

Public Sector Innovation

What is public sector innovation?

It is not only firms who innovate; public sector entities also innovate by introducing new approaches to provide quality public services and better respond to society's needs. The public sector includes all public corporations and general government at central, state and local levels. Its duties cover administration, ensuring public order and safety, education, health and social care, and a variety of other functions for citizens and business.



[The OECD's Observatory of Public Sector Innovation \(OPSI\)](#) [1] is collecting and analysing countries' examples of innovation to build knowledge on its scale and form, and what governments can do to encourage it.

Drawing on definitions developed in the business sector (OECD/Eurostat 2005), their adaptation in the Measuring Public Innovation (MEPIN) project, and evidence of innovation collected by the OPSI, the following principles emerge to characterise public sector innovation:

- Novelty: it is about a novel practice or approach, relative to its context.
- Implementation: innovation is not just an idea, but has to be implemented.
- Utility: it aims to improve public sector results and outcomes.

Innovations may apply to the structure of the public sector itself, or the way in which public services are provided.

The OPSI has started to build systematic knowledge on how the public sector innovates and achieves results. The OPSI enables governments to highlight innovative practices and provides a platform for public sector innovators to inspire each other, share ideas and collaborate.

[The OPSI's online platform](#) [1] serves as a "hub" presenting countries' innovative practices via an interactive database alongside analysis of public sector innovation. Collaborative features (discussion groups, live documents) which enable a community of practitioners and experts to interact and work together.

How important is public sector innovation?

The public sector is an important economic actor, accounting for between one-third and over one-half of GDP in most OECD countries. The share of general government expenditures as a percentage of GDP reached over 45% in 2009 in the OECD as a whole and ranged from over 55% in Denmark, Finland, France and Sweden, around 40% in the United States and Japan, to less than 30% in Chile

and Mexico (OECD, 2011).

Today the public sector and the public services it provides are confronted by increasing demands, such as how to manage the complex issues of demographic and climate change and how to respond to the diverse needs of its population. At the same time public sectors across OECD countries are operating under tight fiscal constraint, making it necessary to deliver better outcomes at lower costs. Many governments and public sector organizations around the world now see public sector innovation as an essential ingredient to meet these demanding challenges.

OECD countries are pursuing various types of innovation in public service delivery, with technology being just one among the many enablers. Many of these approaches create services that are more user-focused, are better defined and better target user demand. Innovation can alter both the supply of services, by improving their characteristics, and the demand for services, by introducing new ways to articulate demand for and procure them.

Innovative approaches to service delivery include:

- **Improving accessibility.** Simplifying how users access different public services by providing a single point of access. This includes through physical one stop shops, and increasingly, exploiting digital technologies to provide 24/7 online access to public services. Countries are integrating services from different delivery bodies, and in some cases, from different levels of government, such as Denmark's borger.dk which provides citizens with an online entrance to public services across the local, regional and national level. Effective approaches may integrate not just frontend services but also the administration's supporting back office. This may create new possibilities to treat citizens in a more holistic way, by providing an overview of how each citizen interacts with the public administration across a range of different services.
- **Engaging users in service design.** Countries are innovating with more open, participatory models for the design and development of public services by directly involving citizens, business and community organisations. User involvement in the design and delivery of public services can help services to meet user needs more accurately while new input from users can offer creative solutions. Approaches to achieve this include workshops such as Finland's Cardboard Hospital that brought together staff, patients, architects and researchers to develop a new hospital environment, and making use of the opportunities offered by digital technology to ask the public for their views in response to specific issues such as Australia's Speechbubble.
- **Targeting user needs more accurately.** Innovations are creating public services more tailored to users' specific needs and behaviours. Services are being provided more flexibly to meet citizens' needs, while public policies and messages are being adapted to respond to user behaviours. In the United Kingdom for example, insights from behavioural science are being applied to communications with citizens to increase the collection of tax debts, resulting in increased revenues. This approach uses evidence on how people respond to different messages and incentives to trial and design more effective government messages.

Countries have adopted various approaches at the national level to foster public sector innovation. They range from developing whole-of-government innovation strategies that address the role of the public sector as innovator (e.g. Finland) to creating structures to support individual organisations in their innovation processes (e.g. Denmark). Dedicated strategies and action plans for innovation in public services have been developed, such as Australia's Centrelink Concept Lab, which enables the testing and evaluation of potential service delivery improvements in actual workplace conditions. Innovation strategies can also be adopted in individual public sector organisations.

What are the policy challenges facing public sector innovation?

Public sector entities are clearly innovating; across different services, sectors and levels of government. Yet knowledge and analysis remains limited and fragmented. Harnessing creativity in the public sector requires developing knowledge of what creates successful innovations where the mechanics of change and its enabling factors are understood, alongside an understanding of the particular challenges faced by the public sector, and the needs and preferences of its users.

The OPSI intends to advance the OECD's understanding of these issues with a view to growing the evidence-base on policy approaches that promote successful innovation in the public sector. Discussions held among the OECD and its member countries highlight the following problems in developing public sector innovation systems:

- **Measurement and analysis.** An appropriate framework and tools for measurement of public sector innovation are needed. Although internationally agreed concepts and metrics for measuring innovation exist for the private sector, there is not as yet a similar framework for the public sector. Measurement efforts should focus not only on monitoring efficiency and costs, but also on providing a broad set of indicators that can shed light on innovation processes in public sector organisations and show how these can help governments meet their goals. Work is currently ongoing on developing a measurement framework for innovation building on OECD long-standing expertise on business and public sector measurement.
- **Structural Barriers.** Public sector organisations face a number of inherent barriers with regard to innovation, due in part to the specific contexts in which they operate. These can include complex, rigid organisational structures which limit the flow of information and reduce openness; regulation and formal processes that constrain creativity; and limited investment for innovation. A key challenge is to understand how organisational structures, processes, and competences should be adapted to design, monitor, implement public sector innovations, and make them work efficiently.
- **Cultural Barriers.** The disruptive nature of innovation can sometimes appear to be at odds with the fundamental role of government institutions of reducing uncertainty and ensuring stability (Bason, 2010). The political context of public sector organisations, their highly visible activities and potentially high consequences of failure can reinforce a culture of risk aversion. Another key challenge is to develop risk management approaches, such as prototyping and piloting, and incentive structures that enable and reward public sectors to innovate efficiently while continuing to prioritise safety and the stewardship of public resources.

References

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[1] <https://www.oecd.org/governance/observatory-public-sector-innovation/>