Governments are important actors in the innovation process. Not only can they foster innovative activities by firms, they can also develop their own innovations in order to develop more efficient processes and enhance the quality and availability of public services. Even though 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.

Why do we need indicators ?

Innovation is now perceived as encompassing the generation, adoption and diffusion of new ideas. A wide range of indicators have been progressively developed to measure the innovation activities of firms (based on the *Oslo Manual*) but little is known about public-sector innovation dynamics. Many studies have shown (sometimes contrary to public perceptions) that the public sector not only fosters innovation activities in firms but can also be a source of innovation.

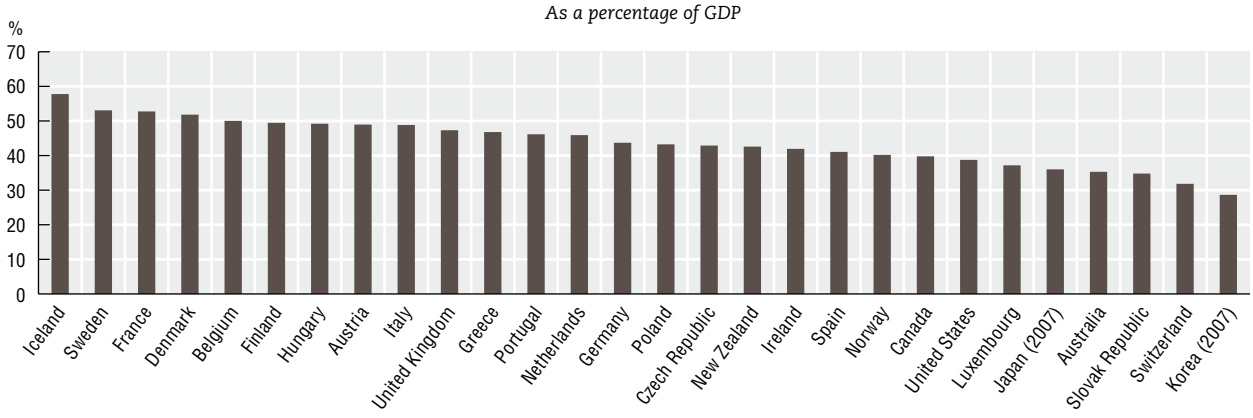
The public sector is an important economic actor, accounting for between one-third and over one-half of GDP in most OECD countries. Innovation is a key tool for achieving its multiple goals (increasing welfare, improving the quality of life of its citizens, ensuring a stable, fair and predictable environment for economic activities) and for addressing global challenges (*e.g.* health, poverty, climate change, food security).

Recent drivers behind innovation in the public sector include rising costs in today's constrained budgetary environment, demand for services due to demographic changes, ongoing pressures to contain costs and improve efficiency, growing demand for accountability, and the need to improve the quality and availability of public services (including education and health).

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.

Total expenditure of general government, 2008

As a percentage of GDP



Source: OECD, National Accounts Database, April 2010.

StatLink http://dx.doi.org/10.1787/836075508855

What are the challenges?

Despite the existence of a framework to measure innovation in firms and years of experience in collecting such data (in Europe through the Community Innovation Survey – CIS), challenges relating to the measurement of public-sector innovation are multiple and non-trivial.

The first is the scope of what is measured: What should be the target population (general government, public sector, public enterprises)? Which types of activities/domains should be included? What are the appropriate statistical units?

Second is how to measure public-sector innovation, and, more specifically, the extent to which the *Oslo Manual* framework, including its definitions and concepts (types, activities, linkages, drivers, objectives, outcomes/impacts, barriers), can be used or adapted. Are the basic concepts and tools relevant to the characteristics of the public sector, in particular its multiple objectives, its complexity and heterogeneity, and its organisational and incentive structures? Can surveys be harmonised across countries given the large differences in the way that public-sector activities are organised across government levels in each country and in the scope of public services?

What types of indicators are needed? A set of "core" measures across all government activities? A more focused (sectoral) approach? Or both?

Before developing large-scale surveys, it is necessary to consider who would be the appropriate respondents for different types of surveys. What should the periodicity be? To what extent can information (*e.g.* expenditure data) be extracted from existing administrative sources?

Ongoing efforts by many national statistical offices to better measure output and productivity in the public sector will also affect the work on public-sector innovation.

Options for international action

Despite the lack of an overall framework, work in this area can build on existing tools for measuring firm innovation and on studies that measure the quality of public services. Various projects are under way both at the OECD and elsewhere to develop a conceptual framework and metrics for public-sector innovation.

The OECD's Working Party of National Experts on Science and Technology Indicators (NESTI) launched a task force in 2009 to examine whether measurement guidelines could be developed. The task force will be preparing a scoping paper in 2010 with measurement priorities and proposals for building a framework.

In addition to publishing a large set of indicators on public sector activities (OECD [2009d], *Government at a Glance 2009*), the OECD's Public Governance and Territorial Development Directorate is undertaking various projects relating to measuring innovation in the public sector including:

- collecting data on the use of co-production in service delivery;
- developing new indicators on the quality of public services ;
- measuring the adoption of new public management practices; and
- expanding data collection on the characteristics of the public-sector workforce.

The OECD Centre for Educational Research and Innovation (CERI) has launched work on measuring innovation in education. Among the options being considered are an adaptation of the *Oslo Manual* concepts to education and the use of various types of tools to measure changes in administrative and pedagogical practices (*e.g.* new CIS-type surveys, employer/employee surveys, extension of existing educational surveys).

Five Nordic countries have launched an initiative to develop a framework for measuring public-sector innovation which includes the testing of a pilot survey during 2010.

OECD efforts will build on this work and on initiatives such as various studies in the United Kingdom (NHS/Department of Health, National Audit Office, NESTA, Audit Commission) and earlier work in Korea (Government Innovation Index).