



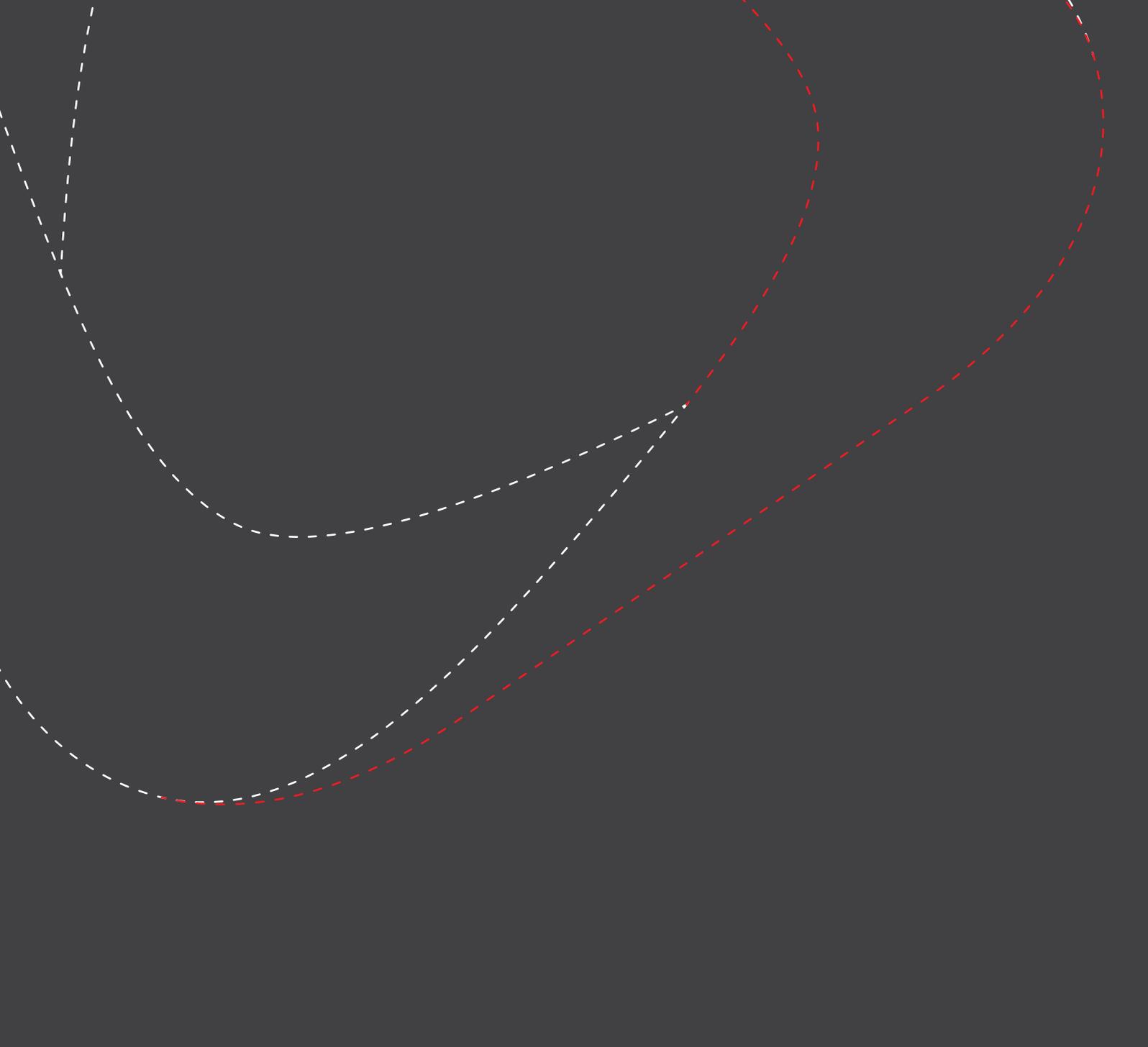
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## QPC Productivity Lecture

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# Commissioner's Welcoming Speech

Kim Wood



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## QPC Productivity Lecture 2019—Welcoming remarks

Kim Wood, Principal Commissioner

Welcome to this second QPC lecture and a particularly warm welcome to Dr Stephen King, who will address us on the topic *Human Services: the next wave of productivity reform*.

This topic builds on a theme that Professor Gary Banks introduced at the inaugural QPC lecture last October. He pointed out that both the Productivity Commission's *Shifting the Dial* report and the Harper review of competition policy made specific reference to public sector services, reflecting their large (and rising) share of the economy and the evident scope for efficiency improvements.

Professor Banks went on to say that there remains much to do in reforming the way public services are delivered, stating that:

*...there have been expenditures on an unprecedented scale. But as reviews by the Commission and other independent bodies have found, their potential contribution has often been marred by poor program design ... or allocation to the wrong projects or uses.*

Professor Banks went on to conclude, within the context of the broader picture for pro-productivity reform, that:

*Neglect of identified reforms, compounded by additional interventions, has left a policy landscape that in key respects remains unsupportive if not hostile to productivity growth and the higher living standards that depend on it.*

Getting more traction and improving the productivity of public sector services—many of which can be categorised as human services—is important. Every Queenslanders uses and depends on these services. Across the state, over 800,000 children are enrolled in public and private schools<sup>1</sup>, and a further 410,000 Queenslanders are enrolled in seeking a vocational or university qualification.<sup>2</sup> Each year, there are more than 1.5 million presentations to emergency departments<sup>3</sup> and 2.6 million admitted patient episodes in both public and private hospitals.<sup>4</sup>

State and territory governments play key roles in stewarding, commissioning, funding, and delivering these services. In Queensland, around \$45 billion—or three-quarters of the State's general government sector budget—has been allocated for human services in 2019-20.<sup>5</sup> The Commonwealth Treasurer recently noted that of the 28 recommendations in the *Shifting the Dial* Report, 22 are either the sole or joint responsibility of states and territories, making them the Australian Government's partner in addressing the productivity challenge.<sup>6</sup>

There are three ways that human services affect productivity.

First, how governments develop and implement policies relating to human services will have a big impact on the productivity of the services sector itself, and whether it efficiently delivers the human services that Australians want, when they need them. Second, effective delivery of human services can raise the productive potential of the broader economy by providing a well-educated and skilled workforce, keeping individuals healthy and by supporting at-risk individuals to participate effectively in the real economy. Finally, efficient delivery of human services ensures that scarce resources are directed to the most highly valued uses.

Human services have dominated the Commission's inquiry program since 2017, with the Queensland Government sending us references for inquiries into the delivery of services to remote Aboriginal and Torres Strait Island communities and into imprisonment and recidivism.

These inquiries have given us first-hand experience of the challenges involved in reforming human services and the benefits these reforms would provide. In both cases, we found large human service systems serving people with numerous and complex needs, with funding or direct service provision provided by multiple agencies across layers of government. We found that blurred lines of accountability, ambiguity about objectives and barriers to innovation has resulted in services that are both more costly than they need to be and are not meeting the needs of the people they were set up to serve.

These inquiries also gave us insights into ways that economists can add value into service delivery areas that are not traditionally seen as areas the profession operates in. While there are challenges, and there is a need to consider a wide range of disciplines, it is clear that the economics profession can and should contribute to finding ways to improve the delivery of human services.

For example, in our inquiry into service delivery to Indigenous communities we found that decades of effort had not addressed the fundamental barriers to improvement—a misalignment of incentives, a lack of accountability to service users and the absence of genuine economic activity in communities. The report recommended three key reforms:

One - A structural reform to transfer accountability and decision making closer to service users

Two - Service delivery reforms that better focus on the needs of individuals and communities

Three - Economic reform to facilitate economic participation and community development

The Commission has also made human services a focus of our research program, publishing papers on the challenges in measuring non-market sector productivity and on measures of school education and productivity in Queensland.

So reforming human services is a topic that is dear to our hearts at the Commission.

We are extremely fortunate to have as our speaker today an expert who has thought deeply about this topic and, to the extent that a reform wave is with us or is coming, he has made a big contribution to creating it.

Dr Stephen King is a commissioner at the Productivity Commission. He is currently leading an important inquiry that is seeking to understand how mental health outcomes effect the ability of individuals to participate and prosper in the economy and how governments and the broader community can improve things.

This inquiry follows his involvement in the Productivity Commission's 2017 inquiry examining ways to introduce competition and informed user choice into human services. A chapter in that inquiry, which was under way at the same time as the QPC inquiry, covered human services in remote indigenous communities. Its findings—which I'm pleased to say were consistent with the QPC's—included that a better service delivery model would involve a greater community voice, clearer outcomes, putting people at the centre of government structures and services, and developing effective learning systems.

The intersections between Stephen's work and the QPC go back further than this. Before he joined the Productivity Commission, Stephen was chair of the Economic Regulation Authority of Western Australia, where he led its inquiry into the efficiency and performance of that state's prisons. This report was a most useful reference for the QPC's imprisonment and recidivism inquiry, and Stephen generously talked with us as we were shaping our views.

Stephen is an eminent economist, who has been a professor of economics at both Melbourne and Monash Universities and Dean of the Faculty of Business and Economics at Monash. Amongst other roles, he has been a member of the Australian Competition and Consumer Commission and is a Lay Member of the High Court of New Zealand.

Stephen is ideally placed to talk to us on the topic of *Human Services: the next wave of productivity reform*.

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<sup>1</sup> ABS 2019, *Schools, Australia, 2018*, cat. no. 4221.0, table 42b.

<sup>2</sup> PC 2019, *Report on Government Services*, Part B Childcare, education and training, Table BA.1.

<sup>3</sup> AIHW 2019, *Data tables: Emergency department care 2017–18: Australian hospital statistics*, Table 2.2.

<sup>4</sup> AIHW 2019, *Data tables: Admitted patient care 2017–18: Australian hospital statistics*, Table 2.2.

<sup>5</sup> Queensland Government 2019, *Queensland Budget 2019–20, Budget Strategy and Outlook*, Chapter 5. Includes expenses for health, education, social protection, housing and other community services, and public order and safety.

<sup>6</sup> Frydenberg, J. 2019, Making our own luck-Australia's productivity challenge. Address to the Business Council of Australia. 26 August, p. 9

