Why should the public sector 'CARE' about workforce productivity?

Workforce productivity, the new imperative for the public sector

Rapid population growth, urbanisation and the rising expectations of citizens have led the public sector to try to achieve more with fewer resources – something that has been particularly challenging due to rising costs. COVID-19 has only exacerbated the situation. Therefore, it is not surprising that since the outbreak of the pandemic, 'productivity' has become a buzzword for public sector organisations and private sector businesses alike. As employees are grappling with alternative ways of working, executives are faced with the challenge of understanding how productive their employees are in this new normal.

The need to transform the way public services are delivered has never been more imperative than now when COVID-19 has accelerated digitisation and the adoption of technology in the Middle East. There is an opportunity for the public sector to capitalise on workforce productivity to help minimise underperformance, process inefficiencies and to make more informed decisions.

Although workforce productivity is an established measure, its application within the public sector can be rather complex. PwC has designed a workforce productivity solution titled 'CARE' which is based on internationally recognised workforce productivity methodologies and best practices. The measurement solution under the framework distinguishes itself from common approaches with its hybrid, holistic and scalable features that enable governments to measure their workforce productivity adaptively and comprehensively at each level of governance. The ready-to-deploy, customisable 'CARE' framework guides governments on successfully completing the workforce productivity management process.

01

Productivity is essentially the ratio of the outputs to the inputs in any production process. Workforce productivity, also known as labour productivity, is a specific type of productivity which looks at only a single type of input – labour.

Workforce productivity

$$\frac{\text{Output}}{\text{Labour input}}$$
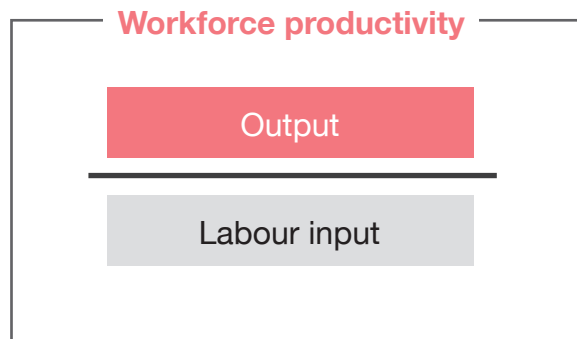
Although conceptually as simple as a ratio, the measure accounts for quantity and quality of service output and labour input. Whereas quantity is relatively easy to measure, the quality is measured using various indicators, such as service outcomes, customer satisfaction, employee performance and so on. Given workforce productivity looks at the efficiency of the team it is also different from employee performance indicators which are often focused on individual efficiency and effectiveness.

02

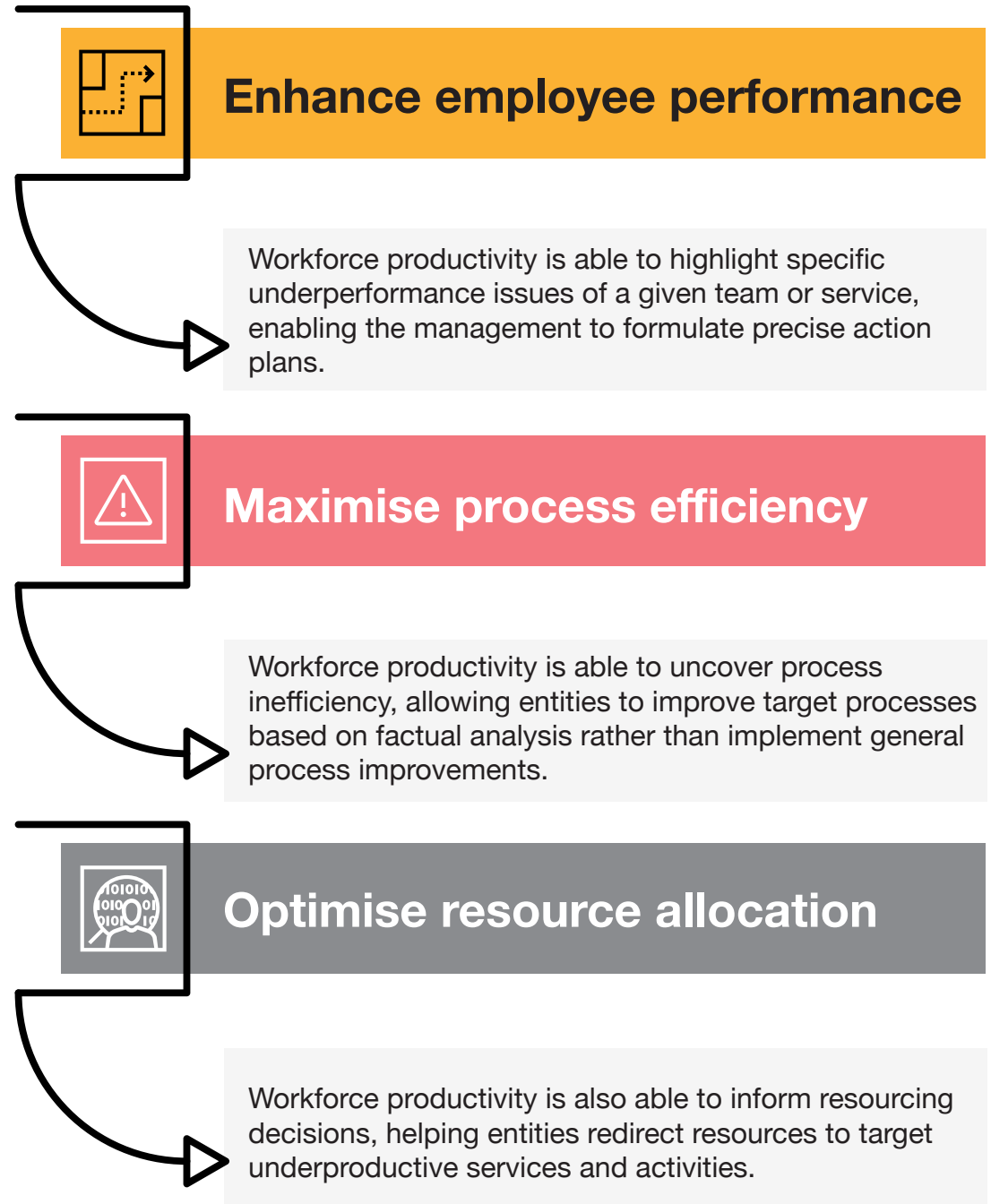## Why does workforce productivity matter?

At the national level, workforce productivity is a critical macroeconomic indicator

National-level workforce productivity correlates with crucial economic indicators, such as the standard of living and the growth of GDP. Therefore, higher workforce productivity suggests a better standard of living and increased economic growth. The measure also helps governments understand the value public services add to the economy, so they can optimise the allocation of government resources. As a result, workforce productivity plays an important part in government rankings of efficiency, competitiveness and quality of life that help attract global talent and investment.

At the entity-level, measuring workforce productivity drives efficiency, digital transformation and upskilling

Workforce productivity as a measure helps government entities uncover and target service and process inefficiency.

Enhance employee performance

Workforce productivity is able to highlight specific underperformance issues of a given team or service, enabling the management to formulate precise action plans.

Maximise process efficiency

Workforce productivity is able to uncover process inefficiency, allowing entities to improve target processes based on factual analysis rather than implement general process improvements.

Optimise resource allocation

Workforce productivity is also able to inform resourcing decisions, helping entities redirect resources to target underproductive services and activities.

# Key enablers of workforce productivity

Technology

Technology that has been utilised for automating and digitising services not only expedites service delivery, allowing entities to increase service output, but also reduces costs and enhances employee satisfaction and engagement.

People

A competent workforce that is continuously upskilled and aligned with changing work requirements leads to increased workforce productivity. Moreover, investment in upskilling can deliver a more loyal, motivated workforce that aspires to achieve objectives, overcome challenges and take initiative.
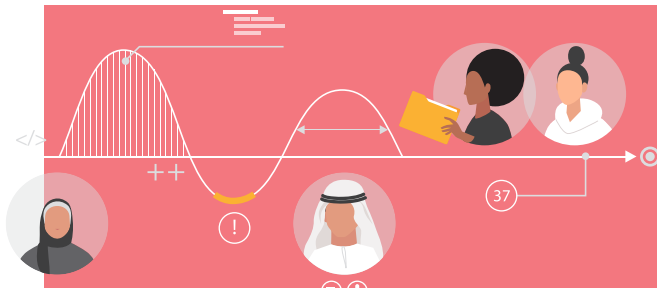
Process

Streamlined business processes with clearly identified interdependencies and opportunities for synergy lead to enhanced process efficiency, which further translates into increased workforce productivity.

Culture

A collaborative culture that encourages the sharing of resources, data and knowledge contributes to optimised resource utilisation, which drives better workforce productivity across the whole of government.

Workforce productivity is more important than ever

Long before the COVID-19 pandemic, rapid population growth and urbanisation had started to put the public sector under pressure to deliver more with less. Expectations of citizens were rising, governments around the world were under pressure to deliver more and better quality services amidst challenges, such as increasing payroll costs, and then the COVID-19 pandemic hit.

The recent crisis has brought many changes to the way public sector organisations operate. Remote working, which was initially a contingent response to the pandemic, is here to stay. Government entities in the region have either adopted or are in the process of adopting new ways of working. Technologies that digitise and automate the workplace and enable communication and collaboration among colleagues and customers are now a crucial part of the new normal. However, the transition into alternative ways of working, coupled with the expedited adoption of new technologies, has had its challenges. Government entities are faced with the difficult task of tracking their employees' performance to ensure optimal utilisation of their human capital. Many government entities around the world and in the region have also had to take cost-cutting measures, such as budget cuts, hiring freezes and pay cuts.

The pandemic has also changed the demand for many services and the way they are delivered – in some cases permanently. Many services, such as public transportation, were disrupted due to lockdowns while others were no longer feasible due to constraints on supply and funding. For example, planned government infrastructure projects were put on hold due to a shift in public financing priorities and ongoing projects were delayed or halted due to supply chain disruptions. All these factors ultimately affected productivity.

Workforce productivity is a powerful tool that can help governments manage the impact of COVID-19 in the new normal

Workforce productivity as a measure can help the public sector understand the impact of the COVID-19 pandemic on both the employees and service delivery. Increased adoption of technology and digitisation has led to a blurring of lines between work and personal life. Managing and measuring workforce productivity can help organisations increase efficiency while ensuring work-life balance is not negatively affected. Productivity measurement drives continuous improvement with minimum disruptions to service and shifts the focus from inputs and outputs to intended outcomes. In a nutshell, the measurement and management of workforce productivity will be a key tool that will help governments achieve their vision more efficiently.

03

How is workforce
productivity measured?

Today, workforce productivity of the private sector is a regular economic indicator measured by international organisations and governments around the world and in the region. It is often expressed as the ratio of the Gross Value Added (GVA) – the net income of goods and services - or the Gross Domestic Output (GDP) to the number of workers or hours worked.

However, the measurement of workforce productivity for the public sector is not as straightforward for multiple reasons. Public sector services are often either subsidised or freely provided which underestimates their true economic welfare as valued by the consumers; and their attributes of non-excludability and non-rivalry make it difficult to measure the units of outputs. The UK's Office for National Statistics (ONS) was the pioneer in adopting a quality-adjusted measurement of the quantity of outputs for the public sector. Currently, this is regarded as the most advanced approach used for public sector productivity measurements by statistics bureaus in Organisation for Economic Co-operation and Development (OECD) countries and around the world, many of which have started to employ this method. Building on the internationally recognised measurement method and best practices around public sector productivity management, PwC Middle East has recently designed a workforce productivity solution that can enable governments to understand and track the productivity of their workforce. The solution has distinctive features that set it apart from common approaches, namely that it's hybrid, holistic and scalable.

Hybrid

The solution helps diagnose the granularity of current data and service types and proposes the most suitable measurement method for each service accordingly. This hybrid approach provides flexibility and adaptability for the government to roll out the framework quickly and enhance the data quality continuously.

Holistic

The solution takes into account the workforce of centralised support services (e.g. human resources, finance and procurement) that indirectly participate in the delivery of customer-facing core services, ensuring the measurement framework is as holistic as possible.

Scalable

The solution measures workforce productivity at the service-level and then aggregates it up to the entity level. It can also be adapted to aggregate at the national or sub-national level, informing resourcing strategy and policy making across all scales of governance within the public sector.

Workforce productivity pyramid

1 National-level workforce productivity

2 Regional-level workforce productivity

3 Entity-level workforce productivity
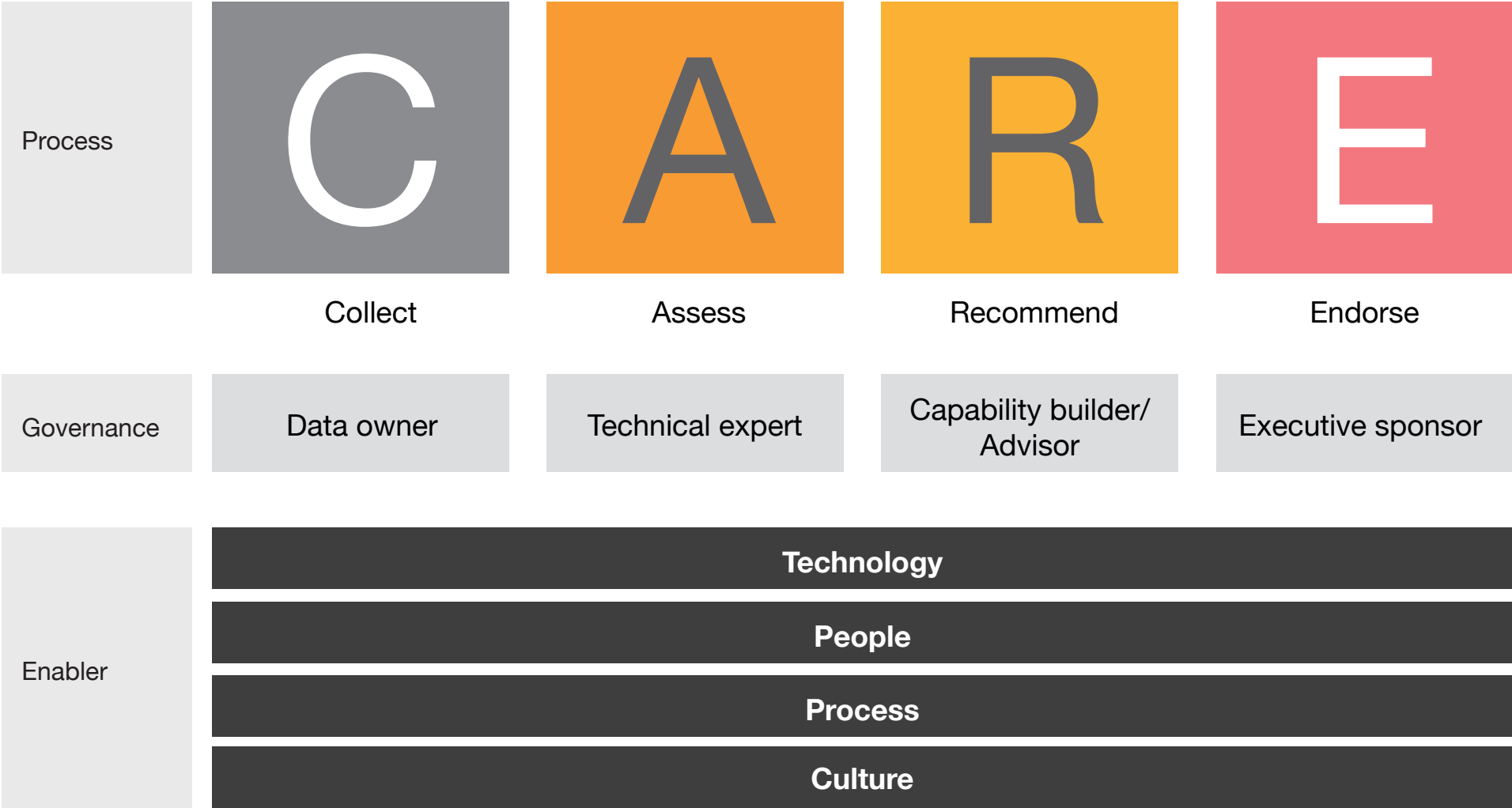
4 Service-level workforce productivity

04

PwC's 'CARE' framework

Key considerations for the Public Sector

PwC's 'CARE' framework is based on best practices but localised to suit the region. It covers both measurement and governance aspects of workforce productivity management and outlines four critical actions – collect, assess, recommend and endorse – with corresponding roles and responsibilities of the relevant stakeholders. The framework also offers measurement solutions that ensure accurate and standardised application across public sector entities, allowing for data analytics and visualisation dashboards.

Process	C	A	R	E
	Collect	Assess	Recommend	Endorse
Governance	Data owner	Technical expert	Capability builder/ Advisor	Executive sponsor

Enabler	Technology
	People
	Process
	Culture

C A R E

Collect, clean and validate the data required for measuring productivity. This includes identifying priority services and data requirements to enable robust data collection efforts.

Recommend initiatives and policies for enhancing workforce productivity based on an evidence-based assessment, while continuously developing the workforce productivity framework and the capabilities of stakeholders.

Outcomes

Ensure continuous improvement and sustainability of workforce productivity across the government

Deliver more and better quality services with fewer resources

Measure and track workforce productivity consistently to maximise sustainable outcomes

Optimise delivery and allocation of government resources to enhance efficiency and competitiveness

Assess the quality and integrity of the collected data, adopt the relevant methodology for the measurement and assessment of workforce productivity and undertake the measurement. This includes examining current technical capabilities and tools that can be leveraged for workforce productivity measurement purposes.

Endorse and enable the workforce productivity agenda at the top level of government, while overseeing the whole ecosystem through a robust workforce productivity solution supported by digital dashboards.

Technology, people, process and culture are all critical enablers of workforce productivity management

Technology:
Utilising **technology** to automate the collection and measurement of service-level data will simplify and streamline the workforce productivity management process. Digital tools, such as automated dashboards, can assist in monitoring the results of workforce productivity, enabling the advisor and the executive sponsor to derive policy recommendations and oversee the process in a timely manner.

People:
Building the **capabilities** of public sector employees will not only ensure they are able to fulfill their roles in the workforce productivity framework but also enhance their awareness of workforce productivity as a concept, leading to a higher level of employee engagement.

Process:
Enhancing **processes** will not only drive workforce productivity but also set the foundation for a streamlined measurement process, enabling quantifiable improvements based on workforce productivity results.

Culture:
Setting a dedicated task force within each respective entity will integrate the workforce productivity agenda as a priority across the whole of government, fostering a **culture** of productivity and recognition in the public sector.

05

What's next?

We have a global network of experts in workforce productivity measurement and provide client-tailored services specialising in Economics, Human Capital Management and Government and Public Services.
If you would like to find out more about how we can help, visit us at www.pwc.com/me or get in touch.

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