

I asked the general public to contribute their ideas about Australia's productivity challenges. You won't believe what happened next.

Productivity is normally addressed top-down. Concepts are defined in the abstract and the debate proceeds from theory to practice.

I wanted to test inverting that approach. Could a wider than normal group could be made interested in the conduct and outcomes of this productivity review? And would they have much to offer?

On Wednesday 7 December 2016 I had published an article at news.com.au, entitled "[What's the stupid, inefficient thing that makes you mad?](#)" It introduced the concept of productivity and the Productivity Commission's rolling five-year review process. It then called for readers to contribute examples of inefficiencies in the Australian economy they'd like to see eliminated.

The responses were many (over 400 responses in various online forums) and diverse. (The most frequently mentioned was to get rid of politicians, which was amusing at first but paled somewhat upon repetition.) Nevertheless, the process turned up a large number of illuminating suggestions. I don't propose to repeat them all here, but certain topics kept coming up in ways that suggested a pattern.

1. Centrelink. Few had anything nice to say about the administration of the government's welfare services.
2. Australia Post. Delivery services were pretty much uniformly reviled.
3. Transport issues. The dispersed wisdom of the crowd has developed some suggestions for traffic flow that seem clever.
4. Duplication of levels of government. Not popular.

Notably, most of these relate to user-facing regulated entities. The ATO, Medicare and various license-issuing entities also came in for criticism. That represents a clue that for many Australians, an obvious location for productivity improvements might be in the non-market and quasi-market parts of the economy where productivity is hardest to measure.

I discuss each of the topics below.

1. CENTRELINK

"I waited twenty minutes for a duplicate form to be printed - that does not include the time to line up to be told the form they sent was incorrect so I needed a new one. I'm sorry but if any business was run the way centerlink is they would go broke in under a week."

-Rachael Harvey

All organisations rely on the time and effort of their clients. When you shop for something you may have to learn about their offerings, attend their premises, wait in line and go through check-out processes. This is generally appropriate and efficient.

A problem only develops when the marginal value of the client's time is higher than the marginal value of the provider's time. In a free market scenario, this problem can be rectified via the entry of a competitor providing a better service.

In a government scenario, entry is not possible and so knowing how much client time and effort to demand is a challenge.

The results of this informal survey suggest the performance of Centrelink is considerably below that of a large, regulated private entity. Centrelink was mentioned approximately 30 times, banks only three times, Telstra once.

"I had to wait 1hr40 mins just to change my income amount ! This is not fun !! I actually have work to do but still have to wait a minimum 1 hr to talk to someone."

- Jenni Pin

"Centrelink phone calls and waiting times the fact that you have to go in there 100 times before they sort out the issue"

- Beth McDonald

I have personally led a very fortunate life that has meant I never crossed paths with a Centrelink office. I suspect the same is true for many public representatives. This risks creating an out-of-sight, out-of-mind situation. Policy-makers doubtless prefer to consider the value of welfare payments and their targeting rather than the administration that delivers those payments to the targeted populations. Furthermore, it is easy to imagine that the people navigating the tortuous administrative processes are undeserving of better service.

Indeed, making the use of Centrelink services extremely inconvenient can serve a policy purpose if it deters over-use of welfare. But while the deterrent effect applies only at the margin, the burden of poor administration falls upon a wider group.

Unwieldy administration is likely to have the most material effect on deeply disadvantaged people for whom Centrelink services are vital. In many such cases, the person dealing with the challenges of administration is likely to be a relative or case-worker doing so on behalf of the beneficiary. These people have other responsibilities and the productivity advantages of lightening their workload is obvious.

"You ring to notify them of changes, spend hours on hold, use all your credit so you go to the office and get told to go use the phones and ring through... Why in the hell can't you just sit with someone and say hey "I've got a job, yay me! Can you change my file accordingly please"? It takes 10 minutes!"

- Shylah Mundy

"I thought I had a miracle yesterday it only took seven, yes seven minutes to get hold of someone on the phone with Centrelink "
- Aaron Cosier

Spending public money to save the time of private citizens is considered an investment in the case of expenditure on public assets like roads. In the case of Centrelink administration it is accounted for as a recurring expenditure. This creates a categorical distinction that may be an impediment to raising Australia's productivity performance.

Productivity enhancing reform for Centrelink might therefore require more measurement of customer satisfaction, better benchmarking to best practice, and balancing the marginal cost of public financial inputs with that of private time inputs.

2. AUSTRALIA POST

"We've caught posties just putting cards in the letter box without even coming to the door."
- Paige Wiles

Australia Post, like Centrelink, relies on making demands on customers' time to conserve its own resources. The practice of dropping off a card that announces the presence of a parcel – in lieu of attempting to deliver the parcel – is now infamous Australia-wide.

"Never get a card or notification, i just have to regularly go to the post office and check."
-Nick Seam

This is a simple example of KPIs being ill-defined and incentives poorly implemented. Australia Post faces competition in parcel delivery and in theory, market forces should sweep the problem away.

Australia Post can get away with not demanding higher performance from its contractors because of cost advantages associated with the legacy letters monopoly, and its lack of downside risk – it knows it won't go broke. This suggests even corporatised government-owned entities can fail to perform optimally and may be a place where productivity enhancements can be found.

3. TRANSPORT

The "obvious" solution to Australia's transport problems is road user charging. Among the policy-making class at least. There is, however, no indication such a policy is yet obvious to most Australians. It was not mentioned once in several hundred replies to the above-mentioned article. Of course, there is some marginal benefit in another government-funded .pdf recommending the idea. A journey of a million miles must start with a single step, etc, etc.

But in the absence of a charismatic political leader committed to market-based solutions (and what an absence it is proving to be) permitting such a politically challenging policy proposition to crowd out other proposals might be unwise. In that case, the following suggestions from the comments section may be useful.

"In the US you can turn right on a red light which would[be] left on red here! Makes so much sense"
- Jade of Vic

In the domain of transport, time costs are often traded against safety. Uniform, unbendable rules contribute to a strong understanding of the law and so help ensure the law is followed.

But there remain ways in which transport administrations use the time of travellers to achieve their goals without perhaps placing enough value on that time.

"Waiting at traffic lights in the middle of the night when there are no cars around."
- Athan Pittakis

Optimal access to public transport is one. The placement of entrances to stops and stations is rarely optimised. While transport operators aim to minimise travel time once passengers are aboard, they rarely consider the entirety of the passenger journey. This may especially be the case where rail services are provided by private operators but stations are owned and operated by government.

"Racing to catch the train and you have to run the entire length of a car park then half a station to the entrance. Or having to walk back through the length of a car park in the dark at night."
-Peita Orłowski

4.DUPLICATION OF LEVELS OF GOVERNMENT

If Australians learn to be upset about their interactions with public entities, they will tend to become more upset as the entities, and so the interactions, multiply in number. This may explain the general sense expressed that collapsing Australia's levels of government to a number less than three would yield advantages.

"Get rid of local Councils. They are petty, bureaucratic wastes. Full of pen pushers and people who have nothing better to do then lord it over the communities they are supposed to serve."
- Therese Theil

The legacy of Australia's federation has complex interactions with Australia's productivity performance. While overlapping administrations create potentially

wasteful static effects, competition between states and the possibility of experimentation create the potential for beneficial dynamic effects.

“Instead of three levels of government, how about just two. The federal govt can look after defence, health, education, anything that affects the country as a whole, and local councils can look after local issues. Less politicians, less duplication, less waste.”

- David Lewis

It may be possible to obtain some of the benefit of both if policy parameters can be varied while user-facing elements can be standardised. For example, national registers of licenses could be made compatible with different license requirements.

CONCLUSION

The productivity-enhancing reforms of Australia’s past have focused on the private sector. Micro-economic reform of the 1980s was a powerful enabler of prosperity.

However, much low-hanging fruit has been harvested in this field. The best options that remain are land tax (aka taxing grandma’s house) and road user charging (aka taxing people’s drive to work). It would be fair to expect that several five yearly reviews will pass before those two policies garner bipartisan support.

The responses collected in this process indicate that people are keen for better quality public service provision. They want it to be more efficient and more respectful of their time. Assuming for a moment that people know what they want, the question then arises of how to do so.

Reforming the delivery of public services faces a different set of challenges - conceptual, measurement challenges and political ones too. The political challenges only multiply if approaches that rely on outsourcing and competition are applied in popular public domains (see: “Mediscare”). In some cases, more competition will be the answer. In other domains, an alternative approach, and one worth contemplating, might be to design and fund the public delivery of higher-quality services.