



South Australian Productivity Commission

Productivity improvement in the public sector

IPPA SouthStart Conference – 20 November 2019

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www.sapc.gov.au

Point 1: productivity is really important

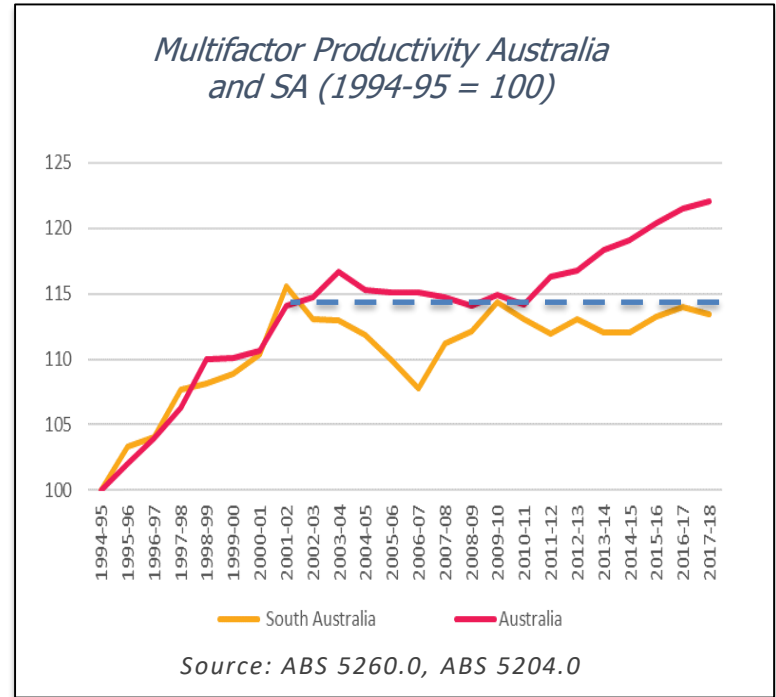
Rising productivity is the foundation of rising living standards in the long run.

Australian productivity growth peaked around 2000, slumped and more recently has recovered a bit.

SA's multi-factor productivity has, on average, been flat since roughly the start of the 2000s.

While the causes may be deep seated and longstanding, is there really something special about SA?

Probably not.



Point 2: state policies and public sector really matter

State governments have few, but powerful policy instruments, to lift productivity:

- *Regulation and tax/transfers* – the business/investment environment
- *Education and human capital* – skills for higher income jobs and changing technology
- *Infrastructure* – including shaping cities as complex infrastructure for growth and liveability
- *Health and medical system* – services that lift the wellbeing of citizens
- *Innovation, research and entrepreneurship* – new and improved services, and businesses.

These are mostly medium term strategies.

In addition ... the SA public sector is a large part of the state economy. The sector's efficiency and productivity matters directly for SA's productivity.

Innovation and improvement, in my experience, come in small, medium and large sizes.

So how do we organise in the public sector to hunt improvement and innovative solutions?

Point 3: innovation opportunities from SAPC inquiries

Innovation is not a silver bullet. It *is* extremely important to achieving more value for SA.

Opportunities for SA from SAPC's procurement (and local government) inquiries:

- **What** we procure – engaging with market, stakeholders to define the need (an outcome)
- **How** we procure – two step process to procure the right good or service
- **Manage interdependence** through working together (teams important)
- **Clarify boundaries** – to manage risk, complexity and consequence
 - pick the best approach - not everything is an innovation opportunity but be open to it
- **Address asymmetric (dis)incentives** for calculated risk taking
- **SA procurement profession** - build it deliberately and strategically and deploy it effectively
- **Data and evidence** - use evidence based approach (including data analytics) to search for improvement opportunities.

Some examples of innovative procurement, and opportunities to do better.

Point 4: organise better to be innovative

Leadership – essential to set direction and expectations, and enable/encourage/protect staff

Behavioural themes:

- *Align* – exploit the power of the logic bomb and necessary (but not sufficient) conditions
- *Engage* – with stakeholders, peers and evidence
- *Explore, don't prejudge or pre-empt* – often strategies emerge adaptively.

Process – integrate the creative and the delivery imperatives (essential to SAPC work).

Skills - build and use **expertise and insight**. Develop families of professions and expertise.

Use **structure** to share what works and what problems are interesting (did someone mention community of practice?). **Reduce disincentives** to sensible (authorised) risk taking.

Teams – learn how to work in teams at every level and across all agencies.

Note: *Managing the innovating enterprise*, Carnegie and Butlin (1993)

What is the SAPC?

Our purpose:

- “... recommendations to government to facilitate productivity growth, unlock new economic opportunities, support job creation and remove existing regulatory barriers”
- exercise independence, rigour and transparency.

Functions

- inquiries on matters referred by the Minister (Premier) – three done by 22 November
- advise the Minister on any matter referred
- promote public understanding of the objects of the Commission
- conduct a policy and research program developed in consultation with the Minister.

Our team:

- four part-time Commissioners; 13 staff and two+ temporarily seconded specialists.