



1 March 2018

Judy Kavanagh
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New Zealand Productivity Commission
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Dear Judy

Submission to the Productivity Commission on the draft report Measuring and Improving State Sector Productivity

Thank you for the opportunity to provide a submission on the Commission's draft report. We found the report very interesting and commend the Commission on its work to date.

As we noted in our submission on the Issues Paper, the Ministry has always been concerned with the pursuit of efficiency in its systems and processes and the productivity of its staff. This has involved a process of continuous improvement over time.

In particular, we highlighted the efforts we have been making in recent years on:

- the productivity measurement front, by developing new measures of the cost of outputs and integrating these in an aggregated cost allocation model; and
- the productivity improvement front, by seeking efficiencies through simplification of transactional activities, including increased use of electronic channels and automation of work-steps.

We are pleased to note that you found our work in these areas to be interesting and productive, and worthy of recognition in your report. Of course, that work also sits within a wider context of MSD seeking to improve its overall value – productivity in the widest sense. We also appreciated the opportunity to work with you in a collaborative way on the case study of our individualised Cost Allocation Model.

In both areas noted above, there is more to achieve and we will continue to seek improvements. Your findings in this report – and we expect in your final report later in the year – will be of help on both fronts.


We note the principles you set out for integrating productivity measures into practice and performance systems (including designing measures to complement outcomes; collecting productivity data as part of business-as-usual activity; and using productivity information for learning about service improvement), which we agree are important.

We endorse the importance of active leadership support for the use of such measures and agree that such measures should be regarded as one input into wider performance assessment and decisions, rather than the sole determining factor. We further note that our efforts to measure productivity and improve efficiency are complemented by our work on social investment, aimed at making well-informed choices to achieve better value (i.e. social outcomes) in the use of our resources.

We also note that continued improvement in both productivity measurement and business efficiency will require ongoing building of capability, which will mean competing for people with scarce skill-sets with other agencies and the private sector (as indeed we noted in our Four-Year Plan).

We look forward to reading your final report later in the year to absorb any further general lessons about designing productivity measures and improving business efficiency. The work to date has been useful, undertaken in an open way, and with a strong focus on practical recommendations – we commend the Commission on this approach.

Yours faithfully



Peter Alsop
Director
Strategic Issues & Investment