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AUDITOR-GENERAL'S REPORT **Identifying productivity in the public sector**

Today the Acting Auditor-General of New South Wales, Tony Whitfield, released a report on productivity in the NSW public sector.

This report examines selected areas of government activity to see if sufficient information was available to identify and assess changes in productivity. The areas examined were primary and secondary school public education, acute inpatient care in NSW public hospitals, CityRail, the NSW Police Force, and the NSW Local Court.

Productivity is commonly defined as the amount of output per unit of input.

Productivity in the public sector is not well understood or reported

Despite its importance, productivity trends in the public sector are not well understood or reported to parliament.

All of the agencies examined had an understanding and reported on the input, output and quality indicators that could be used to track their productivity. However, they did not track productivity and they did not have clear guidance or direction about how this information could be used to measure productivity.

Using our methodology, we found that from 1 July 2008 to 30 June 2013 productivity for secondary school education decreased, while productivity improved for public hospital acute inpatient care and the NSW Police Force. The NSW Local Court also had improved productivity from 1 July 2011 to 30 June 2014. Productivity trends could not be identified for primary school education and CityRail.

Agencies better understood and reported on efficiency

Agencies better understood and reported on efficiency, which helps agencies to understand the impact of changing costs by measuring cost per unit of output.

The available data showed that efficiency declined for acute inpatient care, the NSW Police Force and primary and secondary school education from 1 July 2008 to 30 June 2013. At CityRail and the NSW Local Court, efficiency improved from 1 July 2009 to 30 June 2013 and 1 July 2011 to 30 June 2014, respectively.

The NSW Government's 2011 wages policy more effective

In the agencies we examined, the NSW Government's 2011 wages policy was more effective in suppressing employee expense growth than the 2007 wages policy. Following the 2011 policy, employee expense growth for CityRail, the NSW Police Force and the NSW Local Court was below the 2.5 per cent per year cap while only the NSW Local Court was below the cap following the 2007 policy.

The 2011 policy allows for remuneration increases above 2.5 per cent per year as long as wage offsets, including productivity improvements, are sufficient to restrain total employee expenses growth to less than 2.5 per cent.

Further Information

For further information, please refer the report's Executive Summary or full report on the [Audit Office website](#).

Please contact Barry Underwood on 9275 7220 or 0403 073 664; eMail barry.underwood@audit.nsw.gov.au