**MEDIA RELEASE**

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**State Sector Productivity: innovation and measurement are the missing keys**

Higher state sector productivity is critical to delivering more and better public services now and into the future, yet many government agencies lack the cultures, capability and encouragement to make these gains, says the Productivity Commission in its latest report, *Improving state sector productivity*.

“Faced with demand for more services, the public sector often relies on hiring more people. That strategy is not sustainable” says Commission Chair Murray Sherwin.

“Getting the best value out of existing resources requires good information, measurement of performance, openness to new ways of working, and an environment committed to making improvements.”

“The Commission saw examples of good and innovative practices within the state sector. Examples include the redesign of a takahē breeding programme to improve birth rates while also cutting costs, primary health care models which make better use of nursing staff skills to meet patient needs better and faster, and MSD’s use of data to test which employment training programmes actually make a difference to people’s lives.”

“But there are too many barriers to these sorts of practices emerging and spreading. Few government agencies measure the productivity of their services, and some lack the capability or inclination to do so. Many agencies are risk-averse and through prescriptive and inflexible commissioning arrangements, make it difficult for contracted service providers to innovate. The Government’s budget system tends to reinforce ‘business-as-usual’ activities instead of new and innovative approaches.”

“Making progress on public sector productivity will require action by ministers, central agencies such as the Treasury and State Services Commission, and departmental leaders. In particular,

* Ministers need to start asking questions about productivity performance and setting clearer expectations for improvement.
* The Treasury and State Services Commission should establish and support a network to help build expertise in measuring productivity.
* The Treasury should reshape the annual budget system to devote more money over time to high-quality initiatives that have a high probability of making a big difference to wellbeing, and less money to ‘business as usual’ proposals.
* The Treasury should report annually on performance measures for key public services.
* Departments should review existing public service funding models and where feasible, move to approaches that pay for results or outcomes, not inputs.
* The State Services Commission should renew its processes for assessing the performance of state organisations, to test how well their cultures, values and practices support innovation.

“This inquiry has demonstrated, through case studies and other investigations, that measuring and tracking productivity in public services is quite feasible. What this report lays out is a series of steps that will enable the public service to sharpen its focus on the sorts of innovations that will lift the efficiency and effectiveness of the public services. All New Zealanders have a stake in the successful adoption of these recommendations.”

**-ENDS-**

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**Notes for editors**

1. The final report *Improving state sector productivity* provides advice for ministers, central government agencies and government officials. It is available online at [www.productivity.govt.nz/statesectorprod](http://www.productivity.govt.nz/statesectorprod)
2. A second report *Measuring state sector productivity* provides guidance to help agencies measure productivity. This report and associated inquiry material is available at[www.productivity.govt.nz/statesectorprod](http://www.productivity.govt.nz/statesectorprod)
3. For this inquiry, the Government asked the Productivity Commission to provide **guidance and recommendations on measuring and improving** productivity in public services, especially education, health, justice and social services. [See inquiry terms of reference here.](https://www.productivity.govt.nz/sites/default/files/State%20sector%20productivity%20TOR.pdf)
4. The [New Zealand Productivity Commission](https://www.productivity.govt.nz/) – an independent Crown entity – was established in April 2011 and completes in-depth inquiry reports on topics selected by the Government, carries out productivity-related research, and promotes understanding of productivity issues.