

## Innovation in the public sector

### What is public sector innovation?

Comprising the general government sector and all public corporations including the central banks, the public sector can be further broken down into central government, state government, local government, social security funds, and so on. The role of the public sector is to provide quality public services and respond to citizens' and businesses' needs while developing and maintaining trust in government. Its duties include administration, ensuring public order and safety, education, health and social care, and a variety of other functions for citizens and organisations.

Drawing on definitions adopted for the business sector (OECD/Eurostat 2005) and their adaptation in the Measuring Public Innovation (MEPIN) project, public-sector innovation can be defined as the implementation by a public-sector organisation of new or significantly improved products, services or ways of doing things, either within the structure of the public sector itself or in the way in which public services are provided.

There are important differences as well as similarities between public sector and private sector innovation.

Windrum (2008) proposes the following typology of innovations in the public sector:

- **Service innovations:** the introduction of a new service product or an improvement in the quality of an existing service product.
- **Service delivery innovations:** new or altered ways of delivering to clients, or otherwise interacting with them, for the purpose of supplying specific public services.
- **Administrative and organizational innovations:** changes in the organizational structures and routines by which front office staff produce services in a particular way and/or back office staff support front office services.
- **Conceptual innovations:** the development of new world views that challenge assumptions that underpin existing service products, processes and organizational forms.
- **Policy innovations:** changes to the thought or behavioural intentions associated with a policy belief system.
- **Systemic innovation:** new or improved ways of interacting with other organizations or knowledge bases.

### 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 users' diverse demands. At the same time the public sector across OECD countries is operating under tight fiscal constraint, making it necessary to deliver better outcomes at lower costs. Public sector innovation promises to support governments in this context,

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by enabling better outcomes and enhanced user satisfaction at lower or no additional costs.

OECD countries pursue 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.

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.

Innovative approaches in service delivery include the following:

- **Digital technologies (web 2.0).** Information and communication technologies (ICTs) enable governments to meet new demand for online services, to tailor services to individual needs through service personalisation, and to reduce transaction costs. Governments use ICTs to transform service delivery and engage users in planning or delivering services through the use of web 2.0 tools. For example, the U.S. Federal Emergency Management Agency uses the social networking application Twitter to share information with citizens during crises. Mexico has explicitly named ICTs as a key component of their strategy to modernise public service delivery.
- **Partnerships with citizens and civil society.** The engagement of individual citizens and civil society organisations as partners in the delivery of public services (also known as coproduction) can lead to higher user satisfaction and possible reduced costs. Partnerships that offer greater user control and ownership can transform the relationship between users and service professionals. Such practices are still mainly at the developmental stage, but pilot programmes in the United States and the United Kingdom have shown promising results in terms of increased satisfaction and value for money, for example, in health and social protection (OECD, 2011). The UK Expert Patient, the U.S. Diabetes Self-Management Program and the Canadian Chronic Pain Self-Management Program are examples of coproduction practices in which peers help other patients.
- **Partnerships with the private sector.** Commissioning or partnering with the private sector can reduce the costs of service provision to government and provide innovative approaches. Public-private partnerships (PPPs) are increasingly used for services traditionally obtained through public procurement. They can offer innovative ways to manage risks and improve efficiency in designing and procuring public services. Australia, France, Germany, Korea and the United Kingdom increasingly rely on PPPs to provide capital for construction, maintenance and provision of infrastructure projects (e.g. in hospitals).
- **Solutions to improve access condition.** Some approaches to innovation in service delivery focus on bringing the service closer to the user by improving access conditions. Examples include changes to the physical location of services, such as multi-service centres that provide one-stop shops for users and integration of different channels of service provision to provide greater choice and personalisation. For example, the mission of Shared Service Canada is to consolidate IT infrastructure, including email, data centres and networks, across 43 departments and agencies. The choice of the solution depends on external as well as internal factors such as the country's system for service delivery (rules and regulations, financial frameworks, organisational settings) and the extent of involvement of external actors in the delivery process. Different approaches have also been combined (e.g. the use of ICT in coproduction approaches with service users).

## What are the policy challenges facing public sector innovation?

While governments have started to embrace public sector innovation agendas, knowledge and analysis remains limited and fragmented. Developing knowledge of what creates successful innovations depends on a systematic approach 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 problems these systems face are as follows.

- **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. The OECD (2011) *Government at a Glance* provides a wide range of cross-country indicators describing various government activities providing information on public sector innovation (e.g. citizens' and business' use of the Internet for interacting with public authorities, use of e-procurement, e-government, and partnerships with citizens on public service delivery).
- **Government barriers.** Furthermore, public sector organisations face inherent barriers with regard to innovation. The disruptive nature of innovation appears to be at odds with the fundamental role of government institutions of reducing uncertainty and introducing stable routines (Bason, 2010).
- **Organizational adaptation.** A key challenge is also to adapt organizational structures, processes, and competences to design, monitor, implement public-sector innovations, and make them work efficiently.

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