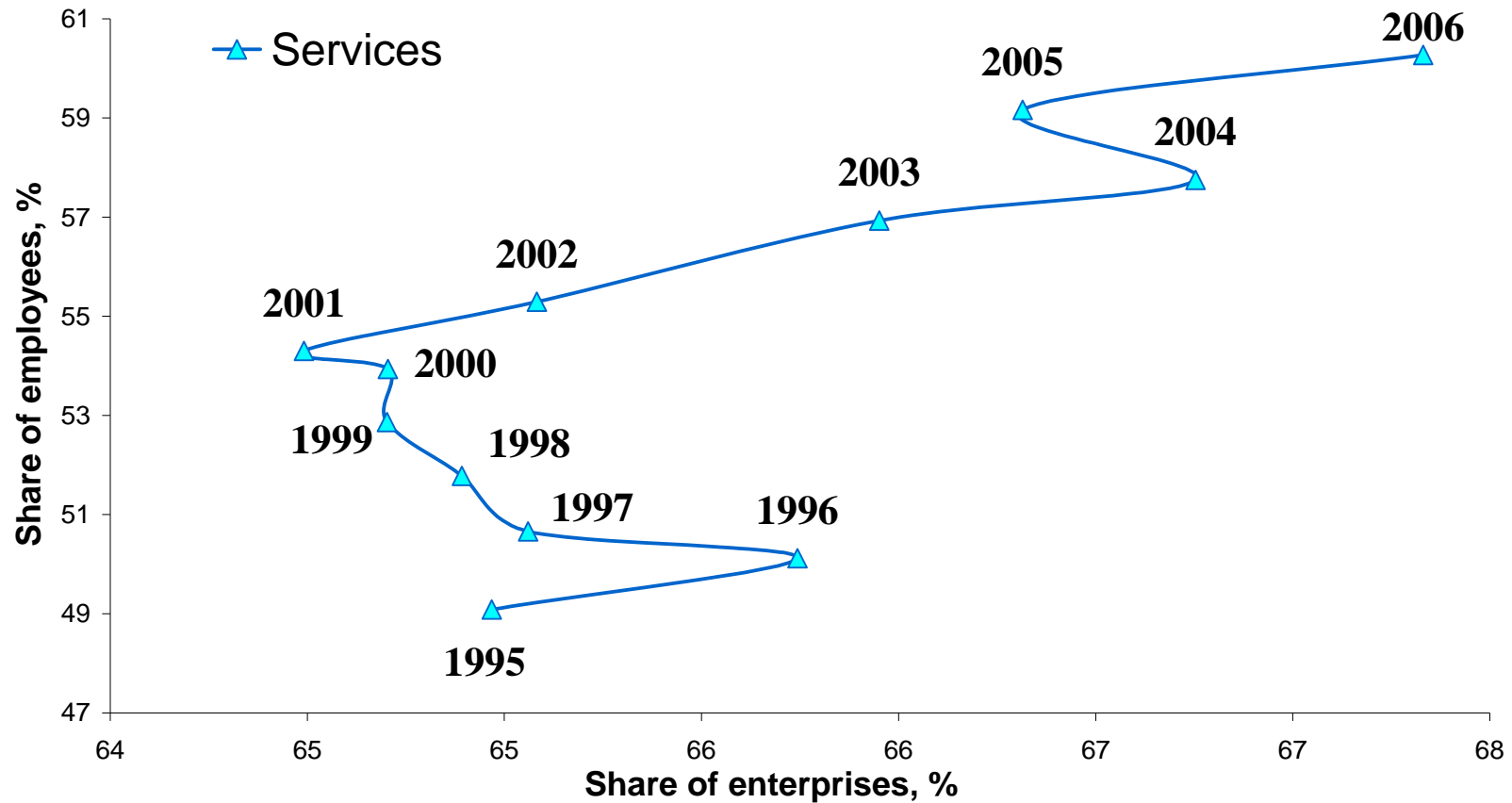


Public sector service innovation in Portugal: Recent developments and challenges

Elsa de Morais Sarmento



Figure 1 - Share of enterprises and employees in employer enterprises in the service sector,



Source: Own calculations based on Quadros de Pessoal, GEP, Ministério do Trabalho e da Solidariedade Social.

Note: Employer Enterprises are enterprises which have at least one paid worker. Birth rates are calculated as the ratio of the number of employer enterprise births over the population of employer enterprises during the reference period.



Table 1 - Distribution of enterprise births, by broad sectors (share, %)

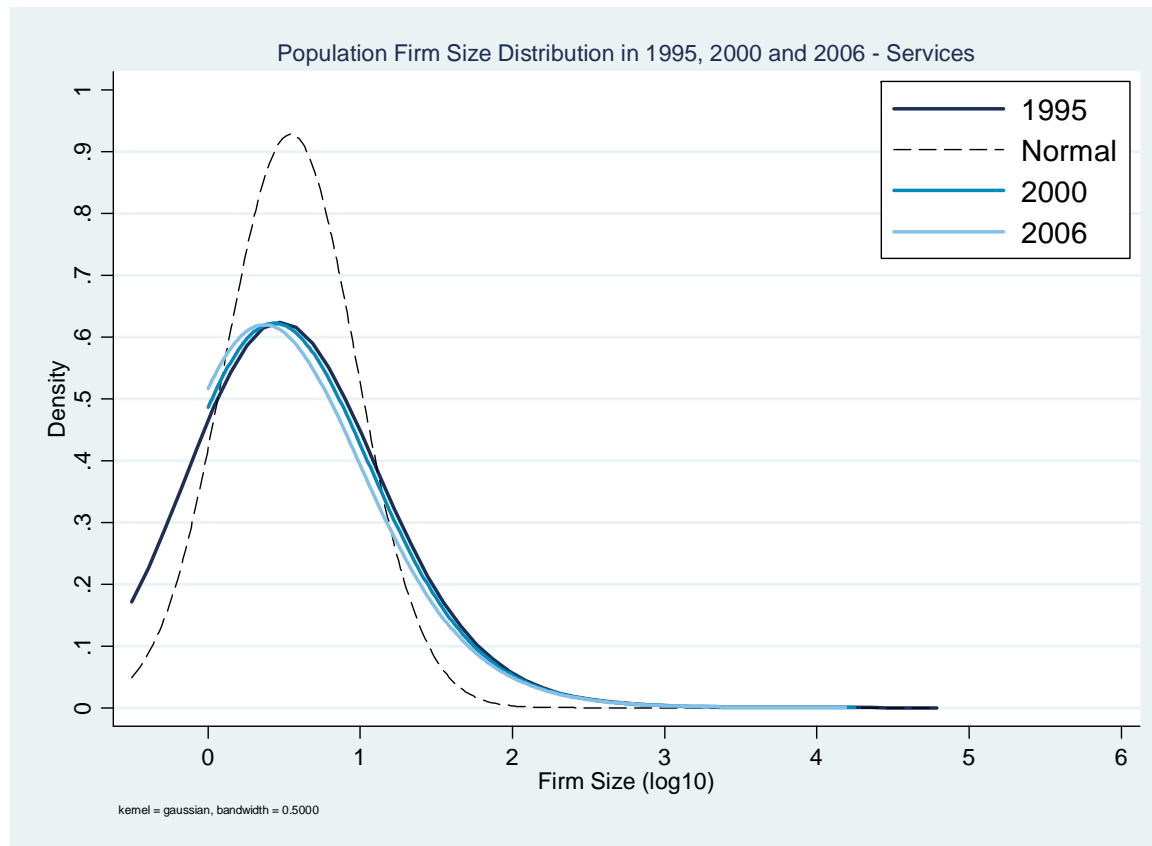
	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Agriculture	4,5	4,6	5,2	4,1	3,8	3,5	3,5	3,7	3,9	4,3	14,9	5,8
Manufacturing	15,5	14,6	15,0	14,3	14,1	12,2	14,2	11,6	10,4	9,8	8,7	9,2
Services	68,9	68,9	66,1	65,9	64,7	65,4	59,5	65,2	71,4	72,4	64,5	71,6
Construction	11,1	11,9	13,7	15,7	17,4	19,0	22,8	19,4	14,2	13,5	11,9	13,3

Source: Own calculations based on Quadros de Pessoal, GEP, Ministério do Trabalho e da Solidariedade Social.

Note: I have applied the methodology of the “Manual on Business Demography Statistics” to the *Quadros de Pessoal* dataset, which is the main data source in Portugal, for the universe of employer enterprises. This is composed of all active enterprises with at least one paid employee during the period 1985 to 2007, which constitutes the so-called employer enterprise population. Following the application of the Eurostat/OECD (2007) methodology, this database, obtained from the *Quadros de Pessoal*, consists of an annual average of 215.903 active employer enterprises over the period 1985-2007, with an annual average of 36.803 births and 23.743 deaths.



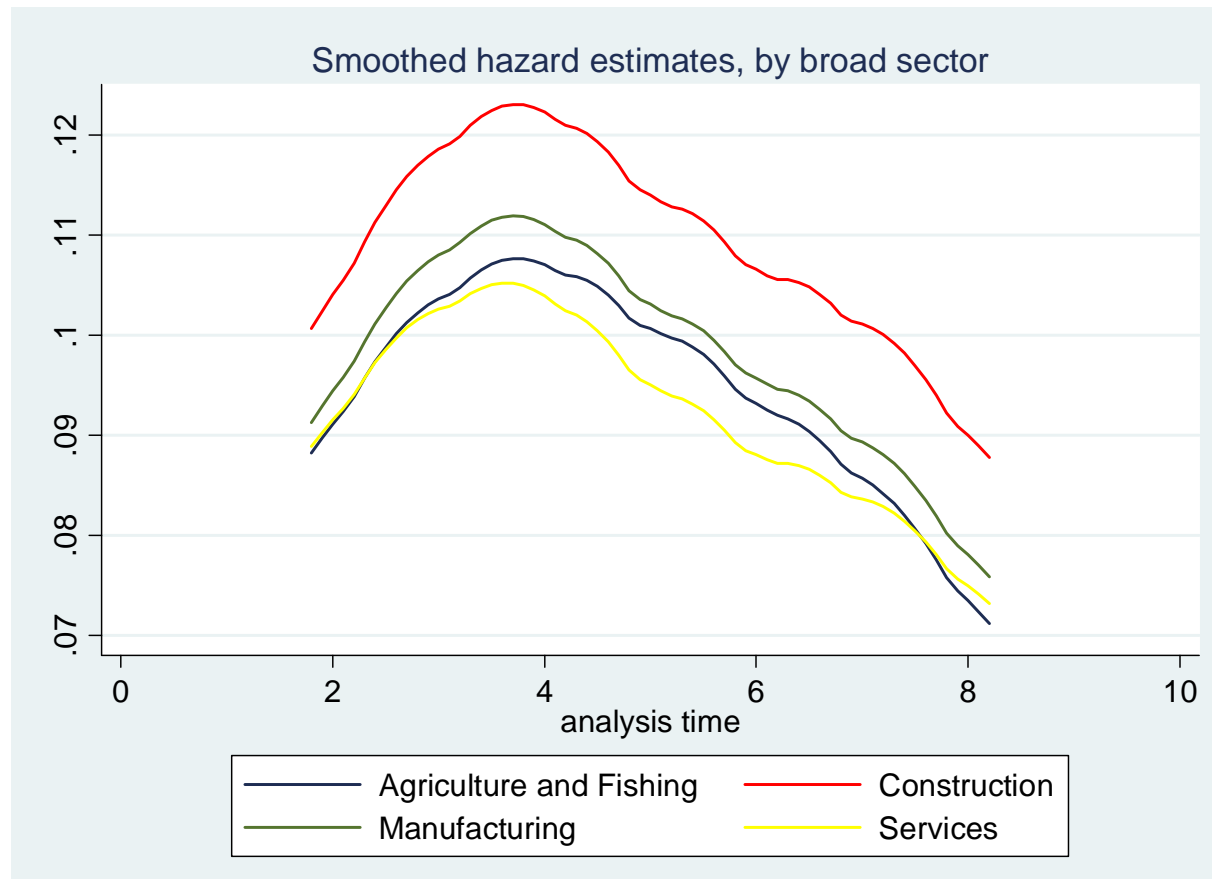
Figure 2 - Firm size distribution in 1995, 2000 and 2006 for the service sector



Source: Own calculations based on Quadros de Pessoal, GEP, Ministério do Trabalho e da Solidariedade Social.



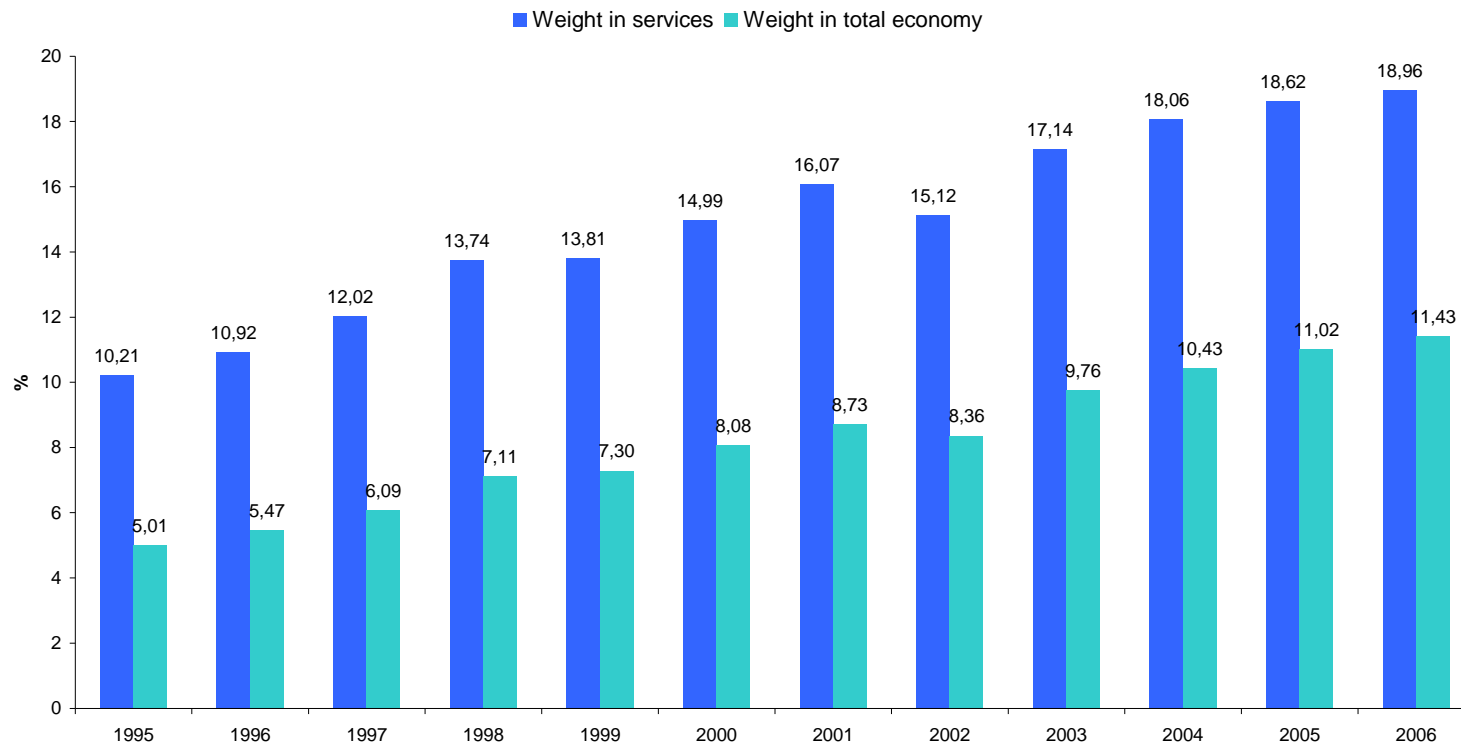
Figure 3 – Smoothed hazard estimate by broad sectors (%)



Source: Own calculations based on Quadros de Pessoal, GEP, Ministério do Trabalho e da Solidariedade Social.



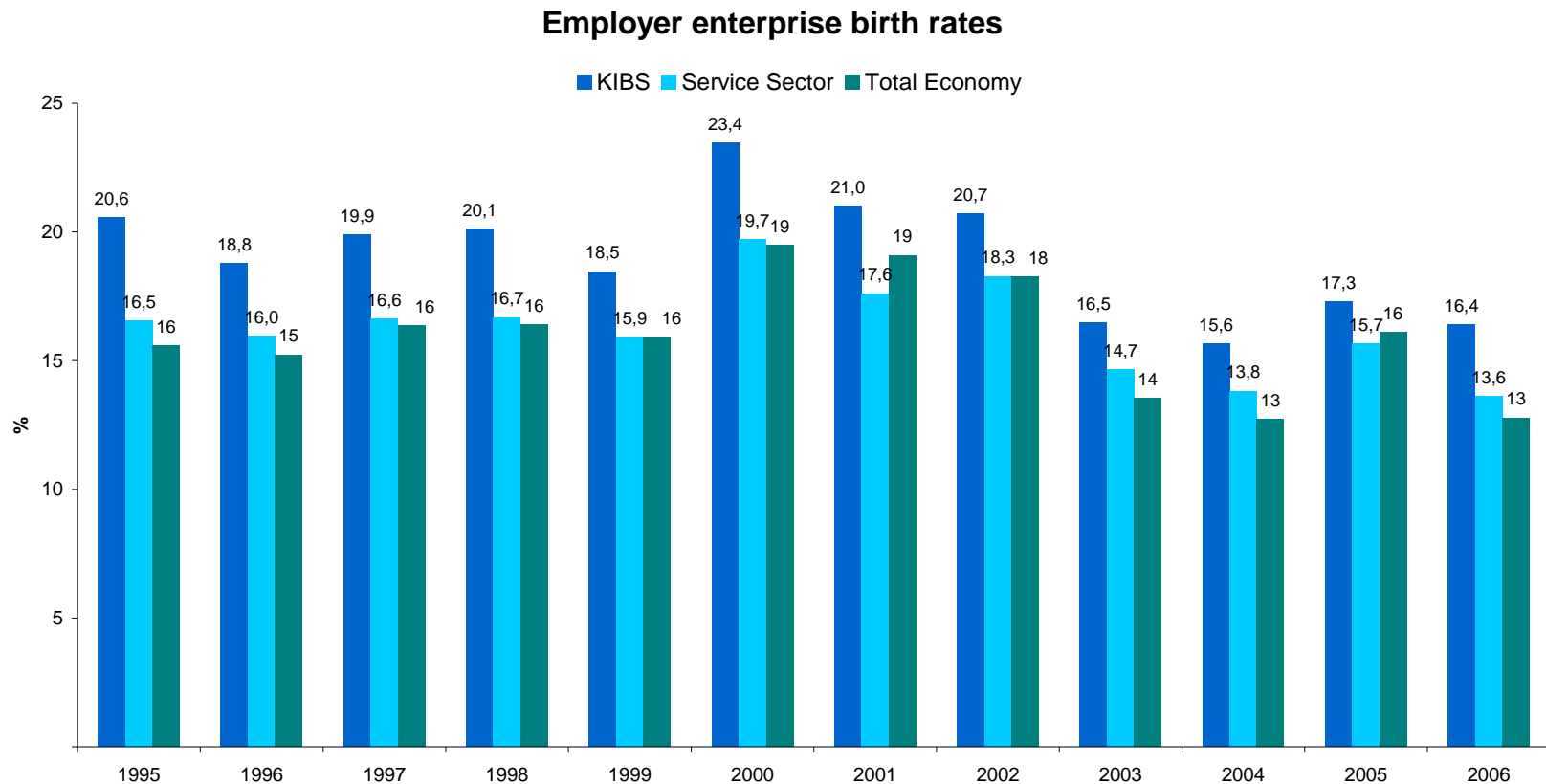
Figure 4 – Employees in active enterprises (KIBS)



Source: Own calculations based on Quadros de Pessoal, GEP, Ministério do Trabalho e da Solidariedade Social.
Note: KIBS are defined as NACE 72 to 74.



Figure 5 – Employer enterprise birth rates of KIBS, of the service sector and of the total economy

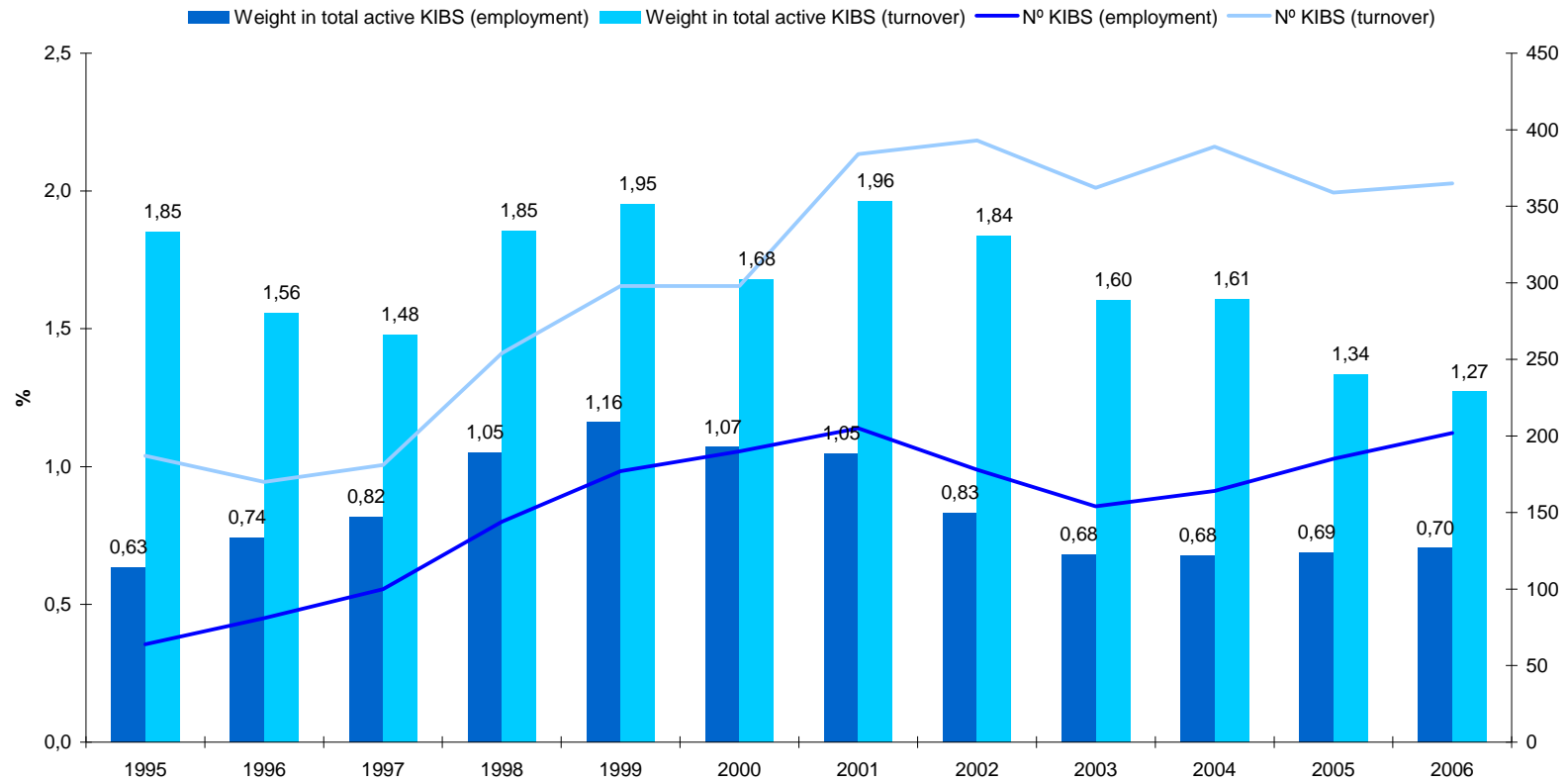


Source: Own calculations based on Quadros de Pessoal, GEP, Ministério do Trabalho e da Solidariedade Social.

Note: KIBS are defined as NACE 72 to 74.



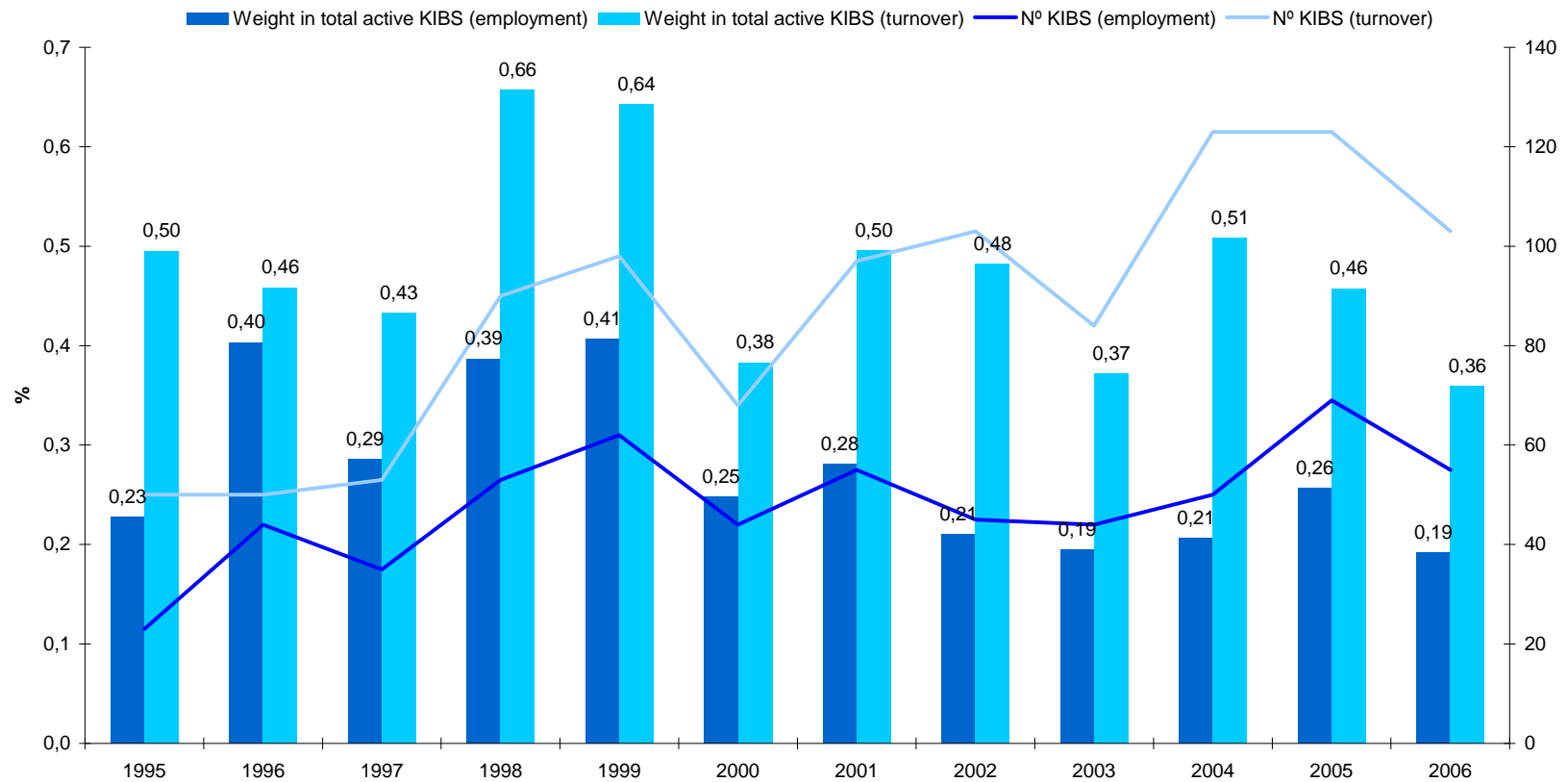
Figure 6 – High Growth (KIBS) weight in total KIBS (nº active enterprises)



Source: Own calculations based on Quadros de Pessoal, GEP, Ministério do Trabalho e da Solidariedade Social.
Note: KIBS are defined as NACE 72 to 74.



Figure 7 – Gazelles (KIBS) weight in total KIBS (nº active enterprises)



Source: Own calculations based on Quadros de Pessoal, GEP, Ministério do Trabalho e da Solidariedade Social.
Note: KIBS are defined as NACE 72 to 74.



Innovations in public service delivery need citizen involvement and public engagement.

This interaction often provides the source of information and the driver that lead to process innovations in the public sector.

Portugal has implemented during the last few years, innovation initiatives in various domains.

Within the domain of organisational innovations:

- Creation of a broad institution to coordinate innovation and technology diffusion at a supra-ministerial level, called Plano Tecnológico (part of the coordination problems between different agencies were immediately solved).
- Creation of interfaces to better deal with citizens and businesses: *Portal do Cidadão*, *Portal das Empresas* (online internet gateways for citizens and firms providing all kinds of services).
- In administrative deregulation by cutting red tape (Simplex - Program of Simplification and improvement of the service rendered to citizens and companies, now extended to municipalities Simplex Autárquico, and SMEs Macro-SimpleX, *Empresa na Hora* (*Sucursal na Hora* and *Associação na Hora*), digital taxation interface by the internet; *Cartão do cidadão*; *Loja do cidadão (de segunda geração)*, Industrial and permit Licensin, *Sistema de Apoios à Modernização Administrativa*, etc).



- Best management practises and quality of public services (SIADAP)
- Productivity of public services
 - Networking between central and local services
 - On-time delivery of public services (promoting a culture)
- Human Resources (FORGEP, CAGEP at the National Institute of Public Administration)
- Technology adoption and of digital inclusion promotion (Broadband network (Redes de nova geração); Magalhães; Rede Interministerial TIC)
- Reduction of context costs in industrial property registration and in registry in general (Balcão único de registos).
- Specific innovations targeted at SMEs (“Benchmarking e boas práticas para a inovação”; SME Week 2010).
- Tourism



1. Strengthen the effective capacity of Government and public administration to monitor and evaluate innovation and innovation policies in the service sector
2. Strengthen the right “abilities” for innovation
3. Focus on the relevant intervention areas
4. Invest in a knowledge support infrastructure
5. Consider creating internal task forces to address specific national challenges
6. Watch out for policy coherence