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BVA: Did you know that productivity of the UK public sector has increased faster than in the private sector over the past decade? And that there is quite a bit of scope to improve it further to improve people's wellbeing and support private sector productivity. Why and how? We are going to find out. Welcome to Productivity Puzzles.

Hello and welcome to the nineteenth episode of Productivity Puzzles, Europe podcast series on productivity, brought to you by The Productivity Institute and sponsored by Capita. I'm Bart van Ark and I'm a Professor of Productivity Studies at The University of Manchester and the Director of The Productivity Institute a UK wide research body on all things productivity in the UK and beyond.

Much of the nation's productivity growth happens in the private sector, but the public sector, whether it is central government, local authorities, education, health or social care, plays no small role as well.

First, the public sector is a key enabler of productivity growth for the private sector, it provides infrastructure, it supports research and development and innovation and, of course, it facilitates an education system to create the workforce skills and competencies to be productive.

But the public sector itself is also an important contributor to productivity growth, it accounts for about one fifth of the economy's employment and as much as 40 per cent of total spending and, in recent years, even 50 per cent of total spending, during the pandemic, was government spending.

Now, not everyone believes that there is that much scope for faster productivity growth in the public sector, even more, some think that

efficiency doesn't always go well together with better quality of services. But recent work that we did, at The Productivity Institute, in which I had the pleasure to be much involved myself, shows a much more nuanced picture. Public sector productivity growth has actually grown a fair bit, in recent decades, and improved quality has been a very important part of that story.

So, in this podcast, we will talk about this recent work, how should we think about public sector productivity? What are the key drivers of it? And what can public sector organisations actually practically do to raise productivity?

Now, to discuss this work, which will be published in the next few weeks, by The Productivity Institute and by Capita, which has financially supported this work, I have the pleasure of discussing these complex issues with three great panellists who are very experienced in this area.

First of all, Paul Abraham, is Managing Director and Client Partner at Capita Product Services, another new comer to this podcast, as he joined us a few episodes back to a discussion on practical productivity in the private sector, more generally, but he obviously has most experience in working with public sector organisations and, therefore, the right guest to be with us today. Paul, thank you for joining us today.

PA: Hi, Bart, thank you, really good to be back and looking forward to the discussion.

BVA: Stephen Aldridge is Chief Economist and Director of Analysis and Data at The Department for Levelling Up, Housing and Communities and Stephen is a well-known expert on government performance and he also led the Public Sector Efficiency Group, which did a lot of work on thinking about public sector performance and much of the work we discuss today relies on the work that he and his team have done. So it's great to have you on, Stephen.

SA: Yeah, it's great to be part of the podcast and it's so good that, as part of the wider work on productivity, the Institute is looking at public sector productivity in particular, it's too often neglected.

BVA: Last, but not least, we will hear from someone who experiences the challenges to improve public sector productivity performance, every day, at a local level, Anna Smart is Systems Thinking and Organisational Design Lead of the London Borough of Camden. And it sounds like a very abstract title, Anna, but when I interviewed you for the work, I found that you have a lot to say on what actually happens on the ground and that will be of great help in guiding us through, you know, how we actually really make public sector productivity practical, so thank you for joining us.

AS: Oh, thanks a lot, Bart, I'm really pleased to be here.

BVA: Alright, so, let's start talking a little bit more about what I mentioned in the intro, namely that the thinking on public sector productivity is often that, you know, public sector organisations cannot really grow productivity much, the story usually is that government organisations are complex, they're bureaucratic, there's a lot of political interference that slows everything down and if there are any efficiency gained, it's mostly because we are simply squeezing out more from fewer and fewer resources.

Now, Stephen, as I just mentioned, new official measures of productivity in the public sector show that there is a modest growth in productivity, but is there much scope for more?

SA: This is not an easy question and I can understand the scepticism some people may have about the potential for public sector productivity improvement, but, as you set out, Bart, public sector productivity growth does matter. And I would note that since Tony Atkinson's seminal report in the mid 2000s, we've made huge strides in the measurement of public sector and public service productivity and The Office for National Statistics continues to invest in this area and make further progress.

I would hesitate to put a number on the potential for further productivity growth, in the public sector, but I do believe there is further potential. In the work that I do, and I'm sure in the work that other panellists, in this podcast, do, we know we can make better use of data, in the public sector, to improve outcomes. We can make better use of technology, there's huge scope for paying more attention to the evidence we have on what works and there are many other ways, we'll come onto the drivers, in due course, in which public sector productivity can be improved.

I'd note too, certainly based on the work that I've done, that within any particular public service, you'll observe differences in the performance of different providers, that variation in performance would suggest to me there are opportunities for the laggards to catch up with those practising the very best approaches to delivering their services.

I'd also make the general point that UK productivity performance lags behind other major economies and that gap has grown since the financial crash, I think it'll be surprising if that wasn't also true of the public sector. I mean, as you said, Bart, public sector accounts for between a fifth and a quarter of national output and, often, much more of national spending.

So, I find it a bit hard to believe that it doesn't have a role too, in contributing to the UKs overall productivity performance, and the role in raising its own performance.

BVA: I'd like, Stephen, to go back, for a second, to the numbers here, because particularly this role of quality improvement in productivity is important, it accounted for one third of the past decade's productivity improvement in public services in the previous decade, so that's a big contribution. Is that sustainable?

SA: It's a good question and I'd caveat it by saying that though we have, I think, an increasingly good understanding of the range of factors that drive public sector productivity growth in the round, I'm less sure that we have a good understanding of the relative importance of each.

One thing that I would note though, and this is, to some extent, a hypothesis, is that from the financial crash onwards, from 2010 onwards, public spending was much more constrained and, anecdotally, at least, many who work in public services have told me that that did have an effect on how people behaved. How they sought to perhaps innovate a bit more, in order to maintain outputs and outcomes in the face of constraints on inputs.

It may be, and I think your paper notes this too, Bart, that, at least for a period, that that we saw...notwithstanding the constraints on public spending, the maintenance, or indeed growth in outputs and outcomes, quality improvements, if you like, and quality here is defined in the sense that ONS define them. So, you know, in the case of schools, it's educational attainment, in the case of the health service, it's various health outcomes, as defined in the ONS statistics.

To what extent those sorts of improvements in quality can be sustained, if there is continuing constraint on inputs, remains to be seen, I mean, of course, there are those who are sceptical about that. But, you know, I go back to my opening comment, there are many drivers of public sector productivity performance and I don't think we really have a good understanding of the relative importance of each.

BVA: So, Paul, is there any recognition of productivity being a positive force of change in public sector organisations? You know, as Stephen just said, there's a lot of variation here, but there's also a sentiment that this is, quite often, just an efficiency squeeze. Do organisations see positive effects from productivity increase? Do they recognise this in practice?

PA: So, I think the answer to that is probably an emphatic yes. So, we work across most public sector agencies, I particularly work with local government, but we also work with education, with health, Ministry of Defence, with central government, actually, I started life as a police officer.

And, like lots of front line workers, whether you're a social worker or a teacher, a nurse, a police officer, one of the biggest frustrations in the job

can be the amount of time you've got available to contribute towards outcomes, you know, in theory, what you turn up to do, to work with citizens, with communities and deliver great outcomes, because a lot of time is spent on, what might be perceived as none value add, repetitive or transactional tasks.

So, I actually think one of the key things, one of the most exciting things, in the public sector, is looking at those tasks and anything that doesn't need a person to do it, anything that's transactional, anything that's repetitive, using technology, using automation, using robotics, to make that as efficient as possible, streamlining processes, transforming organisations to free up that, kind of, human time, so that people can focus on what people do best, which is interacting with other human beings, working with the public and working with communities.

And then if you lift that up a level, it's not just within individual organisations, I think there's real opportunity for productivity increases by organisations working better together, whether it's through shared technology platforms or shared data, an insight, as Stephen has rightly said.

But you look at a geographical place and you look at the organisations that might support that, whether it's education, whether it's health, whether it's a local authority and the loss of productivity that there is by those organisations not working closely together, not sharing data, not joining up services, I think there's a huge opportunity to drive productivity and better outcomes by looking at that.

BVA: Yeah. So, lots of opportunity there. So, Anna, you're seeing a lot happening on the ground, in your own organisation, in Camden, what is the narrative around productivity there? If you talk about productivity how are people on the ground responding to it?

AS: Well, I often feel like I'm surrounded by none value activity actually, as Paul just described it, and, you know, we have big ambitions, as an organisation, to make a really big different in people's lives, you know, every child having the best start, safe and strong communities, everyone having a place they call home, for example.

And what we've learnt, through quite a lot of experimentation is that, you know, in order to really do that, we need to be connecting with people on a much more human level. So, actually, that's about moving away from focussing on things, like, you know, transactions and moving towards becoming a lot more relational, so that we can really understand people by listening deeply and consider what's the best way we can help them in this situation?

So, actually, we don't seek efficiency through, kind of, mass standardisation of bits of services, which would arguably be doing the wrong thing right, which is a phrase I often come back to, you know, we need to get better at doing the right things and I think that's whereby focussing on effectiveness, we can actually become more efficient and that's where the two do marry up.

So, let me give you an example. So, you know, only five percent of adults, who have learning difficulties, in Camden, have a job, that's really, really low and we know that if we actually invest in giving them a job to do, and actually paying them a wage, it will be cheaper than, you know, keeping them occupied in a day centre, you know, that's just a much more strength based approach, rather than a, kind of, deficit model.

But, in order to even think about those things, you know, we have to think beyond individual services, you know, we need people in adult social care to be thinking about bigger purpose and bigger picture, what makes sense overall? Not just doing my bit, you know, and talking to colleagues in economic development.

BVA: A really good example, Anna, and some people will pick up in further discussion, but I think we need to step back a little bit, at the moment, and just think a little bit about how are we thinking about productivity in public sector organisations? Because a lot of these productivity concepts, were from the private sector, where you have some measure for output, which is what the firm produces, in relation to input, which is either workers or machines or technologies, that are then used to create a product to deliver the service.

Now, the public sector, this is a lot more complicated, because what do we actually produce is the actual output of the service. We look at what we care about or is it outcome, which was already mentioned earlier? For example, surgical procedures in a hospital are an output, but the typical outcome of that is that patients will enjoy a better life and a longer life. Both are important and the link between outcomes and outputs is what we call effectiveness.

But then we also have organisational productivity, which is much more about how do we actually create those outputs with the inputs we have? So, if you take the surgical procedures again, it's the output and the inputs is what staff resources do we need? You know, how should we use our surgery theatres? How should we equip them? Which technology and equipment are we using? And so on.

So, Stephen, in your area of work, which we have much relied, as I mentioned, you made this useful distinction that organisational productivity is about doing things right, whereas effectiveness, in this case, making the patient better off in the longer run, is about doing the right

things, right? So doing things right and doing the right things is the difference between the outputs and the outcomes.

And, finally, there's a third element in the service delivery chain, which, frankly, is what we often talk about most, and manage most, which is how we use our budgets to get the inputs we need, right, what we call budget efficiency. It's understandable we focus a lot of our time on that, because if our outputs and outcomes are more or less set, we need to manage our inputs with our budgets, so budget efficiency is where perhaps we made a lot of short term gains, but, in the longer term, are the outputs and the outcomes that really matter most?

Now, I apologise for the somewhat long lecture here, so let's go to our panellists here now. Paul, to what extent does it indeed matter that services organisations step back to basically map out the service delivery chain from budget to inputs, output to outcomes that you better know what to manage? And do managers really have a full grasp on the distinction between output and outcomes, for example?

PA: I think that there's a real, kind of, dichotomy in the public sector and the private sector, to be fair, between the ambition to achieve outcomes, and the way most organisations are configured, to deliver outputs. So if you look at most government policy, whether it's Every Child Matters, or levelling up or, you know, and organisations, like Anna mentioned, in terms of building safe and strong communities, giving children the best start in life, these are all outcomes and most organisations have a list of outcomes they're trying to achieve and most people join the public sector, because they want to contribute to those outcomes.

But then if you look at the way that a lot of organisations are measured, whether it's through KPIs that we report to central government, even to our shareholders, they tend to be outputs, you know, what are hospital waiting times? How many initial and core assessments has a social worker completed?

Now, these are outputs that clearly contribute to an outcome, but the link isn't always there and sometimes they, kind of, exist in parallel universes and some of the drivers for that are what both Stephen and Anna have touched on, which are, you know, an annual budget cycle. So most outcomes aren't achieved within a year, a lot of outputs and a budget are, you know, achieved within a year. So, how do you reconcile that? And how do you get a financial picture that spans multiple years and get the cause and effect between what you're spending and the outcome that you're delivering?

I think this is where Stephen's point about data and analytics comes in as well, because I think a lot of work has been done in terms of how do we measure outputs? And if you look at how the public sector partners with

the private sector and with not for profit organisations, the contract is usually based on outputs. So that's where a lot of the data, a lot of the measurement is focussed.

It is a lot harder, and takes a lot more effort, to measure and understand across a long period of time and across multiple organisations, what processes, what service delivery has contributed in what way and at what cost to achieving that outcome and it's definitely the direction of travel, but I haven't seen anybody that's completely cracked it yet.

SA: I think there has, over the years, been a much stronger focus on outcomes, in thinking about public spending and public services, than I remember earlier in my career. What has produced that change? I don't know, I'm not sure I would attribute it entirely to public expenditure constraints, but that, sort of, cultural change, with more people asking, what are we trying to achieve? How does what we do improve outcomes? May also be a contributory factor.

AS: Yeah, I think a big factor has been the way that we've gone about reducing spend in public sector since 2010 or so, you know, I suppose we've, you know, because we are organised in such rigid budgets and budget pots and silos, within and across our public services, you know, I suspect we have, you know, we've saved money by reducing particular budget pots, but it's been a bit, like, whack a mole. So, you know, you reduce spend here, but, you know, spend goes up there, you know.

One example that springs to mind is, you know, the increased number of homeless people who end up in A and E, for example, you know, a homeless person is 60 times more likely than the average person to end up in accident and emergency, very, very expensive. I suppose I appreciate the reasons for that are complex, but, you know, we need to be applying more systems thinking, you know, across the whole, when we're reflecting on effectiveness and efficiency and, from my perspective, I haven't seen that happen.

I've seen pressures on adult social care services and, you know, housing services increase, you know, rent arrears increasing for council tenants, partly as a consequence of universal credit being stopped without notice or being recouped without necessarily communicating that very well to people. So that's another example of, you know, situation over here, impacting over here.

BVA: Stephen, I want to go back to you, because a lot of credit for mapping this, sort of, delivery chain, as described earlier, goes to the work you did with the public sector efficiency group. So how do you look at this now? And Anna really talked very much about how does she think about this in practice? Is it operational and what would you change now if you would rethink the mapping of the service delivery chain?

SA: Well the thing I just want to start with was just being clear that I think we need the right balance of technical efficiency, what you called organisational productivity, Bart, and effectiveness or what, in my work, we've called allocative efficiency.

So, we need to do things right, but we need to be careful as you order not to go too far, because if you just think to drive down costs, you may impair quality and damage outcomes. The way to avoid that is to make sure that, alongside your drive for technical efficiency, you're thinking about, what are the right things to do that will improve the outcomes that you're seeking and multiple service chains comes in.

Because one of the things I've learnt, over the years, at different times, I've worked on education policy or health policy, criminal justice, and, again and again, I've appreciated that we need to do more in relation to prevention and early intervention.

Services that deliver prevention and early intervention aren't necessarily the school service, or the health service, or the police service, there are other public services. There's a question of how do you get the multiple public service change to come together to deliver the outcomes you want. It sounds easy, but, of course, it's not, but if you can pull it off, if you can get different services to work together proactively and if you can put the right incentives in place, in the system, you can get very effective public service outcomes indeed.

And so one of the things that I often cite is the work that we did on the evaluation of the troubled families programme, where there was a very strong emphasis in joining up different public services better to meet the needs of families and that worked a dream and produced an ex post benefit ratio of two to one, which is very, very good or, at least, we thought it was very, very good. It brings home the importance though of when you talk about effectiveness, having good evidence on what works.

So, I just wanted to make a plea here, to understand the importance of policy and programme evaluation in delivering greater effectiveness and public sector productivity and, interestingly, one of the pieces of work my own team is working on, at the moment, is...if we can pull it off, a systems, a systems evaluation of our homelessness and rough sleeping interventions.

So trying to look across the range of service chains, to see how they can come together most effectively, to reduce homelessness and keep people off the streets. Again, it sounds easy, but, as you can probably imagine, we're agonising over it a lot.

BVA: Before we break, very briefly, Paul, any additional thoughts from you?

PA: Yeah. I was just going to come in on the back of something Stephen said and I was hugely involved with the troubled families programme, way back when I worked for a local authority before I joined Capita. But, interestingly, on the, sort of, whole system evaluation of homelessness, we're working with a number of local authorities to use some of the data that we've got around council tax, around benefits, to try and identify the predictors of financial hardship, because that's one of the very early signs, obviously, that somebody else may become homeless and working with authorities to help them signpost customers to preventative services before that happens.

And that whole agenda of early intervention, prevention, I think, is absolutely key to improving productivity in the sector, which is an age old argument, because, obviously, reactive critical services are far more effective and time intensive than preventative ones.

BVA: Yeah. This is a really good and very, sort of, practical way on, sort of, how you're describing how a service delivery can work and where, actually, the hiccups are and the potentials are for productivity improvements and also, actually, for getting greater effectiveness through productivity improvements.

Now, we have mapped things out now, we need to become a bit more practical, which we'll do after the break, but, before that, let's take a short break to hear about what else is happening at The Productivity Institute.

Recording playing 24:34-25:54

BVA: Welcome back to my discussion with Anna Smart, Paul Abraham and Stephen Aldridge on productivity in the public sector. Now, we discussed, before the break, that, you know, we map the service delivery chain organisations and once you do that, you can really begin to zoom in on aspects of organisational productivity, not ignoring, by the way, the budget efficiency and effectiveness parts that we also spoke about.

We can begin to talk about what are the, sort of, the key drivers that explain organisational productivity. So, you know, let's go a little bit into this, what we did is we, sort of, identified three key drivers and I'd like to put one of those to each of you. So, Paul, let's start with the first one, the first key driver is what I call adaptive business design, which sounds very abstract, but basically reflects the vitality or agility of an organisation to deliver outcomes along the delivery chain.

So, what are your thoughts on the, sort of, concept of adaptive business design and, again, some, sort of, concrete examples that you see, that makes organisations really deliver on this.

PA: So, I was going to pick up a little bit actually on what Stephen said, in terms of how multiple public services bring their, kind of, service chains together and that's where the real value is. Because that, for me, in the public sector, is one of the keys to adaptive business design, it's moving from working as a siloed individual organisation, to working as part of a, kind of, an eco-system with other public sector bodies, with the third sector and with the private sector as well.

And, actually, if you think about the levelling up agenda, what a great example that is of the need for organisations to do that, because levelling up is about delivering a whole range of outcomes, it's the pillars of success that are outlined in the paper and whether it's, sort of, increasing employment, increasing prosperity, improving health, improving life chances.

The first key to that is it's got to be longer term, it can't be an in year focus, so the first challenge of all the organisation involved in a place, whatever that place is vision for levelling up is going to be, is moving beyond the short term focus on budget and on achieving results and agreeing what the cycle for that is and what the spending for that is.

Secondly, if you think about the second point of adaptive business design, it's about opportunities to scale up the bigger productivity gains and the key to levelling up is those organisations within a place scaling up, working together, lifting things up to the next level and looking at outcomes across all of them.

And then, finally, in terms of adaptive organisations adapting to a specific context and the needs locally and nationally, well, there's a need to adapt nationally to the requirement of the levelling up programme to gain funding, but then locally to look at the individual needs and to have the data, that we've all talked about beforehand, to understand the specific context of what levelling up means for that geographic place and what it's going to look like when it's successful.

What's interesting for me is that, again, going back to the COVID example, every public sector organisation that I've worked with, in the last couple of years, has probably adapted more rapidly in the last two years, as a response to COVID, than its done in the last five to ten years, because it's had to and it's cut through organisational decision making, it's cut through budgetary constraints, it's cut through technological constraints. And one of the real challenges for the sector is how you keep that momentum going, how you keep that spirit of adaptation going, when you haven't got a big impetus, like COVID, to do it, but you've got a target, like, levelling up to achieve instead.

BVA: Yeah. And that's a really good example actually, you know, we published the report by Diane Coyle, at The Productivity Institute, on how

organisations, in the healthcare sector and in NHS, became very adaptive during the COVID crisis, but the risk of it that once the, sort of, crisis element has gone, we're, sort of, falling back on our old practices, rather than take the learnings forward. So that's a critical thing to keep an eye on.

Now, an adaptive organisation goes together with an agile workforce, which is our second key driver and I would like to talk to you about a little bit. So, agility here sounds, again, abstract, but, essentially, an agile workforce, basically mean you get a lot of work done with maximum flexibility and minimum constraints and you do that by, you know having a balanced and motivated, innovative and productive teams and individuals.

So, how do you create an agile workforce in an organisation? You know, in particular a public sector organisation where you face many of these constraints that we talked about earlier.

AS: Brilliant question and this is something that I do spend a lot of time thinking and working on actually.

I think, you know, I think it was Dan Pink who said that, you know, the keys to motivation are autonomy, mastery and purpose, you know, having a clear purpose as to why you're doing what you're doing, you know, mastery being great at that and autonomy, you know, freedom to do it without constraints. I would add another thing to that, which is feeling cared for, you know, safe, psychological safety as well, and things like that, are really, really important.

And that's, you know, we've managed to make some good strides, in Camden, in those areas, you know, what are the key enablers of that? Well it needs leaders to be, you know, enabling frontline staff to take decisions for themselves, so it needs a different type of leadership to give people, you know, the remit and the freedom to build connections across those silos for themselves, you know, it can't all go through senior people sitting on, sort of, stagnant boards and, you know, sort of, feeling like they're in control when they're not. It needs to be about freeing people up and to build connections with citizens as well and, you know, to blur those boundaries between, you know, delivering a service and actually forming a relationship with somebody.

And, you know, just building on what Paul was saying, you know, we also made great strides in this area, during COVID, you know, a lot of people were redeployed into totally different roles, you know, I, myself, was working with the Army on setting up COVID testing sites which, oh, I absolutely revelled in it.

So, our key learning from this, and we had an awful lot of redeployment, was that, actually, people love a new challenge, it's not that people don't

want to be flexible, it's about creating the conditions that enable them to be and that's a really important distinction, I think.

So, you know, networks rather than hierarchical styles of working and decision making and one other thing that I think is really important is clarity of roles, in relation to purpose, you know, sometimes we think of flexibility and adaptability, meaning, well, you know, everyone just, kind of, makes it up and is flexible. Actually, clarity of role really important, so that people then feel the freedom to work with that remit, to then, kind of, do what they need to do.

BVA: So, the third key driver, Stephen, is digital transformation, so we have an adaptive business organisation, we have agile workforce and then you have digital transformation, some people even argue that digital transformation is, kind of, basically everything that really matters, for productivity in a public sector organisation, that sounds a bit heavy handed.

But, if you think about it, it does help to, you know, leverage digital technologies and the data that are produced to connect organisations, as you talked about earlier, to connect people and physical assets and processes, but, at the same time, digital transformation is really difficult and the floors of government agencies are littered with failed digital projects, which went way over budget, didn't deliver the desired result, and so on.

And there's been a lot of good work by, for example, the government digital service, but, still, we struggle with getting digital technology really work for productivity and, again, I should emphasise not just in the public sector, also in the private sector.

But, how do we square those two things, the potential it has and the difficulty we have to make it work?

SA: I mean, at one level, yes, I think I'm pretty sure that digital and other technologies have huge potential to raise productivity and improve outcomes in the public sector and public services, indeed, we haven't really said much in this podcast, so far, about the importance of innovation for public sector productivity. I think public sector innovation, public service innovation is something that tends to be neglected in innovation policy, but it's probably extremely important to public sector productivity growth in the longer term.

Having said that, I think we should be careful about assuming that investments in digital technologies will immediately reap benefits. I've often loved Robert Solow's famous comment about personal computers, in The United States in the 1980s, where he observed they were everywhere, but in the productivity statistics.

And, certainly, in my own experience, in the civil service, you realise that investment in new technologies may require, in the short term, taking on more people to put those technologies in place or you may have to dual run existing services with new services and only with the passage of time, do you begin to see efficiency improvements.

And, indeed, in the private sector, of course, what the learning from Robert Solow's famous observation was that it was only as organisations and ways of working changed, and as the workforce became more familiar with the new technologies, that you observed the productivity improvements that you'd expect to see. So maybe similarly, in the public sector, we need to think about the rounded set of changes that are needed to get the most from digital transformation.

One other point I would make was that, in the private sector, often the way in which they seek to maximise the potential of new technologies is to set up new organisations. So, in the banking sector, the way they exploited the internet was to set up internet banks. Maybe we need to think about similar such approaches in the public sector.

BVA: Yeah. And this point of innovation and particularly a continuous focus on innovation, not, you know, doing an innovation project, for the sake of it, and then just move on with our daily business, but making that a continuous part of your culture, in an organisation, I think is critical, it's a critical part to an agile workforce and to successful digital transformation.

AS: Technology is clearly a really important enabler of improvement, but I think it's really important that technology doesn't lead the improvement and we've got, you know, my organisation continues to be littered with examples of technological changes, which have made things more difficult for frontline staff, not easier.

So, there's something about how we go about the change and making sure that we change the work before we change the supporting, like, information recording and data sharing mechanisms.

BVA: The last section is on practical productivity. So, you know, this is, sort of, a critical point, because this all sounds great, these drivers, right, but now the question is, how can you really, sort of, implement this practically in your organisation? I really wanted to focus on that and, again, we, sort of, identified, sort of, three areas that we think are important and invite all three of you to comment on those.

So, the first one is, indeed, you know, don't try to do everything at once, public sector organisations are very complex organisations, very hard to map them out, as we discussed, if you say, well, let's change everything, nothing will get done. But that does mean that you have to take a, sort of,

systematic approach to identify and solve your bottlenecks in the organisation without, sort of, massively overloading the system and sometimes the bottleneck is, like, a budget, but other times it is just, kind of, a bottleneck in how you will reconfigure your outputs or identify a new technology.

The second component, which you all three already talked about a lot is data and particularly using data to better manage, you know, we tend to use data quite often just for accountability purposes, you know, and particularly in public sector organisations where the political responsibilities, you know, the data tell us whether we did a good job or not, but we're not, sort of, you know, practically using it, in terms of how can we actually improve ourselves by using the data that we have? So, that, kind of, evidence based, kind of, management that you all emphasised.

And then the third one, which we quite often underestimate the importance of, and quite often don't have the time for, is collaboration and communication and these two things really go together. Collaborating within the organisation, collaborating externally with other organisations, particularly if you deliver services that are very connected and the communication around it is really important, because we quite often assume that everybody is on board and that everybody is already, sort of, involved and understands what is going on.

So, those three things, identifying and solving bottlenecks systematically, measure and manage or measure for the purpose of management and communicate and collaborate. Now, Anna, let me start with you here, your viewpoint on how you put some of those principles in practice at Camden Council.

AS: You know, as we talked a little bit about earlier, I think, you know, there are ways of seeing what's really going on from multiple perspectives and if I'm ever a bit lost, for what to focus on, I always find it's helpful just to go back to demand and what people are saying when they call us, but also what are they saying out there, in the community, about, you know, what they want, what are people complaining about? You know, what's causing the organisation the most pain, at the moment, as a good starting point.

So I'm quite a practical person and I like to, you know, get right to the coal face to listen and see what's actually going on, for myself, really and I encourage, you know, all public service leaders to do the same on a regular basis, you know, going and sitting with the call handlers, in the contact centre, and listening to what is it that people are actually asking when they phone us? Is a nice reality check actually.

It's also information that we can analyse as useful data, you know, what are the type and frequency of requests that are actually coming into our organisation? You know, how many of those are, like, value demands or how many of them are, you know, we can call them failure demands or things that are coming in as a consequence of broken processes, you know.

Quite often I'll find, you know, 30 per cent of calls that are coming in, relating to a particular service, are actually chasing demands, you know, people saying, oi, you haven't contacted me yet, you haven't got back to me and all of that, you know, it massively feeds into the question about productivity, you know, because if we can really understand what's causing those demands, I mean, often it's just doing things right the first time when people actually ask for them, it frees up all sorts of capacity to do other things or to make savings from.

So, things like listening to calls, obviously reading emails would be another similar approach to that, but, actually, mapping out cases or mapping out this happens then this happens then this happens, that's really, really important, we need to make sure that when we change things, we integrate new performance measures into the work that relate to purpose and that are actually useful, you know, rather than measuring just what's measurable. Measuring stuff that's useful for knowing how well we're actually achieving outcomes, although appreciating that's really knotty and I know so much of what will actually impact on outcomes is not actually within the control of one organisation or even within the influence of it.

So, there are all sorts of nuances there and, you know, I think that's why we do need to think of measurement as for learning, rather than for accountability.

BVA: So, Paul, how do organisations organise themselves to implement those changes? So, for example, if you think, you know, some organisations in the private sector, and I'm sure they exist in the public sector as well, they, sort of, create the, sort of, core delivery teams from across the organisation to focus continuously on bottleneck solutions.

And, another thing I wanted to ask you is this issue of de-prioritisation, which I think Stephen also alluded to, right? I mean, yes, it's great to say, well, focus on the most important thing you want to change and then move on next, but it also means that you have then to say, well there are a couple of other things that are important, but they're not as important at the moment, so we're not going to do them now, we're going to do them next, or something like that.

So, can you give us, again, some practical examples from your work that gets us a better understanding how to hand that?

PA: So, I think, in terms of how you support organisational change, you know, I've done this in a number of sectors, I've done it in criminal justice, I've done it in housing, I've done it in local authority and I've done it in the private sector. I've found that the best model is to have a very small core of expert people who wake up and go to bed thinking about reducing bottlenecks and improving organisational efficiency, transforming the organisation.

But then around them, what you do is create a wider team of leaders from the organisation, that are probably rotating, they'll probably move into this team to focus on different projects, so that from that small core of people whose day job it is, you are gradually upskilling other leaders across the organisation and their mandate then is to take that back across the wider organisation, cascades to their teams, to try and build that, kind of, holy grail of a continuous improvement culture.

Because you only get that once everybody, every manager sees it as their job, not just to deliver services, but to think constantly about how do I make them better? How do I make them more efficient? How do I reduce bottlenecks? How do I deliver outcomes? And you only get that when you've got that culture and everybody in the organisation sees it as their responsibility.

And then, in terms of your, kind of, project and programme governance, I completely agree with what Anna said, which is that for a lot of the stuff, a lot of the continuous improvement, you absolutely need to empower those people to just get on with it.

The people who are close to the front line to identify improvements, to have a small amount of budget and just fix things, but then there'll be some big hairy projects, if you like, that will have significant financial impact, significant reputational impact or, you know, impact people's lives, which you absolutely would want the tighter corporate grip over and if you can balance the two, that central control with that, kind of, local empowerment and the agility to just change things and get that culture across the organisation, that's the key to success.

I have to say, I haven't found a single organisation, in the private or the public sector, that has nailed that, but that is taking the best of every organisation that I've worked with and, you know, when I start my company tomorrow and set it up from scratch, in an ideal world, that's how I'll do it.

SA: A few things that I think may help to drive those practical actions, the economist in me immediately thinks of incentives and accountabilities and so I would ask, well, what could we do to strengthen those? And maybe there are three possible elements to that, there might be ways of

strengthening democratic accountability of public services, you know, improving scrutiny and oversight. I think that's probably something that's particularly important when we're putting in place more devolved arrangements nationally.

There may be something around market based accountability, you know, how you open up services to more contestability, particularly where a service is not performing and then a third element, which I'd already referred to a bit around, how do we raise the voice of citizens and users in public services? How do we mobilise the demand side to drive performance improvements? Maybe that last one has to be channelled through the first two, but there's something very important there, I think.

Data, as you say, Bart, is extremely important, because I often say to colleagues here, we also need evidence and insight, particularly from evaluation, we need to know what works. We don't just want data, we want to know what works and I think that's really, really important.

I think capability is important, many bits of the public sector need to enhance their capability, part of that, as we've already discussed, is having the right, sort of, flexible and adaptable workforce.

BVA: So, Paul, as I mentioned at the beginning, Capita has been currently supporting The Productivity Institute on doing this work. Do these practical steps, can we make them even more practical for public sector organisations and managers in those organisations to make things work?

PA: Well, to be honest, I think one of the roles that companies like Capita can play is a, sort of, connector and as an integrator. As we've described, you know, the bigger efficiency gains are going to be, you know, gained by organisations working together, but also just by sharing good practice and sharing what works well, so that we're not reinventing the wheel every time and I think, you know, we, as Capita, have got something, like, 200 local authority clients and we can play a key role in just sharing what works bringing organisations together and driving some of these improvements through.

BVA: Yeah. And it really goes back to this issue of communication, right? I mean, we should also externally communicate what we have learned and it goes back to Stephen's point on, sort of, what works, you know.

So, a lot more work to do, yes, it is a complex issue, it was a very rich discussion, so that reflected the complexity, but I do hope, and I'm pretty sure, that our audience has benefited from this discussion amongst yourselves and please, of course, go to the show notes or to the website of The Productivity Institute which is at productivity.ac.uk or the website of Capita Government Services, where the report on public sector productivity will be available. And, of course, we always like to hear from

our audiences on, you know, new topics, new things that we should address, whether it's related to public sector productivity or anything else.

But, for now, Anna Smart, Paul Abraham, Stephen Aldridge, thank you very much for this very rich discussion. Much more to think about, but I'm sure your input has helped us to recognise the opportunity and become more practical about productivity in the public sector. Thank you.

AS: Thank you.

SA: Thank you.

PA: Thank you.

BVA: Our final episode for this season, which will be our 20th will be on regional productivity again, a topic we have addressed in several podcasts this season, including our specials on the Northern Powerhouse, Northern Ireland and Wales. In the final episode of this series, we'll discuss regional productivity disparities once again, with three economists, and the opportunities to publication of recent panel by The Centre of Micro Economics.

23 economists, from across the UK, have given their views on what the primary driving factors for regional productivity disparities are, as well, on which policies could best help to reduce the gaps. Maybe there will be even some suggestions for the policy agenda of the next UK Government.

You can sign up for the entire Productivity Puzzle Series through your favourite platform, to make sure you also don't miss out any future episodes. If you'd like to find out more about upcoming shows or any other work by The Productivity Institute, please visit our website at productivity.ac.uk or follow us on Twitter and Linked In.

Productivity Puzzles was brought to you by the conference board and sponsored by Capita and this was me again, Bart van Ark at The Productivity Institute. Thanks for listening and stay productive.

Music played 49:13 to end

End of transcript