Productivity on the 2010 agenda
When the OECD gave Australia a positive report on how we weathered the GFC, there was one major concern: productivity.

The nation’s productivity has declined from 1.6% in the 1990s to 0.6% this decade. Yet, increased, not decreased, productivity is essential for:

- Long-term sustainable growth; and
- Taking advantage of the economic rebound of our Asian neighbours.

Productivity and our ageing population
The ageing population is putting extra pressure on productivity because of the expected drop in labour force participation rates. The latest report from Treasury says that participation is expected to fall from 65% to 61% over the next 40 years.

It’s not only that our labour force is shrinking. Our health and ageing expenditure is set to skyrocket at a projected increase from 22.4% of GDP in 2015–16 to 27.1% of GDP by 2049–50. Less people to pay a lot more costs, means that productivity gains are even more critical.

The government and business have to face this challenge together.

Productivity from a business perspective
In 2009, Telstra surveyed a raft of large enterprises across Australia. Of its findings, Telstra highlighted a ‘productivity gap’ as being particularly alarming.

In 2009, 78% of surveyed organisations identified productivity as a priority, with 49% actually having productivity targets. This year, the figures stand respectively at 76% and 42%, a gap increase from 29% - 34%.

Clearly, the majority understands we need a productivity boost, but few actually know what this means.

Productivity in the brave new world of the older worker
Mobility is key to driving productivity in a landscape increasingly dominated by older workers. E.g. Younger workers might be more willing and able to quickly pick up new functions and knowledge. Yet to tap this reservoir of motivation and capabilities calls for the leadership mobility and finesse from line and middle managers.

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The not-for-profit sector
the politicians dilemma

The Productivity Commission’s report on the not-for-profit sector has provided much food for thought for politicians, while they contemplate how they can best utilise a sector that has vast economic and social significance.

Not-for-profit organisations [NFPs] employ 8 per cent of the paid workforce, and contribute $43 billion to Australia’s GDP. They cover everything from child welfare to social services, health, education, arts, sport, and housing. It is no wonder politicians are taking an interest, much of the taxpayer’s money ends up paying for these activities.

Government funds the not-for-profit sectors to the tune of $26 billion, but that’s only a third of the cost. An astute politician might interpret this as a great deal – someone else is doing the work, and for every dollar spent you get three dollars of value.

In fact, the deal looks even better if you add in 4.6 million un-paid volunteers. If we, as a nation, had to pay them, it would cost the tax-payer another $15 billion.

It seems curious then, that while politicians are taking an interest, they are not beating a path to the not-for-profit sector’s door.

The United Kingdom was in a very similar situation in 1996. The then opposition, New Labour, used a similar report as the basis for its successful election manifesto which included the strap line of “Building the Future Together”. In stark contrast the incumbent Conservative Government responded to it with the “Rules of engagement”. Labour won, and the Tories lost.

The use of the not-for-profit sector was very much in tune with Tony Blair’s “Third Way”. No longer was it a question of the state and the free market. Once in power New Labour formed partnerships with the not-for-profit sector and over the next ten years the sector doubled in size and New Labour benefited from a similar multiplier achieving three pounds of value for every pound spent.

Many of New Labour’s leaders were people who had worked or volunteered for charities and community organisations. They had on the ground knowledge and therefore confidence in their not-for-profit partners. Accordingly the Government recruited leaders in this sector to work together on their new spending programmes including addressing youth unemployment and pre-school child care.
In contrast, the Productivity Commission report into NFPOs focuses on significant “known unknowns”. Governments are notoriously reluctant to spend tax payers’ money on things they know little about – they need evidence to justify public expenditure. It therefore seems logical that the Commission wants to develop a framework to systematically measure the contribution and impact of not-for-profit organisations.

The Commission also believes that the existing regulatory framework is ineffective and does not offer the levels of accountability required by either the government or donors. To overcome this, the Productivity Commission suggests establishing a national registrar, and a single method of filing annual reports.

That also sounds like common sense. However twenty years experience tells me that poorly designed top down approaches will create new barriers to partnership and that ultimately the not-for-profit sector will not achieve its full potential.

Firstly, NFPOs cherish their independence both from the state and the marketplace. They are the voice for many communities, and put the needs of the people they serve high above the demands of Government. They should therefore be treated as equal partners when Government is exploring solutions to social problems. They should also be treated like a good and trusted friend – the type of friend that you listen to when they are criticising you.

If consulted, NFPOs can help shape public services to deliver higher quality and more efficient services. Therefore Government has to develop effective ways of engaging with these organisations. By talking to them it can also learn a lot because these organisations represent voters, identifying and articulating the problems they face on the ground.

Secondly, NFPOs make unique and distinctive contributions because they can harness and combine resources which are not available to government agencies and business. This means that the standard metrics used by Government are inadequate. For example, many NFPOs benefit greatly from the guidance freely provided by professional people and “experts” that sit on management committees and who often also invest some of their own wealth in these NFPOs. Labelling these people as volunteers is like categorising company directors and shareholders as workers. Using a wage equivalent does not adequately capture the value of the organisational leadership these “volunteers” contribute.

The overarching learning from the UK is about the value of partnership and not using master and servant approaches. This suggests that the PC recommendations should be pursued by the politicians through a process of “co-production” – where the knowledge base is built on research with and not on NFPOs – and where regulatory mechanisms proactively involve NFPOs and all their stakeholders.

Every country is different but I believe that Australia can learn much from the UK’s “successful” development of the not-for-profit sector. Australia now has a considerable advantage because it can build the knowledge base and regulatory framework using the latest web technologies which did not exist ten years ago, these technologies will provide a platform for engagement, interaction and co-production with (and not on) the not-for-profit sector.

The challenge for politicians to chew over at Sunday brunch is therefore how to rapidly gain the knowledge they will need to partner with the not-for-profit sector and in doing so open up the potential to exploit the multiplier effect that the not-for-profit sector offers. The task is made a little easier when you see the quality of the contributors to the Productivity Commission’s report, which included many researchers and universities. An astute politician may therefore look to these as a trusted go-between to develop knowledge and a mutually beneficial partnership with the not-for-profit sector.

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Number Crunch

$22 Billion the amount the government plans to spend on economic infrastructure, including education, roads, rail, ports and a national broadband network to increase our nation’s productivity.

Source: Australian Government Budget overview.

3.3% average annual economic growth rate for the past 40 years.


$570 Billion estimated increase to annual economic output if productivity levels reach 2% again.


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The executive piece of the productivity puzzle

For mobility, executives need a robust enterprise-wide development framework and a strong learning culture.

To succeed, executives need to tenaciously maintain and enhance their own individual competencies. And they need the agility to ensure sustained growth in competitive advantage and in the collective capabilities of their organisations.

Ultimately, the successful modern executive is one who safeguards the organisation’s mobility and productivity – from the top all the way down.

Miriam Cha

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