies behind the Sustainable Work Systems (SWS) programme that we introduced in 2009. There are some examples of where this approach has worked very well, for instance at the Bay of Plenty District Health Board where a pilot training project involving clerical schedulers at Tauranga and Whakatane hospitals was highly successful in reducing the number of Do Not Attends (people who don't show up for appointments) and in developing a flexible, patient-centred appointment booking service."

"The problem is that the gains made have too rarely been carried through and repeated on a larger scale across the whole system. One reason behind this may be that managers fear that by engaging with staff and their union more fully, they are going to lose control, or that if an initiative doesn't work they will be blamed."

While risk always needs to be taken into account, excessive risk aversion by managers can be a problem, inhibiting innovation and improvement, says Polaczuk, echoing a finding by the Productivity Commission.

"Managers, in my opinion, need to change their mindset just as much as staff. They need to listen and learn, and trust the people they manage, and their unions. You could say that we're talking about a more modern, democratic relationship between managers and staff, from which both will benefit."

Polaczuk questions, too, the assumption in government thinking that contracting out public services to NGOs and private sector service providers is going to lead to improved effectiveness in service delivery.

"I don't see much evidence of this, and I am concerned about the negative impact such a model has on public service morale. I mean, if public services are going to be farmed out anyway, why bother to improve your own working practices?"

"In the PSA's opinion we should be focusing on improving the workplace culture of our existing public service agencies. The 2013 CLEW report which we commissioned showed that many PSA members, while committed to their work, did not feel their managers were creating the right social context for high performance in their organisations, with decisions being made based on politics rather than facts and analysis, for example, and not enough time spent on developing the capability of subordinates.

"Nearly 40 percent of members surveyed did not think the organisation they were working in was achieving its full potential. That's a rather high figure and suggests there's plenty of work to do to create high-performing public service agencies."

Neglected

Polaczuk's point about problems in implementing large-scale change across the system is endorsed by Dr Geoff Plimmer, senior lecturer at Victoria University of Wellington's School of Management, who helped put together the CLEW report for the PSA and who took part in the seminar earlier this year on creating high-performing public sector organisations.

"I'd say that there's a problem with implementation

across the whole of the public service. While policy skills have been refined over the last 20 or 30 years, operational management skills have been neglected, with negative results. We need to pay more attention to operational management skills if we're going to see progress towards a more flexible, adaptable public service."

Another problem, thinks Plimmer, is that managers in the public service are themselves generally poorly managed. "Currently, the professional training and development of managers is not especially good. Too many have a narrow view of what their job is – a policy manager, for example, may see his or her job as consisting in processing papers and getting sign-offs rather than managing a team so as to build capability."

Other problems include bullying behaviour by managers, say Plimmer, and tolerance of poor behaviour. Both tend to inhibit the setting up of useful feedback mechanisms.

"We need to raise the benchmark in terms of managerial performance. And I am not just talking about middle management here; the people at the top also need to improve their performance. One idea is to integrate top teams more so they work together on issues, rather than having senior executives of silos meet occasionally to resolve disputes."

So, when it comes to enhancing productivity and value in the public sector, the picture is a mixed one. New Zealand is fortunate in having an honest, dedicated public sector workforce, but there are issues around effectiveness and implementation, not to mention staff engagement and managerial development.

As always, there's work to be done.

References

- 1 See Sherwin, M. Presentation to PSA Seminar 18 April 2013. Victoria University of Wellington.
- 2 See Plimmer, G., Wilson, J., Bryson, J., Blumenfeld, S., Donnelly, N., & Ryan, B. (2013). *Workplace Dynamics in New Zealand Public Services*. Wellington: Industrial Relations Centre, Victoria University of Wellington. 56-60.
- 3 See Kankaras, M. and van Houten, G. (2013). *European Company Survey 2013*. Dublin: Eurofound. 122-28.



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