

Why Public Sector Productivity Matters

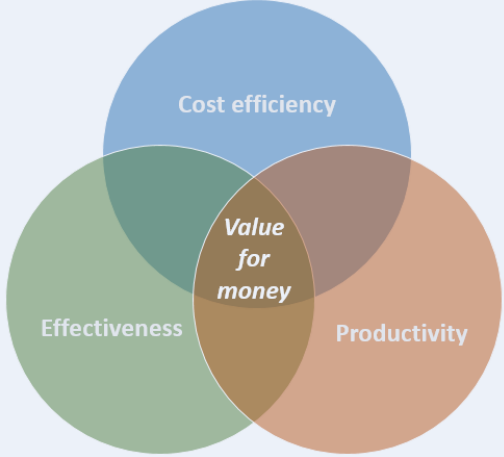
Bart van Ark

UNNES, 13 April 2026

KEY MESSAGES

- **Productivity opportunities** are plentiful across the **delivery chain** of public sector activities
- **Measurement improvements** focus on quality improvements, and incorporating broader concepts of resources and outcomes
- Resources (people, capital, technology and organisational change) create productivity growth **only when working in conjunction**

AGENDA



Cost efficiency

Effectiveness

Productivity

Value for money

Why does public sector productivity matter?

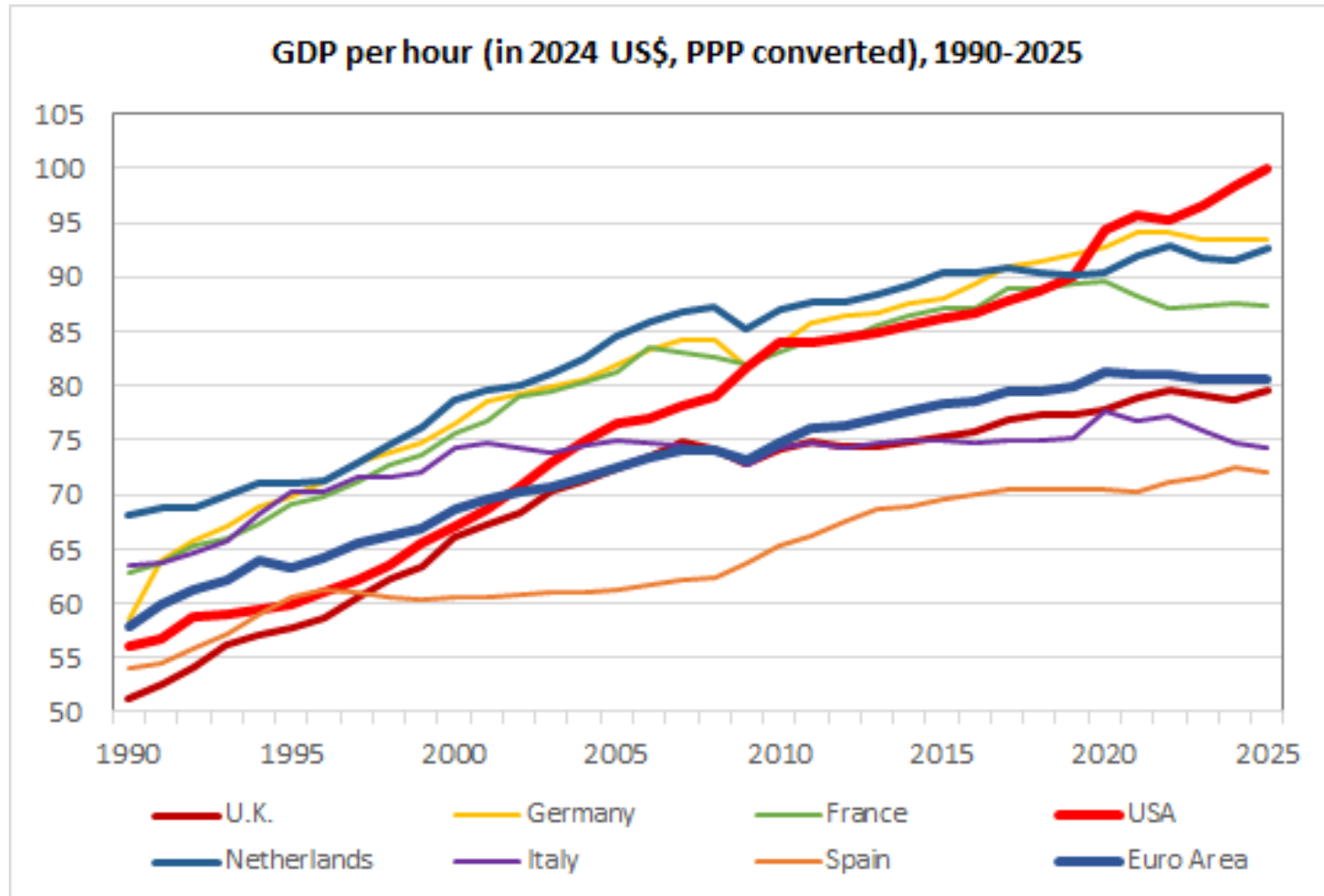


Measuring public sector productivity



Mobilising public sector productivity resources

PRODUCTIVITY HELPS ECONOMIC GROWTH AS WELL AS ADAPTABILITY AND RESILIENCE TO SHOCKS



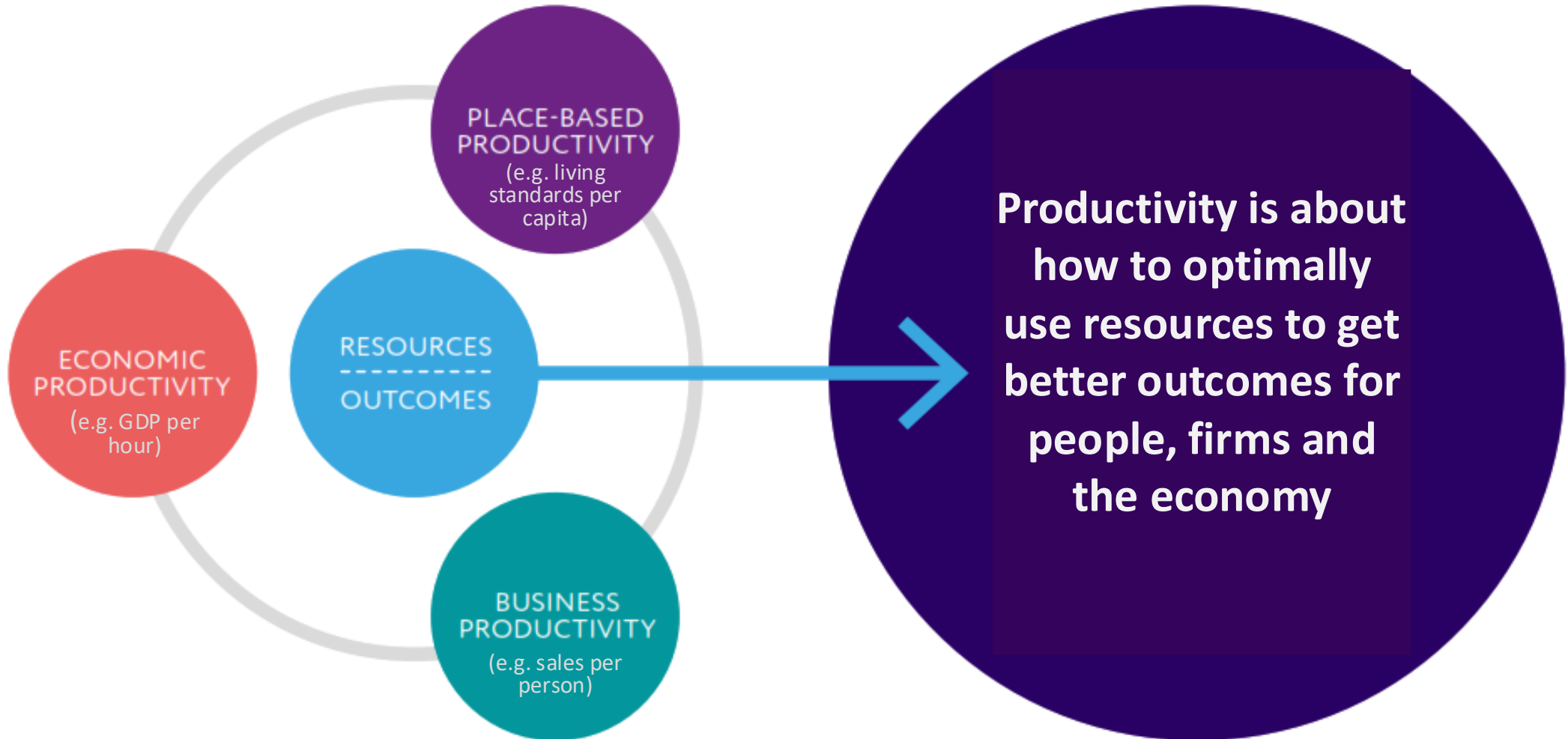
Rapid productivity growth reflects dynamic process of innovation, structural change and stronger competitiveness

High productivity levels support resilience to absorb shocks and limit the risk of low performance traps across pockets of society, especially at a place-based level

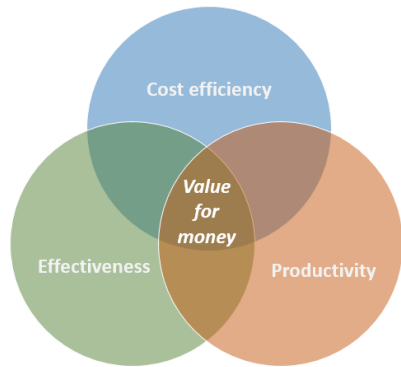
Note: 2025 are projections.

Source: The Conference Board, 2025

EXPANDING PRODUCTIVITY'S SCOPE FOR BETTER OUTCOMES



Why does public sector productivity matter?



Why does public sector productivity matter?

Public sector uses and produces key resources.

- Represents 20% of UK GDP and 17.5% of employment.
- Government spending \approx 40% of GDP (nearly 50% during pandemic).
- Delivers essential services not (sufficiently or adequately) provided by private sector.
- Drives private sector demand (e.g., defense, trade, construction, health, education).

Public sector vital to living standards and well-being

- Quality services directly improve lives.
- Largest employer in many low-income areas.
- Supports shared platforms for citizens and firms.
- Pandemic showed its role in protection and resilience.

The “realities” of public services provision:

- **Baumol’s cost disease**: rising demand for labour-intensive services (health, education)
- **Complex organisational structures** due to multi-product/services deliveries
- **Governance and democratic procedures** slow decision-making and implementation
- **Institutional resistance** hampers the effectiveness of change initiatives
- **New Public Management** and similar efficiency drives had mixed productivity results
- **Target obsession** risks missing real outcomes

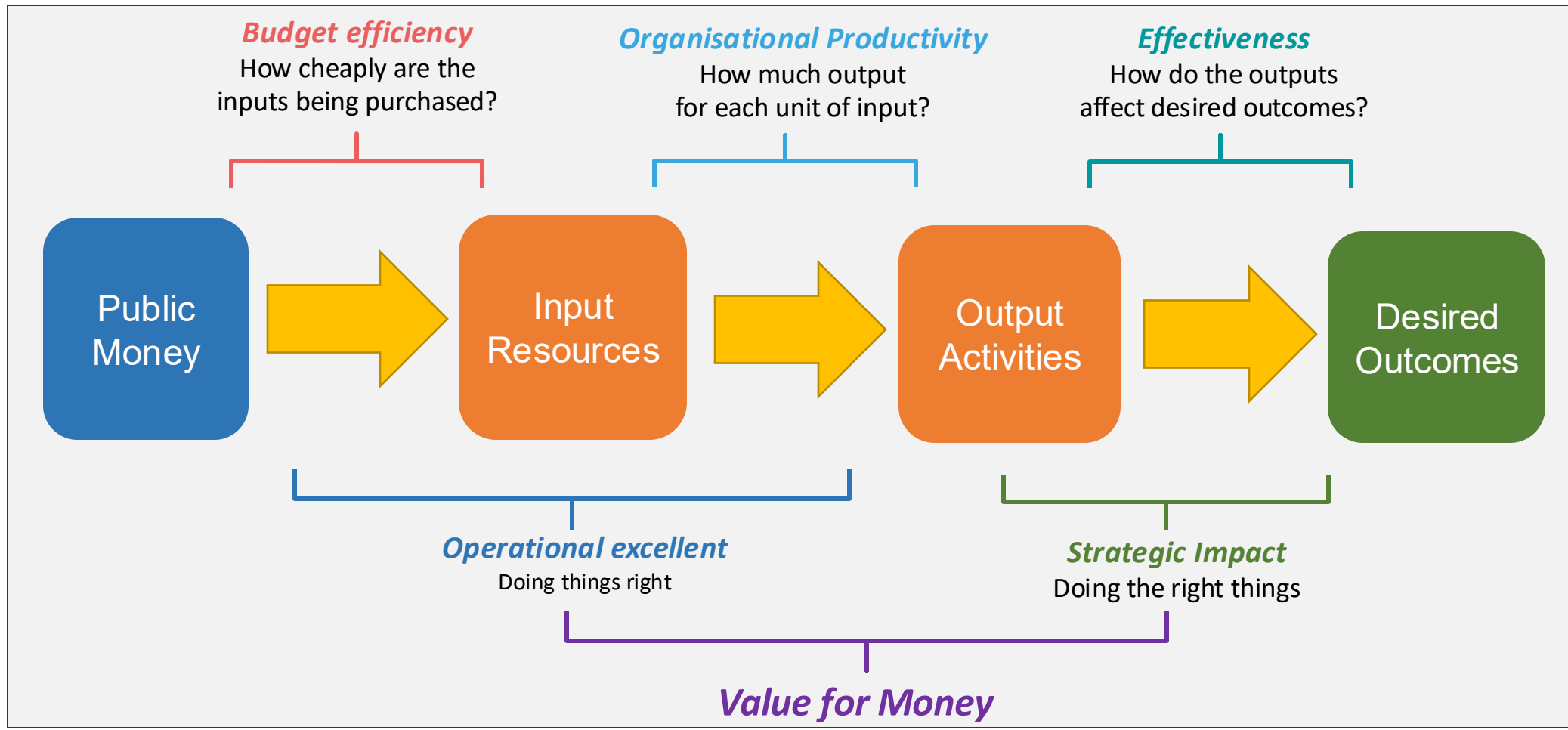
What can be improved:

- Better **measurement** to resolve confusion between outputs and outcomes
- **Technology**, especially AI, has a lot of potential to improve productivity, but needs ...
- Strengthen **incentive structures** to raise strategic focus
- Better **knowledge of delivery chains** to identify change opportunities

Mapping delivery chains to boost public sector productivity

The Public Sector Delivery Chain

A simplified model of how public money is turned into inputs, outputs and outcomes



Source: The Productivity Institute, adapted by TPI from Government Economic Services, [Improving public sector efficiency to deliver a smarter state](#), 2016

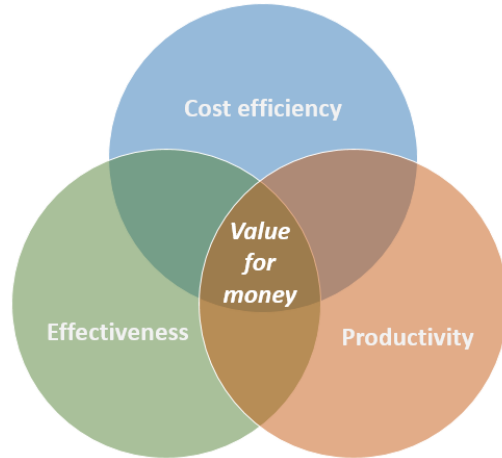
Types of improvement across the public services delivery chain

Table 1: The Types of Improvement Across the Delivery Chain

	Budgetary Efficiency	Organisational Productivity	Effectiveness
Improving task performance	(1) Changing the procedure for purchasing resources	(2) A given task takes less time/resource	(3) A given task makes a greater contribution to outcomes
Improving the case mix	(4) Changing what is purchased to something that is cheaper/better	(5) A given task is exchanged for another that requires less resource	(6) A given task is exchanged for another that makes a greater contribution to outcomes

Source: Joel Hoskins and Bart van Ark, Productivity and Responsible AI in Social Care, September, 2025.

PUBLIC SECTOR PRODUCTIVITY PLAYS A KEY ROLE



Why does public sector productivity matter?

Measuring public sector productivity

An illustration featuring a balance scale with a yellow cube on the left pan and a red cube on the right pan. Below the scale is a blue document with a checklist and a red building with a clock tower. A red 'X' is placed near the building, and a small blue circle is on the ground.



Mobilising public sector productivity resources

Why public sector productivity measurement is complicated



Measuring public sector productivity

No Market Prices: Hard to value outputs without market transactions.

Service complexity: Multiple services involved makes impact hard to measure.

Conflicting goals: Diverse objectives that are not easily quantifiable.

Delayed impact: Long time lag between input and outcome.

Output \neq outcomes: Spending-based output measures miss quality improvements.

Baumol effect: Spending seen as the only way to raise output; focus on measuring inputs while quality is overlooked.

Quality is subjective: Hard to assess consistently across users.

NEW WORLD CLASS STATISTICS ON PUBLIC SECTOR PRODUCTIVITY



Corpus ID: 109805506

The Atkinson Review: Final Report: Measurement of Government Output and Productivity for the National Accounts

A. Atkinson • Published 31 January 2005 • Economics, Political Science

The Atkinson Review: Final Report is the culmination of a year-long review of the measurement of UK government output and productivity. Sir Tony Atkinson from Nuffield College, Oxford, led the review supported by a team seconded from the Office for National Statistics, HM Treasury, Department of Health and the Bank of England. A key objective of the review was to recommend methods and approaches which could be used to measure UK government output. In addition to recommending a general framework... [Expand](#)

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UK Statistics Authority > Publications > National Statistician's Independent Review of the Measurement of Public Services Productivity

National Statistician's Independent Review of the Measurement of Public Services Productivity

Published: 13 March 2025
Last updated: 14 March 2025

National Statistician's foreword

I am delighted to publish this report today, summarising the significant work the Office for National Statistics (ONS) has undertaken over the last 18 months to review and improve the measurement of public service productivity in the UK.

In 2023 the then Chancellor of the Exchequer commissioned me to undertake this Review. Since then, the productivity of our public services continues to be under scrutiny, particularly in the wake of the coronavirus pandemic. Having good quality data is more important than ever to provide insight and support government decision making in this area.

Measuring public service productivity has historically been recognised as a challenging area. In the UK, around 20% of Gross Domestic Product (GDP) is accounted for by the outputs of public services.

Office for National Statistics

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census 2021 Data and analysis from Census 2021

Home > Economy > Economic output and productivity > Public services productivity > Public Services Productivity Review, impact of improved methods on total public service productivity

Public Services Productivity Review, impact of improved methods on total public service productivity: 1997 to 2021

Overview of improvements to public service productivity measures introduced by the Public Services Productivity Review, implemented in March 2025.

GOV.UK

Home > Business and industry > UK economy

Independent report

Independent review of UK economic statistics: final report

This is the final report of the independent review of UK economic statistics, led by Professor Sir Charles Bean of the London School of Economics.

From: [HM Treasury](#), [Cabinet Office](#), [The Rt Hon Matt Hancock](#) and [The Rt Hon George Osborne](#)

Published 11 March 2016
Last updated 11 March 2016 — [See all updates](#)

Office for National Statistics

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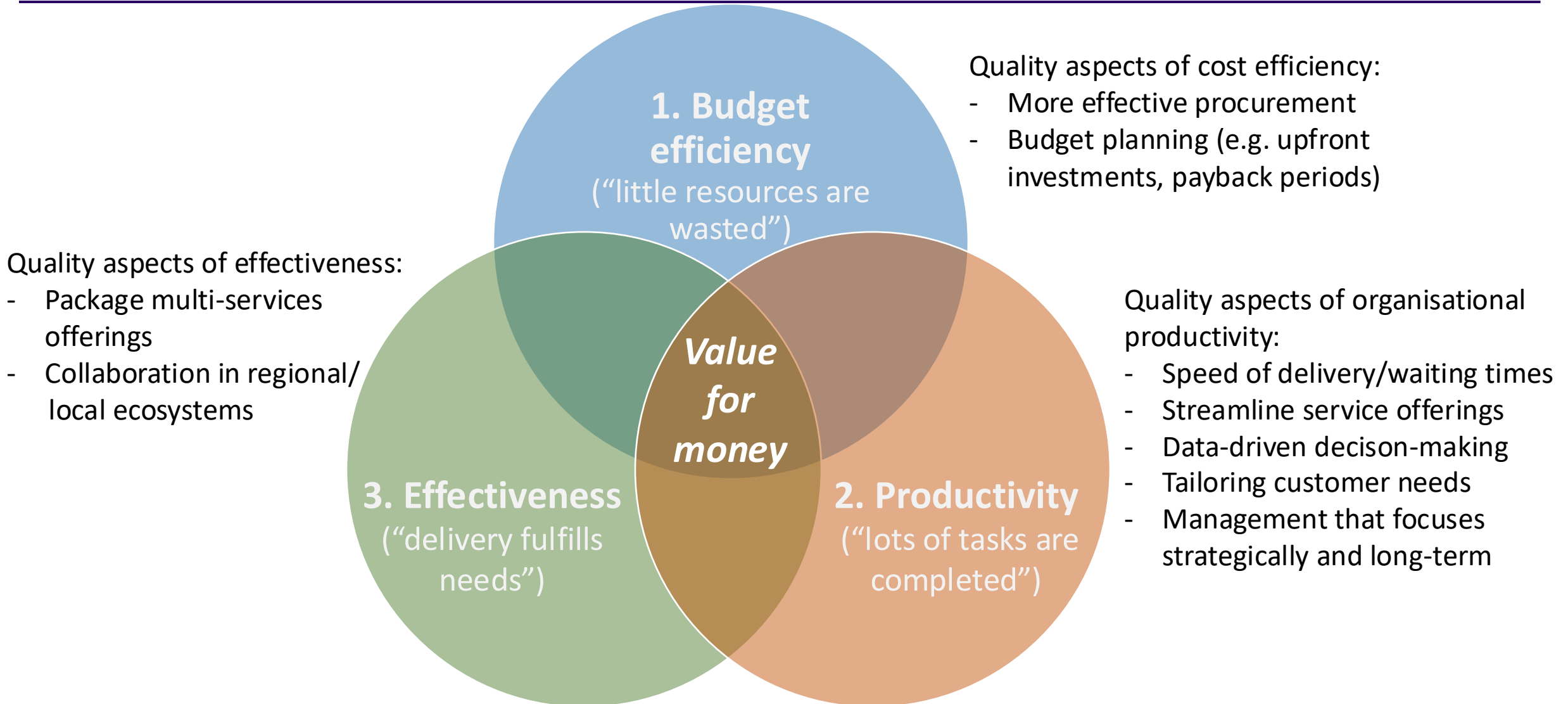
Home > Economy > Economic output and productivity > Public services productivity > Public service productivity

Public service productivity: total, UK, 2022

Updated measures of output, inputs and productivity for UK public services between 1997 and 2022, including service area breakdown, quality adjustment, and latest revisions.

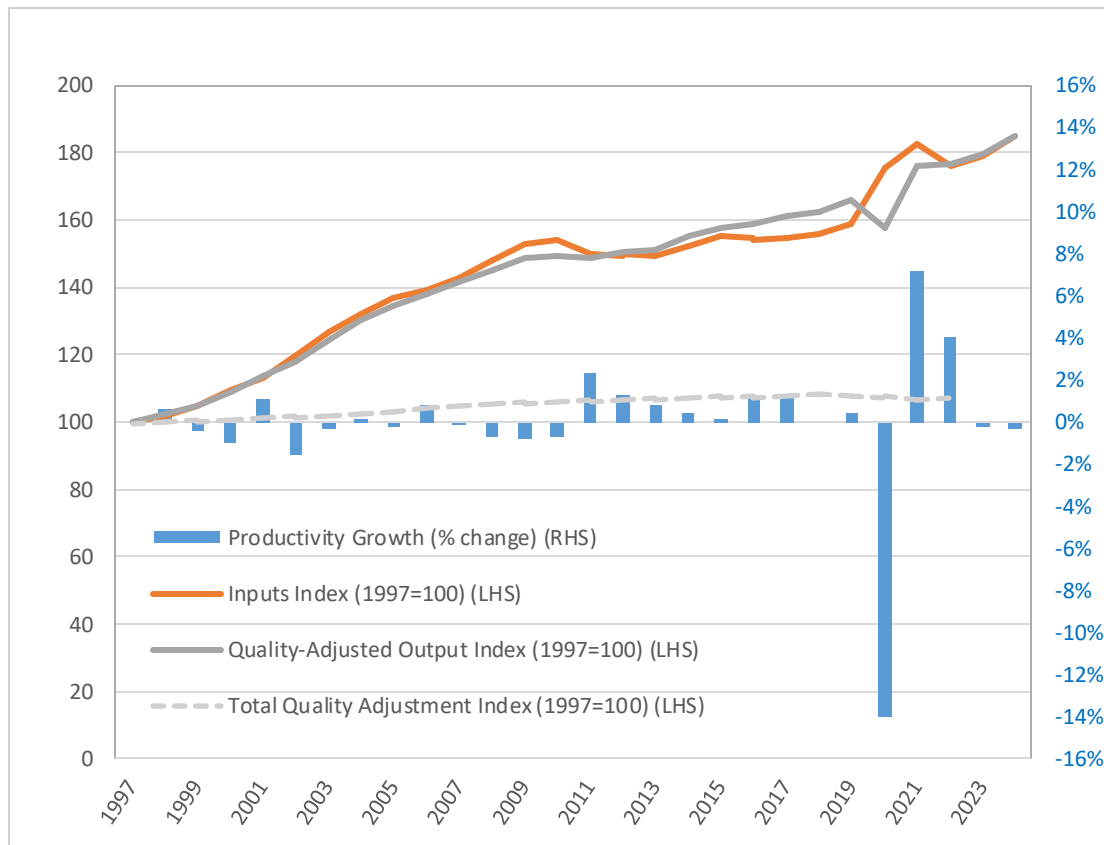


Quality is key in each step of the process



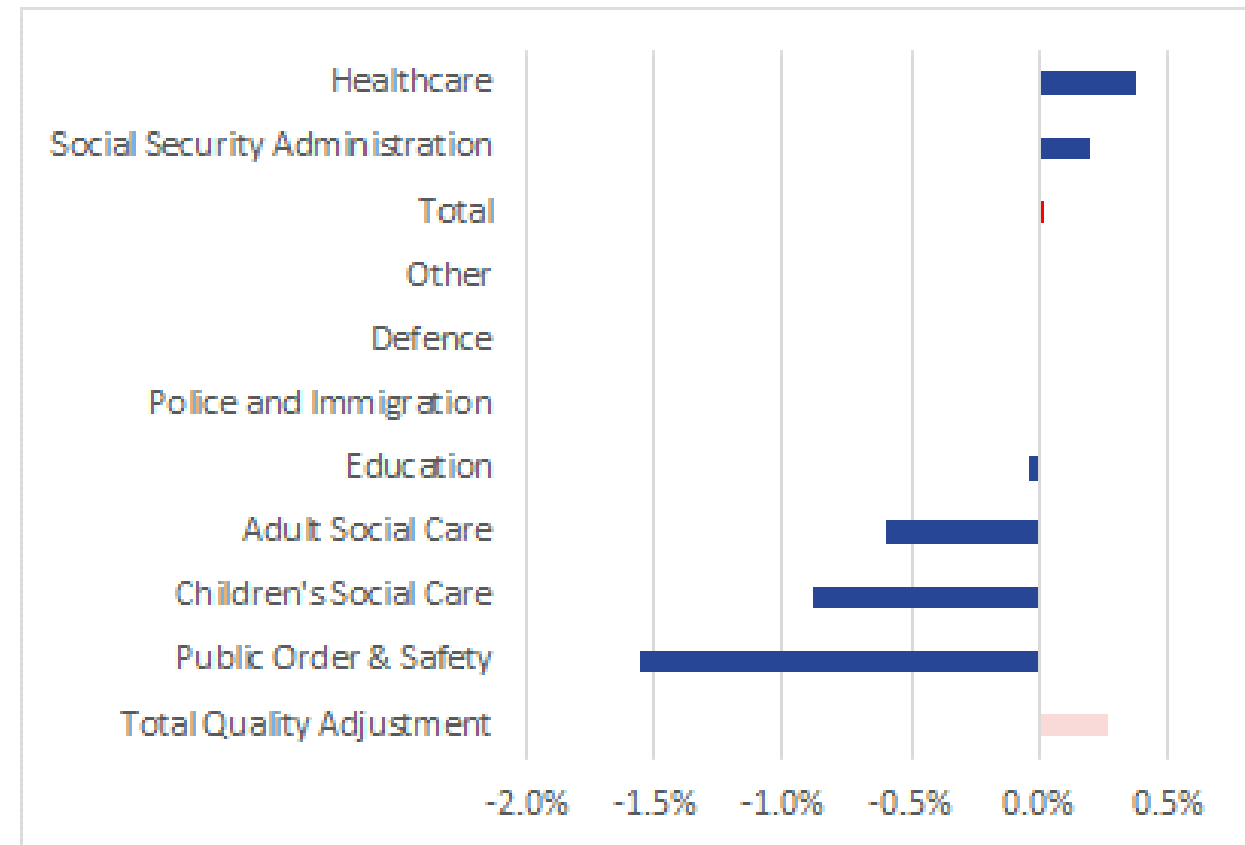
LARGE VARIATION IN PRODUCTIVITY ACROSS PUBLIC SECTOR, WITH MUCH VOLATILITY AROUND THE PANDEMIC

Public Sector Quality-Adjusted Output and Inputs (1997=100) and Productivity (average annual % change), 1997-2024



Source: Office for National Statistics, [Public service productivity: Total, UK, 2022 \(27-3-2025\)](#); updated to 2024 with [Public Service Productivity, Quarterly \(8-5-25\)](#), unadjusted for quality

Public Sector Productivity with Quality Adjustment (average annual % change), 1997-2022

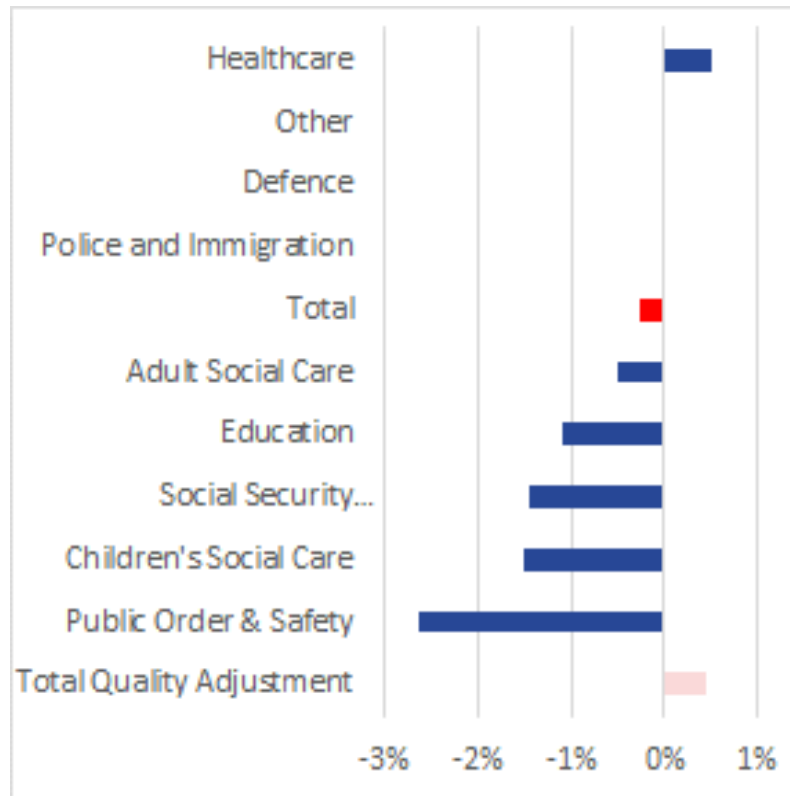


Source: Office for National Statistics, [Public service productivity: Total, UK, 2022 \(27-3-2025\)](#); excluding tax administration.

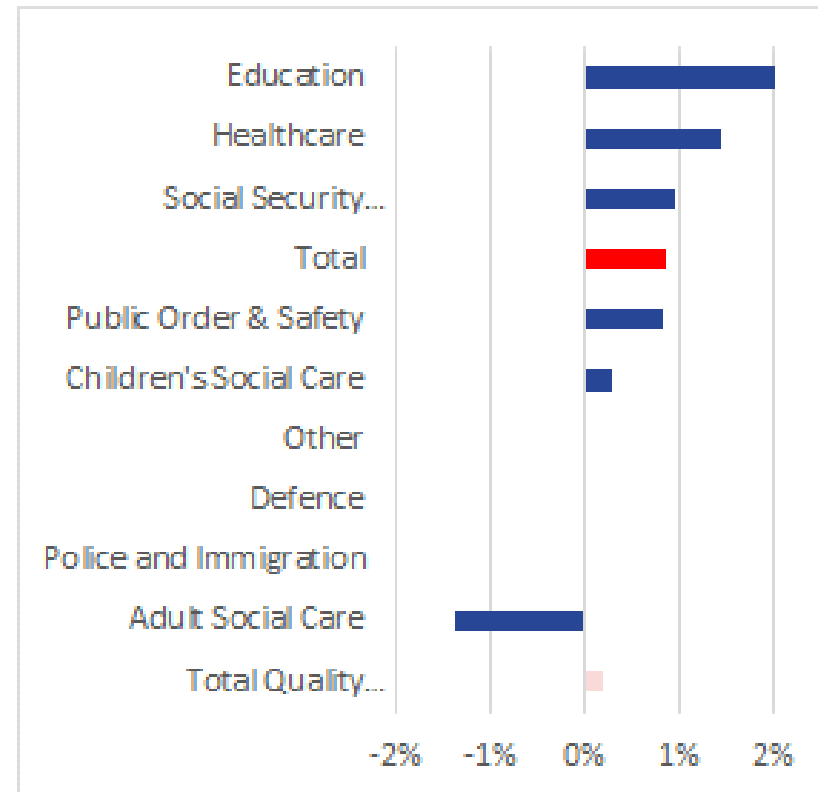
THERE ARE STORIES AND LESSONS FROM EXPERIENCES IN DIFFERENT PERIODS

Public Sector Productivity with Quality Adjustment (annual % change), 1997-2010 and 2010-2019

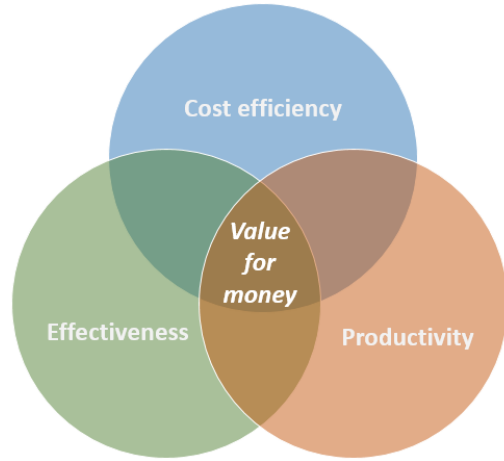
1997-2010



2010-2019



PUBLIC SECTOR PRODUCTIVITY PLAYS A KEY ROLE



Why does public sector productivity matter?



Measuring public sector productivity

PRODUCTIVITY

Mobilising public sector productivity resources

The infographic features a central clock face surrounded by various icons: a globe, a bar chart, a dollar sign, a lightbulb, a magnifying glass, gears, and a smartphone. Dashed lines connect these icons to the central clock.

Mobilising public sector productivity

Adaptive organisation

- Create long term focus
- Scale up to deliver larger gains
- Adapt to context specific needs, esp. at regional and local levels
- Strengthen social infrastructure role of public sector institutions

Organisation



People

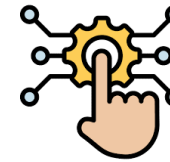


Agile workforce

- Focus on continuous learning and improvement especially on digital
- Management focus on business design and project management



Technology



Investment



Digital transformation

- Large potential, challenging realization
- AI not just at front end but also at back end
- Streamline internal processes
- AI to resolve information bottlenecks

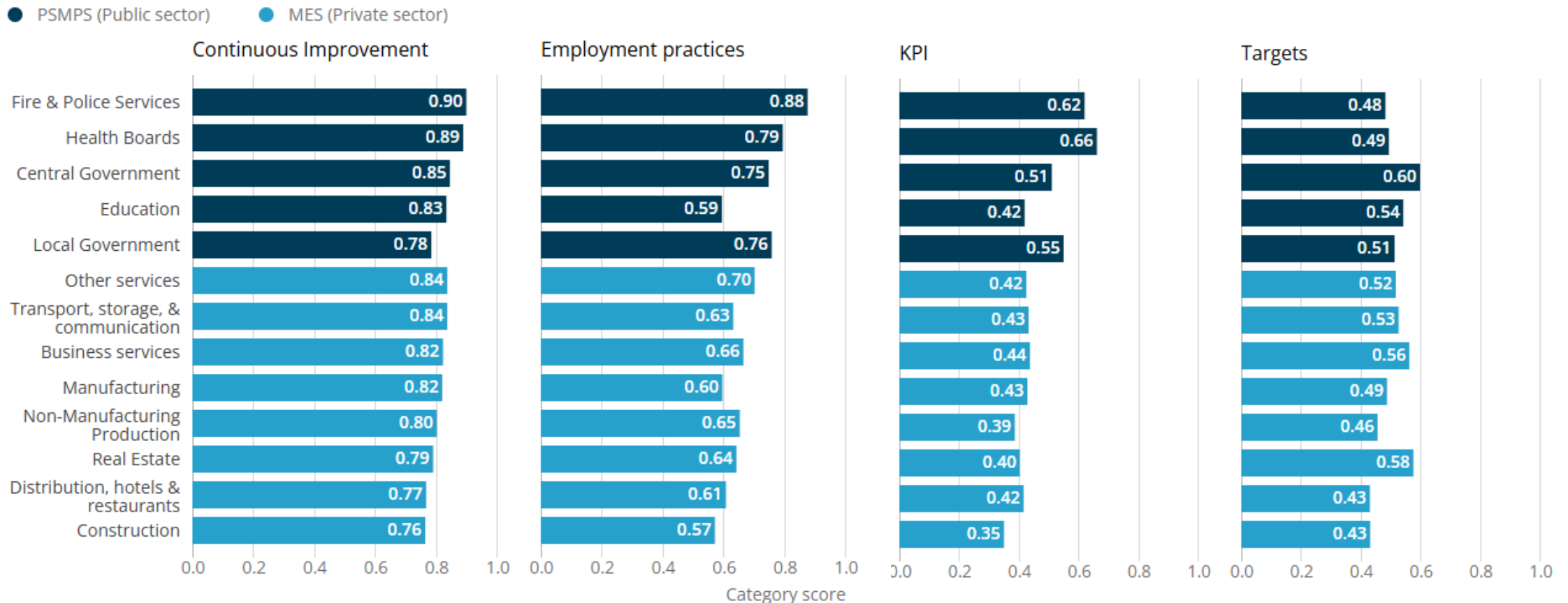
Capital

- Hardware matters to facilitate intangibles
- A clear & flexible plan for the long-term
- Scale is key to capital

Source: Based on B. van Ark (2022), Making Public Sector Productivity Practical, The Productivity Institute (<https://www.productivity.ac.uk/research/making-public-sector-productivity-practical/>)

Management Practices is a Key Element of Public Sector Productivity Improvements

Mean management practice score by component and subsector, UK, 2023



Source: Management and Expectations Survey 2023 and Public Sector Management Practices Survey (pilot) 2023 from the Office for National Statistics, <https://www.ons.gov.uk/economy/economicoutputandproductivity/publicservicesproductivity/articles/publicandprivatesectorsintheukcomparisonsofmanagementpractices/2023>



THE

PRODUCTIVITY

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THE PRODUCTIVITY INSTITUTE AT A GLANCE

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Human capital



Organisational capital



Knowledge capital



Geography and place



Macroeconomic trends and policy



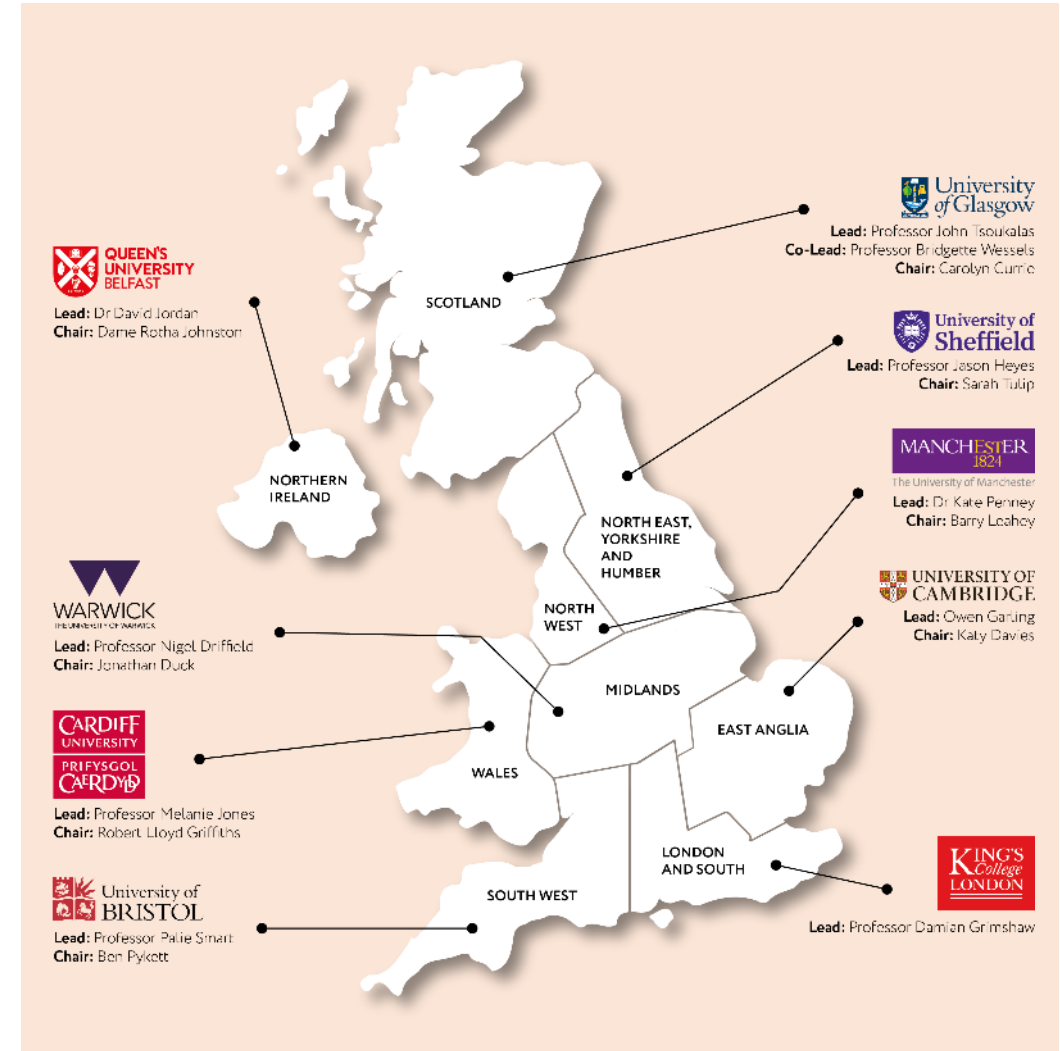
Institutions and governance



Measurement and methods

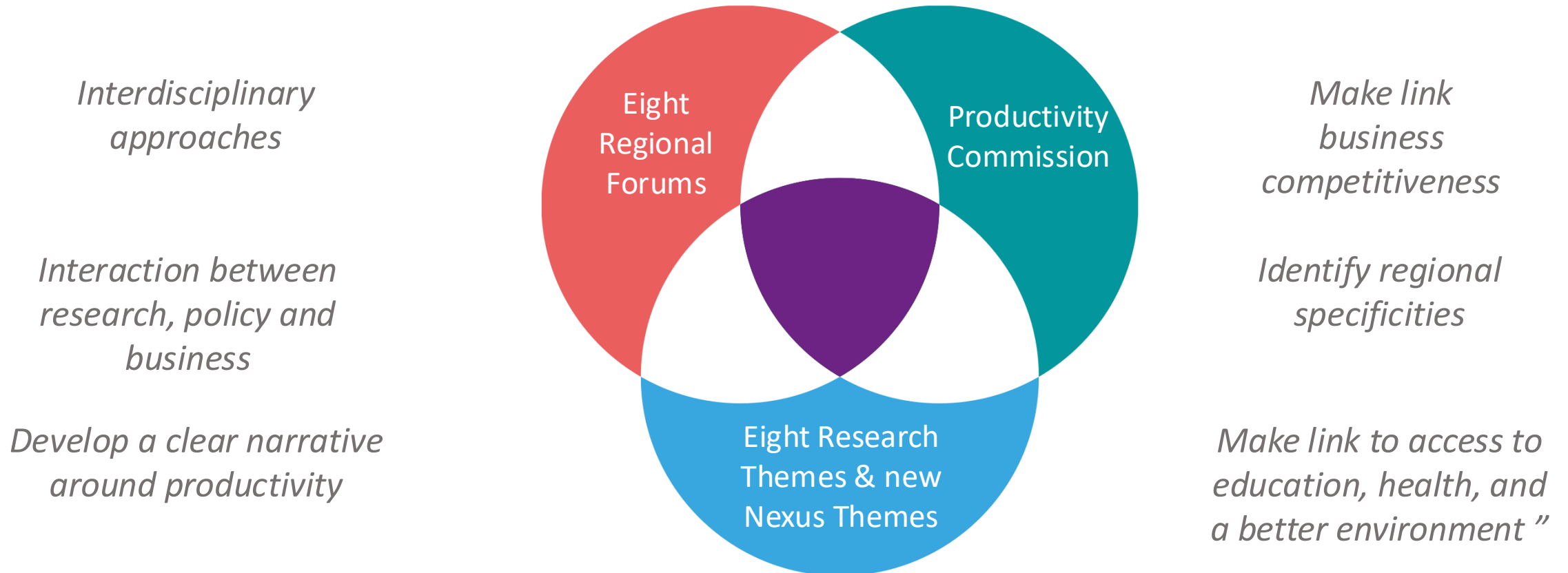


Social, environmental and technological transitions



TPI'S MISSION AND HOW WE ARE GOING TO ACHIEVE THIS

Lay the foundations for an era of *sustained and inclusive productivity growth* and help *policy makers and business leaders* across the UK understand how to *improve productivity and raise living standards*





13. Is Baumol's Cost Disease Still Haunting Public Services Productivity? | 149

13. Is Baumol's Cost Disease Still Haunting Public Services Productivity?

Bart van Ark*

Policy Actions

- 1 Support the Office for National Statistics in continuing the Public Services Productivity Review in developing broader productivity metrics that reflect outcomes and public value
- 2 Invest in organisational and workforce capabilities through skills and leadership programmes by sector, such as the College of Policing, focusing on digital literacy, change management, and collaborative governance
- 3 Build on the Government's performance review of digital spend to establish a dedicated innovation fund to support AI and digital experimentation in the public sector
- 4 Empower public sector managers with flexible budgeting and greater autonomy, for example by accelerating devolution of fiscal powers to combined authorities
- 5 Replace across-the-board budget cuts with targeted efficiency reviews and outcome-based funding models
- 6 Promote adaptive governance by expanding devolution deals and integrated local models that align services like health, education, and transport—guided by New Public Governance principles to improve responsiveness and collaboration

<https://www.productivity.ac.uk/research/joining-up-pro-productivity-policies-in-the-uk/> (Chapter 13)



An Old Challenge in the New Era:

How the Public Sector Can Benefit from the Age of AI

Author:
Joel Hoskins
The Productivity Institute

Date:
September 2025

The Productivity Institute
Productivity Insights Paper No.060

<https://www.productivity.ac.uk/research/an-old-challenge-in-the-new-era-how-the-public-sector-can-benefit-from-the-age-of-ai/>



Productivity and Responsible AI in Adult Social Care

Authors:
Joel Hoskins
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Date:
September 2025

The Productivity Institute
Productivity Insights Paper No.062

<https://www.productivity.ac.uk/research/productivity-and-responsible-ai-in-adult-social-care/>



BART VAN ARK, THE PRODUCTIVITY INSTITUTE



Bart van Ark is a Professor of Productivity Studies at the [Alliance Manchester Business School \(AMBS\)](#) at the [University of Manchester](#). He is also Managing Director and Principal Investigator of [The Productivity Institute](#), a UK-wide organisation which aims to lay the foundations for an era of sustained and inclusive productivity growth by bringing together academic research, policy studies and business engagement.

Bart is also a Senior Advisor of the [Economy, Strategy and Finance \(ESF\) Center](#) at [The Conference Board](#), where he was Chief Economist from 2008 until 2020. He is also an honorary professor at the [Faculty of Economics and Business](#) at the [University of Groningen](#).

1985-1988: Research Associate at University of Groningen, the Netherlands

1988-1990: Research Officer, National Institute of Economic and Social Research, London

1990-2000: Lecturer at University of Groningen, the Netherlands

2000-2008: Professor Economic Development, Technological Change and Growth, University of Groningen, the Netherlands

2008-2020: Chief Economist, The Conference Board, New York

2020- : Managing Director, The Productivity Institute; Professor of Productivity Studies, University of Manchester