

# Productivity in the public sector

Workshop

NSW Productivity Commission

November 2023



# Acknowledgement of Country

We acknowledge that Aboriginal and Torres Strait Islander peoples are the First Peoples and Traditional Custodians of Australia, and the oldest continuing culture in human history. We pay respect to Elders past and present and commit to respecting the lands we walk on, and the communities we walk with.

Artwork:  
*Regeneration* by Josie Rose



# 1

## Productivity

# What is productivity?

## What is it?

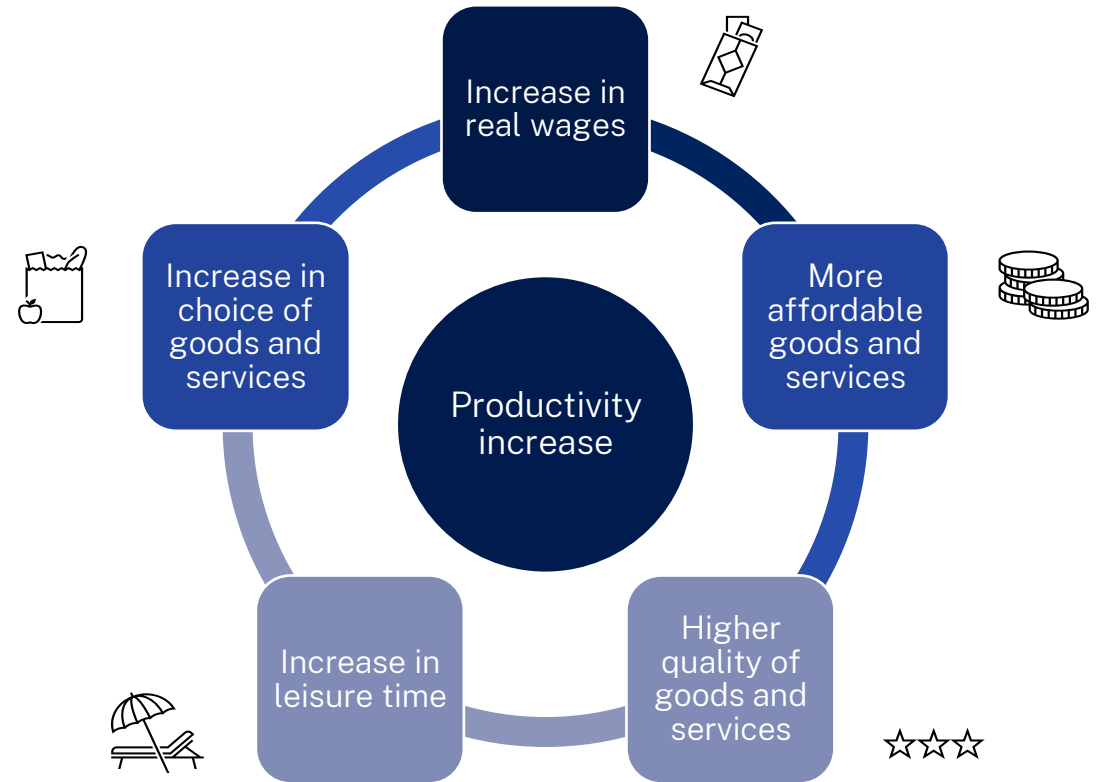
Productivity is the **ratio of economic output** (goods and services) **per unit of input** (labour, capital, technology, raw materials, etc.)

## Why is it important?

When productivity grows, it means we have learned to produce goods and services with less effort and resources.

**Productivity growth is the key driver of long-term improvements in living standards.**

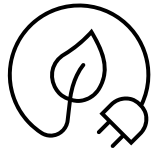
## Increased productivity can lead to:



# Drivers of productivity



# Some examples



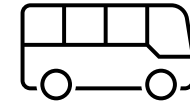
## Structural adjustment

- Spain’s “Just Transition” program is helping workers transition from fossil fuel industry to renewable energy
- Two job banks are created to:
  - Train, and reskill employees for general employability
  - Provide professional training for green occupations
  - Provide job placements in environmental restoration work.
- In 2023, **80% of workers registered** in the job bank for decommissioned coal power plants are currently employed



## Service re-design

- People with chronic obstructive pulmonary disease (COPD) have significantly higher rates of hospitalisation and emergency department visits
- Ontario’s “Best Care” program embeds a certified respiratory carer within the primary care practice
- This has led to:
  - Improved quality of life for patients
  - Reduced emergency department visits and hospitalisation
  - Reduced overall cost of service



## Efficient use of infrastructure

- Sydney’s traffic jams are deterring workers from riding buses and costing the NSW economy tens of millions of dollars each year in lost time
- Currently, “traffic signal priority” for buses is only activated for 10% of intersections in Greater Sydney
- Implementation on the B-Line resulted in travel time reducing by 14% and time variability reducing by 20%
- Cost of implementation is low since infrastructure already exists

# 2

## Public sector productivity framework

The Public Sector Delivery Chain

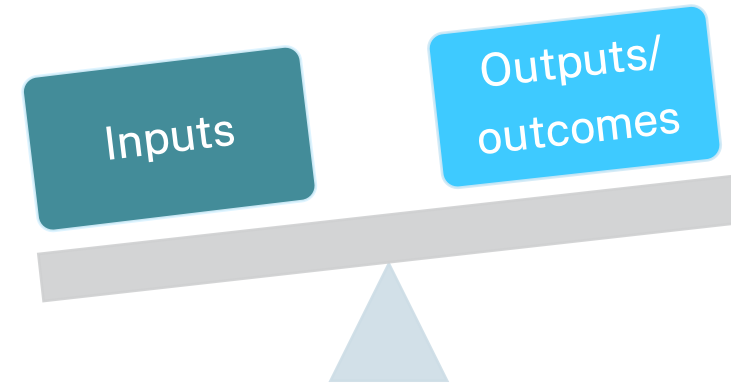
# Public sector productivity

Public sector productivity is the **quantity and quality** of public services or outcomes delivered for a given amount of public resources (labour, equipment/technology, natural resources).

Public sector productivity cannot be measured using a single metric. Instead, an **array of metrics** need to be considered.

## Ways to improve public sector productivity:

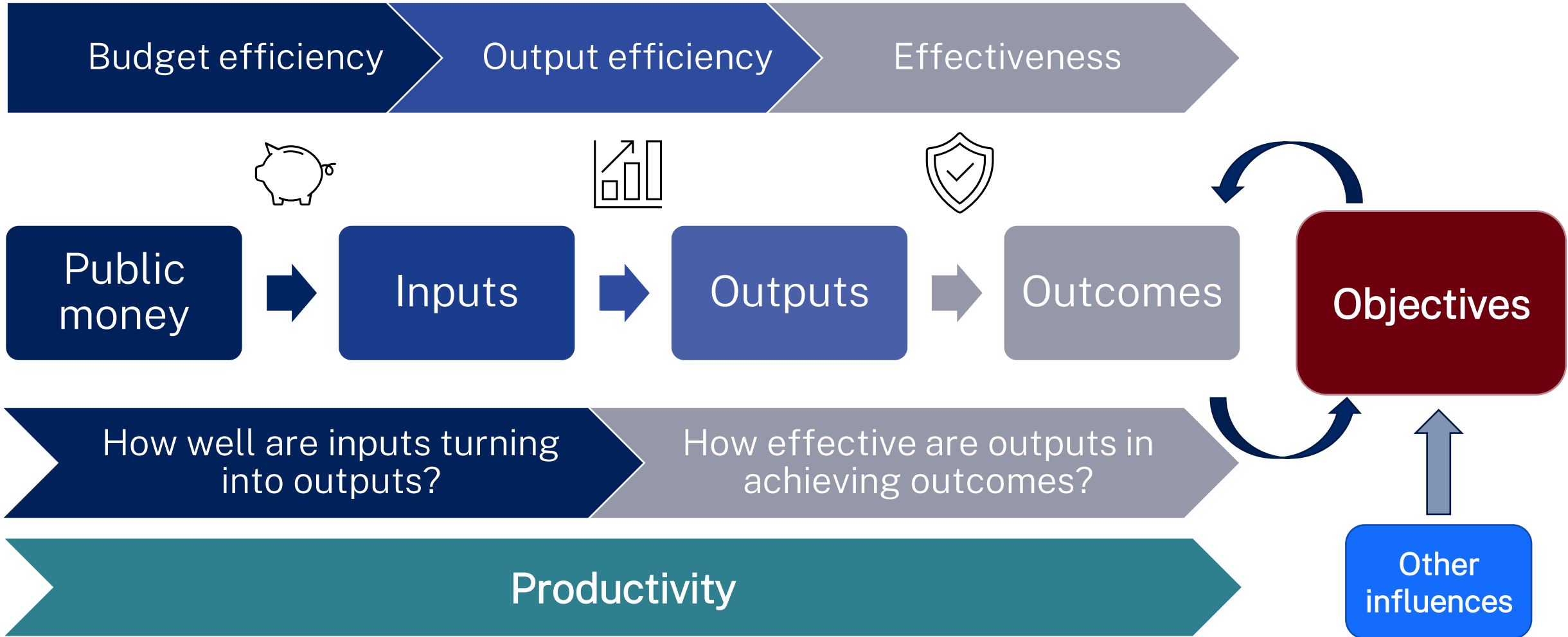
- ✓ Delivering the same service (quality/quantity) with less inputs (efficiency)
- ✓ Delivering a better service (quality/quantity) with the same or less inputs
- ✓ Achieving a large reduction in inputs, with a slight reduction in service quality
- ✓ Achieving a large improvement in service quality, with a small increase in inputs



## Ways NOT to improve public sector productivity:

- × Improving the quality of services regardless of the inputs required (i.e. gold plating)
- × Gaining a small improvement in output, with a large increase in inputs
- × Achieving a small reduction in inputs with large reduction in service quality/quantity
- × Gaining a small improvement in quality, with the same inputs, but with a large reduction in output

# Framework



# Applying the framework – questions to ask

---

Topic	Question
Objective	What is the objective of this public service?
Outcomes	What outcomes will help achieve this objective?
Outputs	What outputs are needed to achieve the outcomes?
Inputs	What inputs are needed to produce/provide the outputs?
Budget efficiency	How cheaply are the inputs being purchased?
Output efficiency	How efficiently are inputs turning into outputs?
Effectiveness	How effective are outputs in achieving desired outcomes/objectives?
Other influences	What other influences are impacting service delivery and outcomes? E.g., culture and morale.

---

# 3

## Unlocking productivity through awards

Leveraging award negotiations to align incentives and remove barriers

# Awards and productivity

Public sector awards can contain provisions that enable **productivity** but can also embed inefficiency or **create barriers** to adopting productivity enhancing practices or changes.

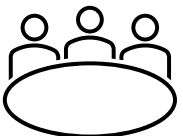
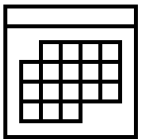
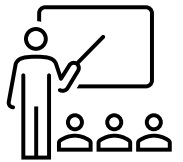
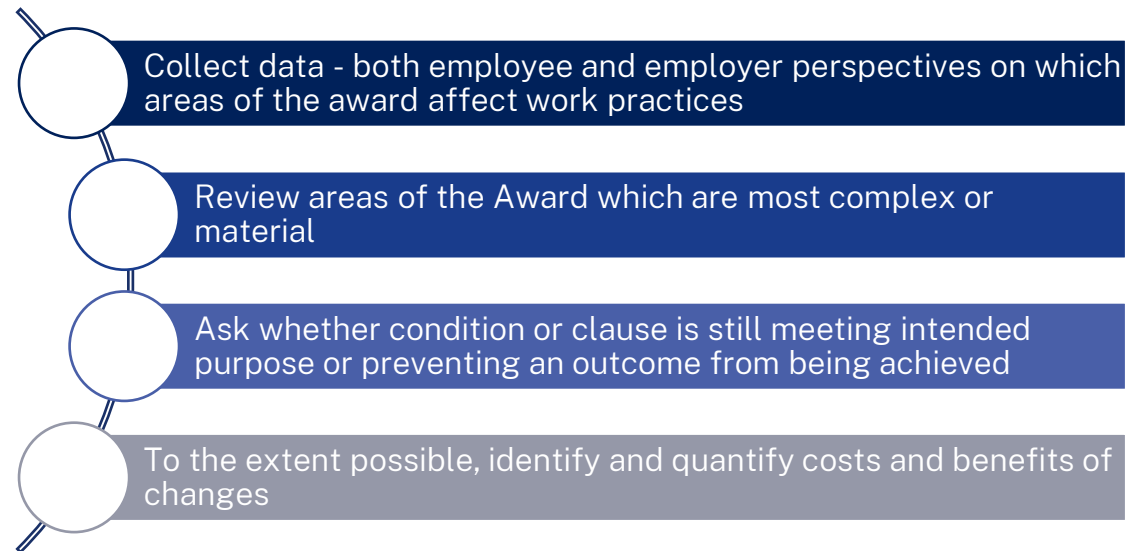
There is no one-size-fits-all approach to improving productivity through awards.

Proposed changes and their costs and benefits need to be analyzed on a case-by-base basis.

## Examples

Type of provision	Productivity enhancing	Productivity deterring
Flexibility	Flexibility and conditions that enable agility and productive work	Restrictions on work location, practices, or hours that prevent productive working patterns
Skills development	Appropriate provisions for training / skill development	Inadequate, irrelevant or excessive training

## Reviewing Awards



# Case study: Where productivity gains require bargaining



## NSW Trains and the Australian Rail, Tram and Bus Union (RTBU)

<b>Context</b>	The NSW Government announced a procurement contract for new trains for the InterCity fleet in August 2016.
<b>Productivity improving technology</b>	One of the technological improvements of the new fleet was CCTV technology which could inform the train driver whether passengers have embarked/disembarked safely from the train instead of a guard. This required a change to the previous operating model.
<b>Government proposal</b>	<p>NSW Trains proposed a reclassification of roles of drivers and guards which would have resulted in substantial savings.</p> <p>The reclassification would have resulted in train drivers receiving a salary increase and train guards receiving a salary decrease.</p>
<b>Need for bargaining</b>	<p>A clause in the enterprise agreement gave the RTBU the power to veto changes to the operating model and any associated efficiency gains.</p> <p>NSW Trains could not implement its proposals without an in-principle agreement with the RTBU.</p>

This publication is protected by copyright. With the exception of (a) any coat of arms, logo, trade mark or other branding; (b) any third party intellectual property; and (c) personal information such as photographs of people, this publication is licensed under the Creative Commons Attribution 3.0 Australia Licence.

The licence terms are available at the Creative Commons website at:  
[creativecommons.org/licenses/by/3.0/au/legalcode](https://creativecommons.org/licenses/by/3.0/au/legalcode)

NSW Treasury requires that it be attributed as creator of the licensed material in the following manner:  
© State of New South Wales (NSW Treasury), (2023).