

2: Bang for our bucks



Efficient government?

Australia's public sector is among the most efficient in the world. Although it is difficult to measure efficiency precisely in the provision of public services, data from respected international organisations reveal that Australia performs very well compared to similar countries on all three kinds of efficiency discussed in Chapter 1. This should not be a surprise given the kinds of expectations Australians have of their governments (whether Federal, State or Local). Although comparisons are often made between Australia and the high-taxing countries of Northern Europe, particularly when considering the performance of our public sector in areas such as health and education, our taxation levels are actually far closer to low-taxing countries such as the USA and South Korea. Australians expect Northern European services on a USA budget, and largely this is what they receive.

As pointed out in the first chapter, government bureaucracies are often falsely assumed to be inefficient. This kind of thinking might interpret international comparisons as showing that Australia is the best of the worst. However, as was also discussed earlier, the assumption that the private sector is always necessarily more efficient than the public sector is not supported by theory or evidence. In what follows we also compare the efficiency of the two sectors. The limited evidence available in Australia shows little difference in overall efficiency.

The fact that the Australian public sector is highly efficient does not mean that there is no room to improve. Even the most efficient organisations may have areas of work, or aspects of activities,

that could be improved. After setting out in more detail the evidence of efficiency just outlined, the final chapter of this report will concentrate on two aspects of the APS where there may be opportunities for increased efficiency. When reading these sections it is important to keep in mind the broader context. In general the APS runs efficiently and the potential reforms discussed here represent enhancements. While striving for improved performance is important, previous achievements should not be taken for granted, or worse, reversed.

International comparison

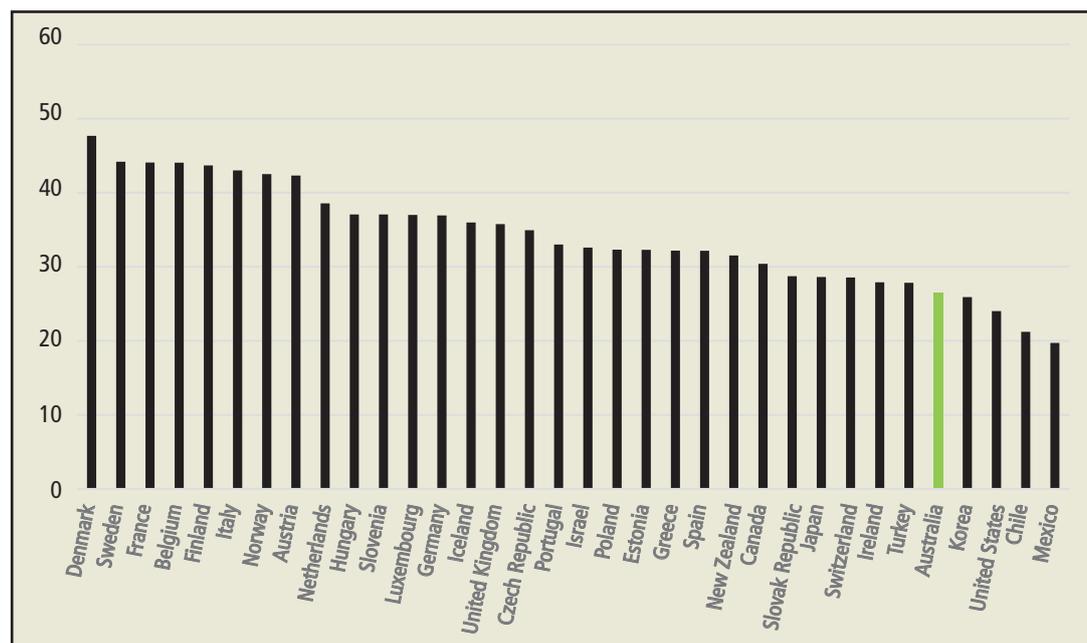
The difficulties in measuring efficiency have previously been mentioned. Quantifying the inputs, or resources, is usually straightforward. It is the outcomes, the results, which are frequently difficult to measure. This remains the case when comparing across countries.

Technical efficiency: Resources and results

Comparing taxes internationally is complex because most countries, including Australia, have a combination of different taxes, and every country's mix is different. However, the OECD provides comparative data on wage taxes and total taxation that supply a decent picture of our position. Despite common perceptions, Australia actually has a low level of taxation compared to countries with similarly structured economies.

While there are some complexities in comparing the amount of revenue different countries gain from taxation, it is possible to get a clear picture of Australia's relative level of taxation. Contrary to some common perceptions, Australia is a low-tax country. Figure 2.1, below, shows Australia's total taxation as a percentage of GDP (the data is from 2011 as this was the most recent year with complete information).⁵⁰ In 2011 we were the fifth lowest taxing country out of thirty-four in the OECD.

Figure 2.1: Total taxation as proportion of GDP for OECD countries (2011)



Source: OECD, Revenue Statistics 1965-2011: 2013 Edition, 2013.

The outcomes of the different governments are harder to quantify. A number of international organisations have created different measures of various aspects of government performance. Two of the most well-known are those produced by the World Economic Forum and the World Bank. The *Basic Requirements Sub-index* of the *Global Competitiveness Index (GCI)* produced by the World Economic Forum incorporates measures of the strength of public institutions, the level of infrastructure, the macroeconomic environment, health outcomes and primary education, and so is a good indicator of government effectiveness across a number of areas.⁵¹ The World Bank's *World Governance Indicators* include a *Government Effectiveness* measure, which aggregates a range of other measures by organisations such as the Economist Intelligence Unit and the World Economic Forum.⁵² Because it is a broad ranging aggregate measure it will be used here as the measure of government effectiveness. In any case, there are strong similarities between the results given by different government effectiveness measures.⁵³ Table 2.1 below gives the ranks within the OECD on the two measures just discussed. Of the thirty-four countries, nineteen of the rankings are within two places of each other, and only two countries have rankings with a difference of more than seven.

Table 2.1: OECD countries ranks in two measures of government effectiveness

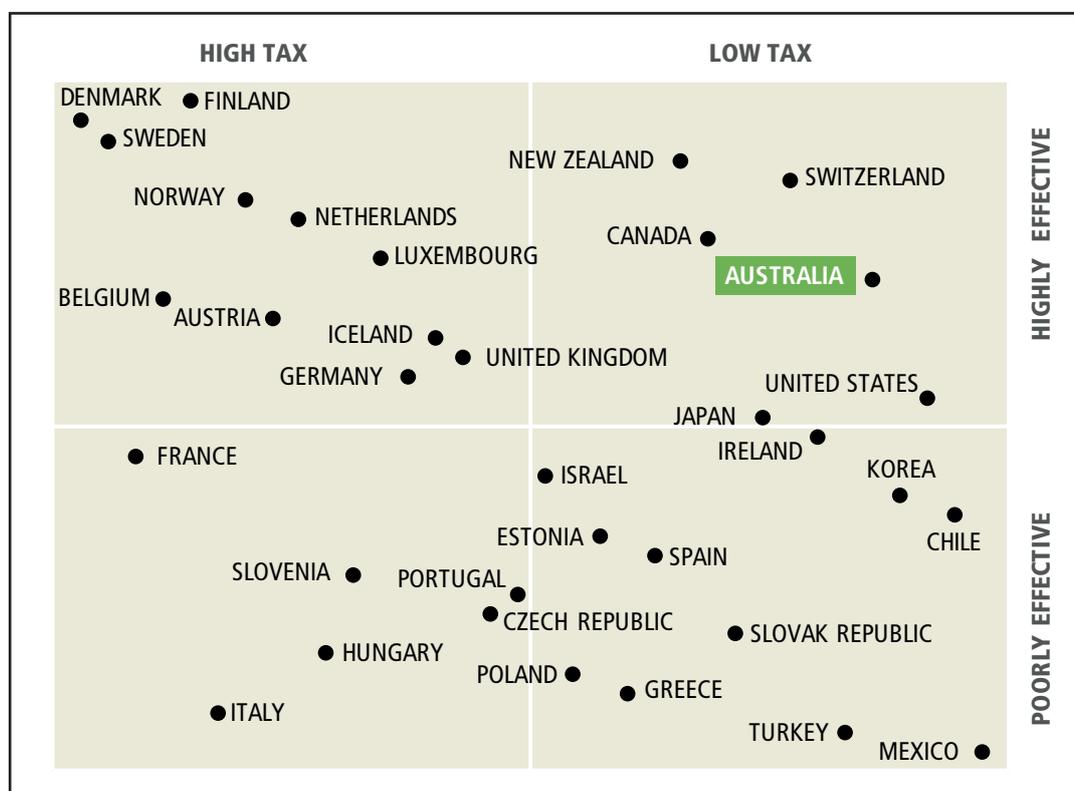
	WGI 2011: Government Effectiveness	WEF-GCI: Basic Requirements 2010-2011		WGI 2011: Government Effectiveness	WEF-GCI: Basic Requirements 2010-2011
Finland	1	3	South Korea	21	16
Denmark	2	5	Chile	22	22
Sweden	3	2	Estonia	23	17
New Zealand	4	10	Spain	24	23
Switzerland	5	1	Slovenia	25	20
Norway	6	13	Portugal	26	26
Netherlands	7	6	Czech Republic	27	27
Canada	8	8	Slovakia	28	29
Luxembourg	9	7	Hungary	29	31
Australia	10	9	Poland	30	30
Belgium	11	15	Greece	31	33
Austria	12	11	Italy	32	28
Iceland	13	25	Turkey	33	34
United Kingdom	14	14	Mexico	34	32
Germany	15	4			
United States	16	19			
Japan	17	18			
Ireland	18	21			
France	19	12			
Israel	20	24			

countries with ranks on the measures within two places of each other, countries
 countries with differences in ranks of three to seven places
 countries with a difference of eight or greater

It should be noted that the *World Governance Indicators* also include indicators of ‘regulatory quality’, ‘rule of law’ and ‘control of corruption’. All could potentially be regarded as part of the outcomes of government and thus a measure of its effectiveness. However, we will focus on the indicator that specifically measures government effectiveness. This indicator ‘captures perceptions of the quality of public services, the quality of the civil service and the degree of its independence from political pressures, the quality of policy formulation and implementation, and the credibility of the government’s commitment to such policies’.⁵⁴ Note that this measure does not attempt to determine the contributions of different levels of government. It is a measure of the effectiveness of the entire public sector of each country. Comparing Australia with the same set of OECD countries in 2011 (the same years as the tax revenue comparison) places us as the 10th most effective government, behind the Netherlands, Canada and Luxembourg but ahead of Belgium, Austria and Iceland.

Importantly, Australia is the only OECD country to be in the top ten most effective governments and the bottom five lowest taxing governments. This is strong evidence that we have a far more efficient government than most of our peer countries. The follow scatter diagram illustrates this by plotting rank in effectiveness against reverse rank in taxation. The countries plotted closest to the top right hand corner have the highest technical efficiency. Only Switzerland is closer to that corner than Australia, meaning that on this measure we have the second most efficient government in the OECD.

Figure 2.2 - OECD countries ranked by lowest taxing and highest effectiveness (2011)



Source: Adapted from OECD, *Revenue Statistics 1965-2011: 2013 Edition, 2013*; and World Bank, *Worldwide Governance Indicators, 2013*.

The precise position of different countries on the graph can be debated, for several reasons. Some countries may prefer certain measures making up (or not included in) the government effectiveness indicator. There may be disputes over the particular methodologies used to calculate the measures making up the government effectiveness indicator, as well as the methodology of the World Bank's aggregation. Notably, superannuation payments are not counted as a tax because they provide personal benefits to the contributor, and it could be argued this boosts Australia's apparent efficiency in one area of public services. This means the above graph is merely indicative. The clear indication, however, is that Australia does well in technical efficiency terms, delivering high outcomes for low inputs.

“ we have a far more efficient government than most of our peer countries ”

A 2005 paper by Antonio Afonso, Ludger Schuknecht and Vito Tanzi came to similar conclusions when it examined the efficiency of the public sector in 23 OECD countries, including Australia.⁵⁵ The paper used a variety of socio-economic measures as indicators of different aspects of government performance, including administrative, education, health and public infrastructure outcomes, as well as government achievements with regards to income distribution, economic stability and economic performance. These indicators, along with public expenditure were used to give an overall public sector efficiency score. Of the 23 countries, Australia ranked third.

Allocative efficiency: Doing the right work

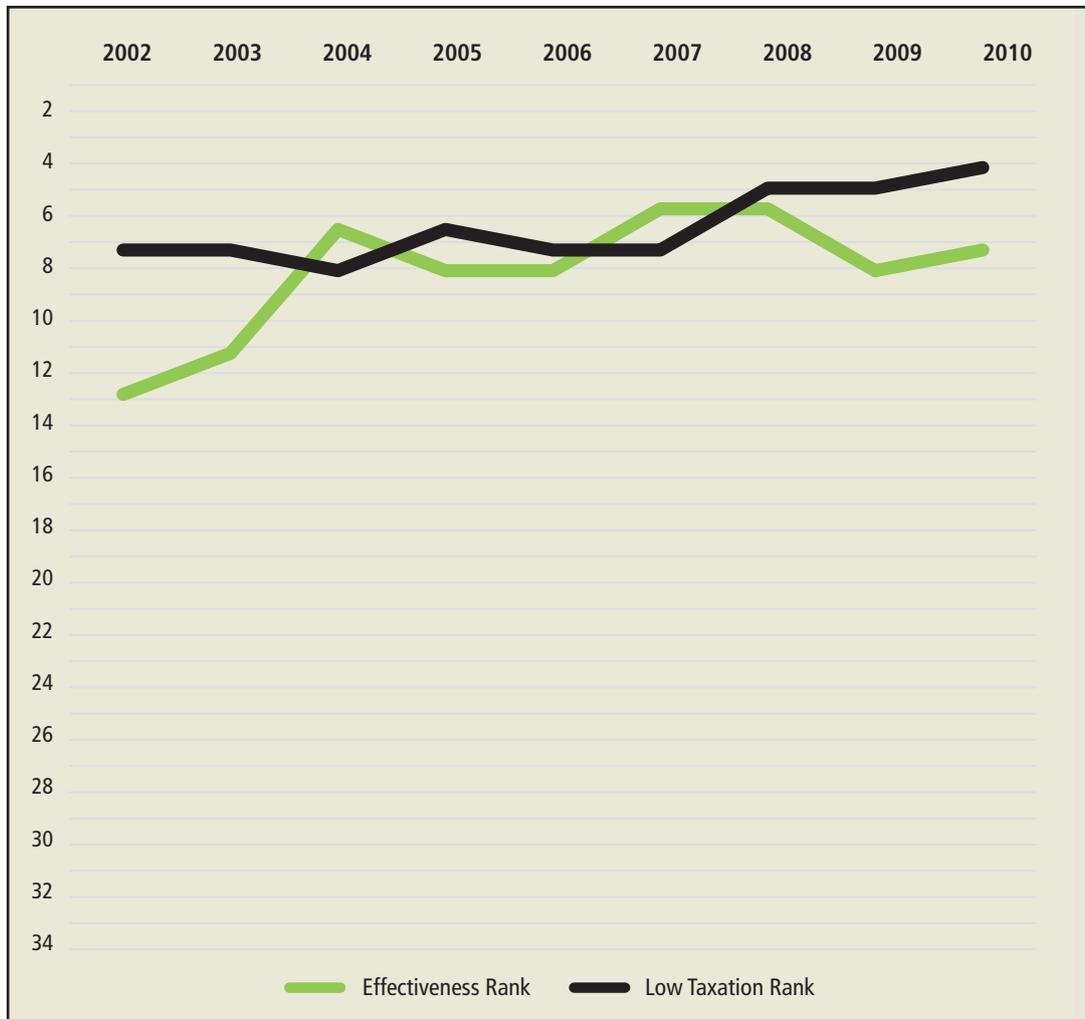
Assessing the allocative efficiency of Australia's public sector is more difficult, but there are positive indications that the public service is efficient in allocating resources. Australia is well regarded by the OECD for having a well 'targeted' welfare system; this means that a greater proportion of government-provided benefits and subsidies go to those who are disadvantaged. For example, in 2005 Australia had the lowest level of government transfers (18.6%) going to the wealthiest half of the population. The OECD average was 45.4%.⁵⁶ Of course, some of the countries that distribute more money to higher earners have deliberately chosen a universal approach, whereby benefits or subsidies are an entitlement attached to citizenship and participation, not disadvantage. This approach inflates the average OECD transfers to the wealthy. Regardless, Australia's level of targeting is an indicator of its ability to direct its resources to where they are most needed.

The analysis by Afonso, Schuknecht and Tanzi on public performance also took into account allocative factors and found Australia was above average on this measure.

Dynamic efficiency: Adapting over time

The extent to which the public sector takes advantage of new modes of operating, its dynamic efficiency, is particularly difficult to assess. However, if a public sector is maintaining or improving its technical efficiency relative to that of other countries, one might presume a corresponding increase in dynamic efficiency. Equally, if a public sector's dynamic efficiency was poor compared to other countries, one would expect it to fall behind those countries on other measures of effectiveness and efficiency over time. Examining Australia's taxation revenue and government effectiveness, we can observe its ranking has improved over time, which suggests that relative to other countries, the Australian public sector has been adapting well to change. There is perhaps an open question as to whether all governments have a substantial dynamic efficiency problem. Resolving this question will become more important given the pace of change and connectivity of modern governments.

Figure 2.3 - Australia's OECD Rank in effectiveness and low taxation over time



Source: Adapted from OECD, *Revenue Statistics 1965-2010: 2011 Edition, 2011*; and World Bank, *Worldwide Governance Indicators, 2013*.

Sector comparison

Despite the difficulties of measurement there is sufficient data to make the case that Australia's public sector compares well internationally to other public sectors. However, there is far less data available on the relative efficiency of Australian public and private sector organisations.

Limited Australian data

An obvious way to compare the public and private sectors is to look at situations where services provided by government are partially or completely privatised. This means private and public organisations performing a similar role could be compared. Although Australia has had a large number of government functions privatised,⁵⁷ very few cases have sufficiently good data to compare government provision with private and community sector provision. Box 2.1 and Box 2.2 outline two brief examples of these difficulties:

BOX 2.1: Privatising Federal Government legal services

Over the past 15 years private providers have increasingly supplied the legal services required by Federal Government departments and agencies. For much of the 20th century, public sector legal demand was primarily supplied by the Attorney-General's Department (AGD), in particular the Australian Government Solicitor (AGS).⁵⁸ Following the recommendations of the 1996 Logan Review, which concluded that the role of government legal service providers should be confined to legal matters in the public interest, the AGS was transformed into an independent Government Business Enterprise operating as a private entity.⁵⁹ The reforms also expanded use of a user-pays model, enabling government departments and public authorities to contract their litigation matters and legal advice to private law firms.

At the time, the privatisation of legal services was largely justified on the basis of cost-effectiveness.⁶⁰ Evidence suggests that after these reforms the level of expenditure on legal services rose substantially.⁶¹ This might seem to indicate that privatisation has led to an increase in legal costs. However, other evidence points to a rise in private sector legal costs over the same period. In both cases the data is flawed. The private sector data come from a series of ABS surveys, and the report that collates them specifically warns that changes in methodology of the survey mean that comparisons between years are not reliable.⁶² In the public service the estimate comes from comparing four different sets of reports conducted at various times; it is acknowledged none are likely to be comprehensive.⁶³ Also, there has been little research on the drivers of the increased demand for legal services. Therefore, it remains unclear whether the sectors can be compared at all, or whether their demand is responding largely to different drivers. It is impossible to tell from the limited evidence whether privatisation has partially restrained rising legal costs for the public service, or if it has added to them

BOX 2.2: Public and private employment services

In May 1998, the Federal Government instituted a comprehensive overhaul of employment services in Australia. The public Commonwealth Employment Service (CES) was replaced by the Job Network (JN). In 2008 a restructure was announced and the JN became Job Services Australia (JSA). The JSA retained the same fundamental architecture. Both programs were composed of over 100 for-profit and non-profit organisations that tendered bids to offer employment services within Australia. The rationale for privatising the CES was fourfold. By increasing competition, it was thought that labour market assistance programs would: operate more flexibly; at lower cost; whilst delivering more personalised service; and, above all, produce more sustainable employment outcomes.⁶⁴

The most visible sign of JN/JSA's success has supposedly been the maintenance of a low headline unemployment rate, particularly during the Global Financial Crisis. Over the past decade, the headline unemployment rate has averaged 5.4%.⁶⁵ By contrast, the mean unemployment rate between January 1990 and December 1997 was approximately 9%.⁶⁶ However, difference in economic conditions certainly affected this, since the JN/JSA was introduced at a time when Australia was enjoying a sustained period of economic growth, with a corresponding inevitable decrease in unemployment.⁶⁷ Moreover, the weight given to

unemployment obscures the high rate of underemployment. The number of people identified as underemployed since 1994 has increased by 50%.⁶⁸ Australia's rate of underemployment, 7.2% of the work force, is the highest in the OECD.⁶⁹ As Monash University researcher Veronica Sheen states, the effect of this is that 'where hours of work are insufficient, even though the hourly minimum wage is relatively high, the financial situation of such job-seekers remains unaltered'.⁷⁰

Research into the JN/JSA's achievements has given mixed results. A 2008 study conducted on long-term outcomes for JSA participants by the Department of Education, Employment and Workplace Relations (DEEWR) found that 78% of program participants who had retained a job for three months went on to remain in work sixteen months later. On the other hand, DEEWR noted that at the end of sixteen months, only 50% of participants had been successful in obtaining full time work.⁷¹ Little research has been conducted on job placement outcomes in the long term; that is, how quickly the unemployed swing between employment and income support benefits.⁷² Within the JN/JSA system, job placement outcomes are measured on a time scale of three to six months following commencement of a role, which has limited utility as a measure of sustainable employment.⁷³ An evaluation of the JN in 2006 found that there had been a 10.1% impact by the labour market programs in assisting long-term unemployed individuals obtain employment over and above what might have occurred without assistance; in other words, individuals participating in the scheme had a 10.1% greater chance of finding employment than if there was no assistance at all.⁷⁴ In 2011 an evaluation of the JSA showed it had overall employment outcomes of 30%-40%, but this is mostly short-term and casual work, and the evaluation does not compare against a baseline.⁷⁵

Regardless of whether these achievements are taken to indicate the success of the JSA, there is no comparable data from CES operations. This means there is no way of determining whether the JSA has been more or less successful than the public sector entity it replaced.

In addition to the difficulties in obtaining data on the relative performance of public and private sector service delivery, these cases also reveal privatisation is often imposed without a suitable evaluative framework. When a change is implemented, there should be an evaluation procedure to answer the question: 'how will we know if the change has succeeded?' This should involve data-capture techniques to confirm or reject a hypothesis – the hypothesis in this case being that the private sector provider is cheaper or more effective.

Cost savings from structure not sector

Although Australian data is limited, looking at international studies of privatisation gives an answer to the question of how well public sectors generally compare to the private sector in terms of efficiency. Advocates for privatisation have made strong claims about its ability to generate efficiency, but such claims in many cases do not stand up to rigorous analysis. One study, which examined over a hundred case studies and reports on outsourcing, provides clear empirical evidence on the question of sector efficiency.⁷⁶ It found there was, on average, a cost saving from contracting out. However, the saving was similar regardless of whether it was private contracting or in-house contracting by competing units in the public service. Earlier in this report it was pointed out that competition can, but does not necessarily, drive efficiency. In these cases it did, but it did so regardless of whether organisations were publicly or privately owned.

What this means is that the gains from complete privatisation can also be achieved by introducing

contestability within the public sector or by only partial privatisation. (It should be kept in mind that the introduction of contestability can increase efficiency, but may not always do so.⁷⁷) While the gains may be the same, there can be additional losses from failing to keep some level of public sector capacity in provision of services, as Box 2.3 illustrates:

Box 2.3: Public sector works are cheaper with public sector skills

The Building the Education Revolution (BER) program, implemented as part of the Rudd Government's stimulus package, was the biggest single program of school building upgrades in Australia's history. Some media outlets strongly argued that the value for money outcomes of the BER program demonstrated the merits of small government and that governments were not suited to delivering nation-building projects.⁷⁸ The reality is the reverse: governments that have attempted to downsize too heavily have delivered projects with lower value for money.

Evidence for this assertion was set out in the Centre for Policy Development's paper by Tim Roxburgh, 'Public works need public sector skills: The lost lessons of the BER program'.⁷⁹ One of the findings was that States with the lowest levels of public works related skills capacity (i.e. less public sector employees with skills related to public works) ended up paying more for the works undertaken. By extrapolating this finding to public works generally, we can see how maintaining public works capacity in government can lead to substantial savings well in excess of the costs.

The final report of the BER Implementation Taskforce provided comprehensive information on the value for money achieved by different States.⁸⁰ It is instructive to compare Queensland, which maintained a relatively strong public works skills capacity, and Victoria, which had a very low capacity.⁸¹ Queensland public schools benefited from a dollar per square metre rate of \$2,753, while Victoria paid \$3,114 per square meter. Victoria spent an average of 13% more on each square metre of public works undertaken as part of the BER.

There are a number of potential reasons for this difference. However, looking across the five most populous States, the two States with the highest costs (Victoria and NSW) were those most reliant on external contractors.⁸² The BER Implementation Taskforce concluded that public works capacity was a critical factor, and its reduction represented a 'false economy'.⁸³ In other words, the savings made by having a reduced number of skilled public works employees are less than the costs incurred, because more money is spent for the work done.

It is possible to test this claim by approximating the savings and costs involved across all public works of different States in a year. These salary costs can then be compared with an estimate of the savings in public sector building in the same year, to assess whether public sector workers deliver more value for money.

The costs can be calculated by comparing an estimate of the skilled public works annual staff salary costs of a high capacity State like Queensland with the estimated salary costs of a low capacity State like Victoria, using census data from 2011 (the year after most of the BER program activities had finished). Calculating how much less Queensland would spend if it had the same staff costs per head of population as Victoria gives an approximation of the potential annual savings in staff salaries. Looking at the likely additional amount Queensland would have spent on its public works gives an idea of the potential annual increased costs in contracts.

This gives an inherently very conservative estimation of the extent of the false economy for two reasons. Firstly, the calculations assume that Queensland would have a proportional capacity by spending a similar amount per person as Victoria. In reality, Queensland's population is

more geographically dispersed than Victoria's, which adds substantial expenses. It is likely Queensland would have to spend significantly more per person to achieve the same capacity as Victoria. Secondly, the calculations assume that the only value of increased public works skills capacity is reduced costs in public works contracts. In practice, many of the skilled employees will also be using their skills to undertake building work that would otherwise need to be outsourced at similar cost. This means the amount of savings from reduced salaries given below is almost certainly an overestimate.

The costs, as of August 2011, of Queensland maintaining its skills capacity can be estimated as \$175 million a year from census data on the number and income level of public works related professionals (Carpenters and Joiners, Architects and Landscape Architects, Plumbers and estimated cost of \$67 million for Victoria. If we assume Queensland would require a smaller workforce proportional to its lower population, then Queensland could furnish itself with a similar level of capacity as Victoria by spending around \$54 million. This means that the potential savings to be made by reducing Queensland's greater public works capacity would be around \$121 million a year.

Data from the ABS shows that the value of all public sector building in 2011 for Queensland was \$2.7 billion.⁸⁵ (This includes all construction of new buildings and alterations and additions to existing buildings, but excludes other engineering construction activities such as roads, bridges, railways, earthworks, etc.) It is difficult to say whether the same level of additional cost reported for the BER would apply to all public building, but if a 13% saving is typical, then Queensland would have had \$350 million of additional costs in 2011 if it had had a skills capacity similar to Victoria.

This analysis suggests that while Queensland spent approximately \$120 million more than Victoria on public servants with public works skills in 2011, this increased capacity may have generated savings as high as \$350 million that year. It should be stressed these numbers are broad estimates only. However, the estimated savings from greater value for money in public works are nearly three times the estimated costs of maintaining public sector skills. If it were possible to account for the broader benefits, such as the quality of policy and planning advice derived from those skills, it is likely the value would be higher still.

Taking into account different jobs

Another factor complicating comparisons of public and private sectors is the different objectives that may be associated with undertaking the same service. Even where they may seem to be doing the same job, public sector providers of services are often expected to fulfil objectives beyond simply providing the core service. This means they are actually doing a harder job.

One example of this is found in an overseas study that compared a number of British nationalised industries with leading British private industries and similar foreign industries. For the first two decades nationalised industries did better than they had when under private ownership.⁸⁶ However, a follow-up study ten years later found some of the nationalised industries were performing poorly.⁸⁷ One of the reasons for this (apart from difficult economic conditions during this time) was the government imposition of 'national interest' policies on these enterprises. These made them serve the national interest, through activities such as keeping unprofitable operations open to prevent unemployment, at the cost of being less competitive and raising prices for consumers.

A similar Australian example can be found in the Vocational Education and Training sector. Here the publicly owned TAFEs and private RTOs (registered training organisations) both provide vocational education. Superficially, TAFEs and RTOs are doing the same work. Below the surface, there are critical differences. In 2012, 7% of TAFE students nationally had a disability or long-term condition, compared with 4% for private providers, and 20% of TAFE students were living in rural and remote areas, as opposed to 14% of students at RTOs.⁸⁸ TAFEs do more training to remedy skills in short supply; in Victoria, for example, in 2012, 29% of TAFE students were being trained to fill jobs in areas suffering from skill shortage, while less than 20% of students at RTOs were gaining skills that address industry shortages.⁸⁹

These differences mean greater expenses for TAFEs. The areas where skills are in shortage (such as Mining; Information, Media and Telecommunications; Electricity, Gas, Water and Waste Services; and Construction) are likely to have more expensive training requirements due to the need for large-scale machinery, expensive IT equipment, specialised tools, or costly consumables such as lumber.⁹⁰ Providing education in regional areas means smaller numbers of students and lower economies of scale. Ensuring adequate disability access and support for a greater number of students represents an additional cost. TAFEs are also more likely than RTOs to provide counselling, careers assistance, childcare and indigenous or multicultural assistance. Despite this clear evidence of the differences in what is being provided, and academic critiques of the underlying economic justification for privatisation in this area,⁹¹ expanded roles for the private sector are being recommended without clear justifying evidence of benefits.⁹²

The likelihood that public sector organisations are undertaking additional work compared to their private sector equivalents means comparing the sectors requires a sophisticated approach. A good example is the Productivity Commission's report on hospitals, summarised below in Box 2.4:

Box 2.4: Strengths in different areas – public & private hospitals

It might seem that Australia's hospitals would provide an opportunity for a relatively clear-cut assessment of the claims of those who argue for 'private sector primacy' due to an assumption that the private sector is always more efficient than the public sector. Here we have both sectors operating similar institutions in the same industry. It should be straightforward to compare the two sectors' performance. In 2009 the Productivity Commission attempted to do this, producing a detailed and comprehensive report comparing Australia's public and private hospitals.⁹³ A significant challenge for this report was factoring in the differences between private and public hospitals. Although the two sectors operate in the same industry, there are number of differences between the sectors and the jobs they do:

- » **Size:** There are far more very big (201 beds or more) and very small (0-50 beds) public hospitals, whereas the 51-200 range is roughly evenly split between public and private.
- » **Location:** There are slightly more private hospitals in the major cities, but outside these areas public hospitals dominate. There are no private hospitals in 'Remote' or 'Very Remote' areas.
- » **Activities:**
 - Public and private hospitals focus on different kinds of care (private hospitals, for example, undertake more rehabilitation, while public hospitals engage in more palliative care).
 - Public hospitals tend to do more teaching.
 - Public hospitals do the vast majority of accident and emergency work.

- » **Demographics:** Children and young people comprise a larger share of the case load of public hospitals; in private hospitals the age group with the highest proportion of patients admitted is 50 to 64 years.

The Productivity Commission's report attempted to account for these differences in its comparison. As part of this, a multivariate statistical analysis was run to allow a weighted score to be assigned to each hospital based on the in-hospital mortality rate.⁹⁴ The averages of these scores were then calculated for various sizes of public and private hospitals. Comparing these scores revealed no significant difference for large hospitals, but it seems that small private hospitals do slightly better than small public hospitals. Importantly, much of this difference comes from the small private hospitals run by not-for-profit entities. A calculation of total technical efficiency shows similar results for public and private hospitals. The report acknowledged this measure is merely an indicator given the relevance of other criteria that should be taken into account, such as the number of hospital-acquired infections and re-admissions.

The report also calculated costs for each episode of care for an admitted patient. These costs were weighted based on case-mix to give comparable figures. The results were varied: public hospitals were shown to keep costs down on diagnostics and prosthetics, whereas private hospitals achieved lower costs on pharmaceuticals and general hospital charges.

The overall picture of this comparison of public and private hospitals is that the efficiency of each is very similar, with both having areas of strength compared to the other. The advantage of this situation is that both sectors can learn from each other to improve efficiency. This is a good example of the benefits of public and private sector participation in an industry. The example also demonstrates the error made by those who insist the private sector is always superior in efficiency.

Conclusion

Australia's public sector, as a whole, is relatively efficient. It compares favourably to public sectors in similar countries. Although some interpretation of the data is possible, differences between countries make it difficult to establish precisely where Australia sits internationally. However, available evidence suggests the Australian public sector has at least above average efficiency, and may be one of the more efficient in the OECD.

This chapter has also shown that the public sector has, at least in some cases, a similar level of efficiency to the private sector. International literature affirms that the differences between the efficiency of the public and private sectors are not large and may be non-existent. Sufficiently sophisticated comparisons of similar public and private sector activities in Australia are rare, but one such investigation by the Productivity Commission has shown a similar level of overall efficiency between the sectors. It is likely that the efficiency of the two sectors relative to each other in a given case will depend on situational factors relating to the work being done and the organisations involved.

This positive assessment should not be taken to imply that no improvements to public sector efficiency are necessary. Any high-performing organisation should be aiming to improve its products or services, taking the advice of an old adage: making the good better and the better best.⁹⁵ There are a number of areas where opportunities for significant efficiency gains exist. The final chapter outlines two such areas of opportunity.

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