

Are our public services efficient?

The conversation around government efficiency is as alive now as ever. In an election year federally, it has come up as point of difference between parties. A notable international friend is embarking on an efficiency experiment of immense scale. And fiscal constraints remain a marker of many state jurisdictions. For savings, staff-cuts, efficiencies or productivity gains to be successful, the potential for improvement needs to be there. Is it?

What are “efficiencies”?

There are three answers to this question – all are valid.

1. *Efficiencies are doing things better.* It could be doing the same with less, more with the same, or the ever promised, more with less. The challenge in this formulation is defining what you are doing, and the often missed, what it is achieving.
2. *Efficiencies are doing the right things.* Do the wrong thing excellently is not efficient. As government funds more and smaller programs, the question shouldn't be ‘is the program good?’ It should be, ‘is the program necessary and the best (current) way to achieve public value?’
3. *Efficiencies are savings.* ‘Efficiencies’ is sometimes just a euphemism to describe the need to reduce expenditure (regardless of how it happens). That is, efficiencies equal savings which equals reductions in staff or funding. Otherwise known as cuts.

You can still apply cuts to an efficient public service. So, this last one really links to context as to whether it delivers on the potential of making things more efficient.

Are our Australian public services efficient?

Well, the short answer is, no.

Perhaps that's a good thing. Because it means the ability to cut waste and improve outcomes is there to be realised.

Unfortunately, and perhaps understandably, the situation is complicated. The line of connection

between knowing (believing?) inefficiencies are present and knowing (planning for?) the right way to address them is not straightforward.

In fact, the approaches taken to making the public service “more efficient” can often have perverse consequences. These are predictable and demonstrable based on past experiences. Yet the discourse around the “current round of savings” often neglects this context.

Why is it so?¹

Part of the problem comes in understanding where these inefficiencies come from. It isn't as simple as saying the lack of profit motive or competition allows waste to accumulate.

Rather, there are a series of settings and incentives that lend themselves to inefficiencies building up over time. And a lack of corrective measures to address them.

Let's look at how government tends to operate and observe some drivers.

The overwhelming incentive of more

For system operators of any nature, there are strong incentives to secure additional funding rather than optimise existing resources. This is good for ministers as they can announce their commitment to services and supports. And good for Secretaries and system managers as it means they reduce risk in areas of their own accountability. And, of course, the sector, stakeholders and communities always welcome extra funds.

By contrast, the incentives to run the system more efficiently are much weaker. Investment in back-

¹ Works better if you do the voice.

end systems is harder to attract than “extra services”. The media can be openly critical of spend on capability or process. And the model of run-the-system-into-the-ground, then ask for more money to fix it, is tried and true.

In addition, there is a well-established culture of ensuring that all allocated funds are spent within the fiscal year. This often results in end-of-year spending surges rather than strategic reinvestments in long-term efficiency. Again, any unspent money is more readily viewed as money not needed, rather than money that could be spent differently. Especially in support of system improvement, rather than more widgets.

Chasing efficiencies at the wrong time in the wrong way

While there is general agreement that efficiency is important, incentives to drive meaningful change are often weak. Governments tend to most enthusiastically seek efficiency improvements during times of crisis, when reforms are harder to implement effectively.

When cuts are made hastily, they tend to weaken collaboration, reduce staff morale, and make long-term efficiency gains more difficult to sustain.

Sound familiar? Well, it won't carry much weight in influencing in planned savings.

Likewise, there is a common retreat to the simple win-win solution of picking the (mythical?) low hanging fruit of efficiencies. The truth always being that there is something which makes picking said fruit (if it exists at all), something of a challenge.

While waste does exist, it is rarely in the form of straightforward redundancies or cutting unnecessary programs. Instead, the gains tend to be found in:

- bringing in new technology and the replacement of legacy systems or processes,
- new innovations (inherently risky), and
- changes to capability and (yes) the culture of how things are done.

All are achievable. Few are straightforward and rarely are they hanging in easy reach (need I say why?).

A mis-guided focus on integrity

(Wince) There. I said it.

Integrity is important in public service work. Even really important. But the way this translates into practice is productivity-sapping.

Governments are so much more interested in compliance than impact. The priority is ensuring funding is spent on what it was meant for. Not on determining how effective it is. Many argue the contrary. My view is firmly that reality hasn't caught up to rhetoric.

This translates into reams of administrative data that are collected and reported on in a manner which has no consequence. There are likely to be more efficient ways of maintaining an honest system than this (I would want to test them first, however).

A similar critique can be applied to the operations of corporate service functions like HR and procurement. These processes are viewed very squarely as being gatekeepers of integrity and defenders against malfeasance. The mantra is: *“First, and above all else, follow the process.”* Then, maybe, get the service you desire.

This is sad, because if fully enabled, finance, IT, HR, legal and procurement functions could add real value to policy, service design and delivery. Yet when savings time comes, the poor old corporate service folk know they are in for a tough time. And this makes finding efficiencies that these areas could generate, doubly hard (see below).

What needs to be different?

So, how can governments genuinely improve efficiency while maintaining service quality?

If it was easy, we'd already be doing it. Therefore, it must be hard.

And if it's hard, there's a good change it relates to how our overarching systems are designed and operated (something no-one is specifically responsible for).

Let's have a go anyway, and flip some of the problems listed above.

1. Align Incentives across the system

Ministers, secretaries, and central agencies often have conflicting priorities when it comes to efficiencies. While central agencies may focus on overall spending cuts, line departments are likely to be more concerned with maintaining services. The key is to align these incentives so that both productivity and service quality are prioritised together (over time).

How? Make finding savings less of a punitive game. Give savings back in forms of investments in system improvements. Offer longer-term investments in innovative programs with the understanding the spend may change as information about impact comes back (that is create internal incentives to monitor and reprioritise funds). And (go on – try this) apply penalties to ministers and departments who submit unsuccessful budget bids. Or (nice version) give rewards to those with the highest success rates... pay close attention for unexpected behaviours.

In general, more strategically placed carrots and sticks, applied consistently and over longer periods of time. And that make examining the existing spend a whole lot more interesting for ensuring its value and effectiveness.

2. Invest in efficiency when times are good

Governments should proactively invest in efficiency measures when budgets are healthy, rather than waiting until austerity measures force drastic changes. This includes improving processes, investing in technology, and fostering a culture of continuous improvement. – Yawn – It's something that will fall to the motivations of the system stewards, more than our ministerial overlords.

How can we be better stewards in ways that translate to (often) shorter term ministerial priorities?

Give our worthy corporate services colleagues a break. Allow them some stability to right-size, right-process, and value-add in the work they do.

3. Focus more on learning and impact

There are plenty of malicious actors in the system. And we need to have strong processes in place to identify and prevent false and fraudulent spending. But there are way more good faith actors out there, seeking to deliver public value in what they do.

Much more could be gained from developing better information systems than the current focus on compliance through administrative reporting. Often different information is needed by different levels of system managers and incentives for them to prioritise information that is most use to them should be introduced.

(Second wince) We need to recognise the vital role trust plays in operating a service system at many different levels. And introduce elements of this idea into how we measure performance. There is an abundance of literature expressing how important trust is in running organisations or in customer relationships. Far less is written about how it applies to running systems or how it should be measured and built into performance management.

4. Be realistic about budget cuts – talk about the trade-offs

There is a strong political incentive for ministers to request budget cuts while sustaining current service levels. And an equally strong incentive for senior leaders in the public sector to agree this can be achieved. (Hint – both come from desires to keep their jobs).

However, unrealistic efficiency targets often result in costs being shifted down the line, affecting service providers, staff, and ultimately the public. And often in ways that are harder to manage or respond to.

The very worst forms of savings are those where many meaningful options are taken off the table, while those that are left are spurious and vague. And then everyone talks earnestly about how it will be effectively delivered.

It's like there's a big elephant in the room. And it isn't wearing any clothes. Better to get it a robe of

some form, even if you can't acknowledge its presence. (Did I get that allegory right?).

Final Thoughts: A Long-Term Commitment

Public sector efficiency is not about cutting for the sake of cutting – it's about ensuring that government services are sustainable, effective, and responsive to the needs of citizens. This requires long-term commitment, strategic investments, and a willingness to rethink how public services are designed and delivered in an ongoing way. Consistently, not sporadically. One might even say, adaptive.

Ultimately, the best path to efficiency is through careful, evidence-based decision-making rather than sweeping, reactive cuts. Governments that take the time to build a strong efficiency infrastructure during stable periods will be far better positioned to handle future fiscal pressures while maintaining high-quality services.

By acknowledging the complexity of public sector efficiency and avoiding oversimplified solutions, policymakers can create a system that not only functions well today but continues to improve over time.

Post-script disclaimer: these ideas relate to the pattern not the instance. Exceptions certainly exist. Let's make them less exceptional.