

Productivity Commission – Measuring & improving productivity

Summary responses to questions - offered by NextEra Global

Please note that many of the observations made are influenced by what should be the effective application of existing intended practice, in that regard there is quite a lot relevant good or best-practice requirements and insights that we believe need to be drawn upon. Also, we would contend the ultimate positive impact of associated programs, and productivity of the resources employed, is affected by choice of intervention, strategy, methods employed etc and need to be considered. We would also suggest that given the level of current interest in the topic the Commission may see it appropriate to provide some initial conclusions ahead of the current proposed reporting date.

Questions

Measures Of State Sector Productivity

Q 1

Which types of government services most readily lend themselves to the direct measurement of outputs? Which services don't lend themselves to this?

It is reasonably well understood that outputs that lend themselves to direct assessment are those that are of the nature of direct services, where quantity of delivery can be relatively easily established, together with relevant quality.

Q 2

What progress has been made in implementing the recommendations of Statistics New Zealand's 2010 report, *Measuring government sector productivity in New Zealand: a feasibility study*?

We are not in a position to offer informed comment, others who are directly involved will be more able to offer a response.

Q 3

Which, if any, of the recommendations in Statistics New Zealand's 2010 feasibility study should the Commission re-examine?

There does not appear to be a compelling case to re-examine the study's conclusions and relevant actions that were proposed.

Q 4

What do government agencies currently do to measure their productivity? How do government agencies use productivity measurement to improve the productivity of core services?

Agencies should be measuring productivity as part of applying measures of performance, or effectiveness, efficiency and economy.

Selection Of Outputs

Q 5

How should the selection of outputs differ for different users of productivity data (Ministers, Chief Executives and managers)? What principles should guide these decisions?

The question is somewhat unclear, we presume this is reference to services provided, with selection of such outputs should be based upon what is seen as the optimum response to achieve a desired outcome, same logic applied whoever is the 'user'.

One would expect relevant features including productivity, to be included in the formulation of proposals by a competent team, approved by Chief Executive and then presented to Ministers.

Q 6

Are there instances where a subset of core outputs would provide a reasonable indicator of the efficiency of a state sector organisation or programme? For what services or organisations is this most likely to be the case?

There will be instances where a subset of core outputs may provide a reasonable indicator of efficiency, but there are significant risks, and the preference must be to apply relevant measures directly to outputs in question.

Given our response we do not regard the supplementary question as directly relevant.

Q 7

Should the Commission explore willingness-to-pay methodologies further for the purpose of valuing government non-market outputs? Are there any other viable alternatives to cost-weighting as a way of valuing and aggregating public sector outputs?

Willingness to pay may well influence development of policy, and choice of outputs, but is not the most appropriate or effective means of valuing non-market outputs.

Q 8

For which services would it be reasonable to assume quality remains unchanged over time?

It is an important philosophical point that there should not be an assumption of static quality, as all means of increasing quality should to be explored on an ongoing basis to continue to increase quality, or maintain and reduce related cost.

Q 9

What services need to be quality adjusted? What indicators of quality should be used for the different state sector services?

The reasons for quality adjustment, should be carefully assessed. What are the most appropriate will be determined by intent and nature of the associated output. The most appropriate quality measure/s should be chosen as that which is most relevant to the related output and associated intended quality levels.

Q 10

Is case mix adjustment of productivity measures feasible in state services other than for outputs of hospitals?

Case-mix adjustment of productivity measures may well be feasible elsewhere in the social sector, but would need to be where similar circumstances exist.

Q11

How should the Commission think about developing productivity measures in areas of the state sector where services are collectively consumed?

Productivity measures and their application relate to production and consumption of particular outputs, Collective consumption may have an effect of productivity levels but not the associated measures type.

Q12

How well are agencies and service providers (eg, schools, DHBs) able to cost their activity at an output level?

There are methodologies that assist with the costing of activities, these will be generally more complex to apply in the social sector but it is important that they utilised. The capability to ally is likely to vary.

Q13

How good are government agencies at “activity-based costing”? How well do they understand “cost-to-serve”? What are the barriers to agencies doing this well?

State sector agencies should have the skills to undertake output-based costing, noting there can be some variation in the understanding of the application of the term ‘activity-based’, and this needs to be carefully explained.

The constraint is likely to be the extent of understanding of the techniques, and the resources to apply them.

Q14

How well do agencies’ financial management systems line up with their outputs?

In the case of central government, the core financial management philosophy requires identification, costing etc of outputs.

It is reasonable to contend that current application systems are not at the universally intended standard that is envisaged or expected by the existing financial management system and related legislative provisions.

Q15

For which state services are co-payments most common? For these services, does good data exist on the share of cost covered by co-payments? How should the Commission take co-payments into account when developing productivity measures?

There are various areas where co-payment exists, however this needs to be closely examined. The extent of and quality will be quite variable. There can be a lack of coordination in delivery and supply, and a good case exists for a lead supplier, having ultimate accountability for management of the resources employed including data collection.

We would offer the observation that co-payment will not affect the nature of the measures selected.

The State Sector

Q 16

What public sectors/services should the Commission focus on as case studies for developing productivity measures? Why?

The specific focus needs to be first based upon the universal processes that public-sector agencies should be applying, in order to measure all relevant performance dimensions.

Cases studies would need to be based upon examples that best reflect the applicable performance and measurement disciplines.

Q 17

What challenges are there to measuring productivity of the health system, or the productivity of health services? How can those challenges be overcome?

It is accepted that specific challenges exist generally in the health sector, and it is important for those with requisite expertise and experience in the sector to address this question.

Q 18

What challenges are there to measuring productivity of the education system, or the productivity of education services? How can those challenges be overcome?

Same as for question 17

Q 19

What challenges are there to measuring productivity of the justice system, or the productivity of justice services? How can those challenges be overcome?

Same as for question 17

Q 20

What challenges are there to measuring productivity of the social services system, or the productivity of particular social services? How can those challenges be overcome?

Same as for question 17

Performance Management

Q 21

How are current performance indicators used in the state sector? Are performance indicators used for different purposes in different parts of the state sector? If so, what factors explain the different uses?

There should be a reasonable level of understanding of what are the appropriate means of identifying and applying relevant performance indicators, benchmarks do exist, but it must be observed that there is some variability at present in application.

Q 22

What are the different needs of ministers, chief executives and managers in using productivity measures?

There is a common interest in the appropriate performance measurement approach including productivity, the distinction is in the level of detail, and this needs to be clearly understood and reflected in management practice.

Q 23

Assuming reliable efficiency measures can be developed, what factors would influence the use of these measures by decision makers within the state sector? How could the use of efficiency measures be promoted?

Efficiency, in combination with other relevant performance measure dimensions, should be an inherent consideration in any decision-making processes.

This is best promoted by further emphasising what is intended practice, rationale & responsibility.

Q 24

Would measures of efficiency strengthen the existing performance framework? Why/why not? Which aspects of the existing performance framework would gain most from the inclusion of efficiency measures?

Again, existing performance frameworks should already include relevant efficiency measures.

Q 25

How could measures of efficiency augment existing performance measures?

Again, measures of efficiency and associated productivity should already be applied as part of the performance measurement framework, including targets and reporting.

Q 26

What other countries have good processes in place to measure and improve state sector productivity?

There is a reasonable level of understanding that useful examples exist, in selected instances, in specific locations in Canada, some states of USA, UK, some at state level in Australia, etc

Q 27

What examples from the private sector illustrate best practice in understanding and improving productivity?

There are some possibly relevant examples within the private sector, but these tend to be where there is strong process orientation, and significant uniform quantity of outputs, and thus is not as complex an environment, therefore may be of limited value, except where there is a direct output similarity.

Q 28

Does the capability exist within the state sector to measure and interpret productivity? Where is capability strong and weak?

It is reasonable to contend that capability is variable and there is a strong case for putting more effort into increasing the levels of skill.

Q 29

What actions could the government take to help state sector organisations measure and understand their productivity?

The most appropriate step is to advocate and reinforce the importance of applying performance related approaches that should already be seen to be part of core business.

Q 30

What systems and processes would support the regular and rigorous measurement of productivity (at a sector and service level)?

The required systems and processes should be in place so the challenge is to ensure they operate effectively.

Q 31

How innovative are New Zealand's state sector agencies? What are the barriers to innovation in the state sector? What examples or case studies are there of successful attempts to change government processes to improve efficiency?

There are very good examples of relevant state sector innovation, we appear to have a situation at present where the related incentives to fully employ these is not strong.

Q 32

How effective is the state sector in using ICT to realise productivity improvements? What are the barriers to government doing this well?

While there are quite innovative relevant ICT tools available, these do not appear to be being used to the extent that would be appropriate.

Q 33

What are the incentives that encourage and discourage productivity improvement in the state sector?

The most relevant thrust of incentives would be the advocacy of the importance of a sound modern performance management approach and effective application.

Q 34

How do public sector cultures support or discourage efforts to improve productivity in the state sector?

A performance management orientation as an inherent part of current culture, is more likely to lead to the application of appropriate approaches. Various factors affect the development and maintenance of the ideal public service culture, but that is presumed to be outside this mandate.

Q 35

Does the public finance management system inhibit agencies from redirecting their activity to more productive ways of delivering public services?

There have at times been suggestions that the public finance management system does inhibit redirection of resources, but we do not accept that this inherently is the case and is more likely to be a misinterpretation of current provisions and depth of understanding.

Q 36

What other barriers are there to government agencies taking steps to improve the efficiency of their operations?

Various constraints may exist, they could be time bound, and present challenges, particularly if this requires a change to staffing, or asset base etc, but need to be regarded as an important consideration and option.