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IPAA Victoria Fellows' Oration, 21 November 2017
'Back in the Game'

"When the facts change, I change my mind," John
Maynard Keynes

Could I acknowledge the traditional owners of the land on which we stand and their elders past, present and future.

Good evening Colleagues, Ladies and Gentlemen, I'm delighted to be at tonight's Annual Dinner, and honoured to have been asked to deliver the Fellows' Oration by IPAA Victoria.

It's been another perplexing year in Australian politics. One might say, as Sir Humphrey said to Bernard, much activity is a substitute for achievement.

One ray of sunshine was last week's resounding 'yes' result in the marriage equality survey. Such a clear outcome – majorities in every state and 89% of electorates – make the passage of legislation before Christmas inevitable. And that's a great thing.

Now it just so happens that the think tank I chair – the Centre for Policy Development, which is celebrating its 10th anniversary – has been finalising its own attitudes research.

We've been probing what Australians want from their democracy, and from their governments. CPD focuses on the policy challenges that matter for Australia over the long run. Right now, there is perhaps no greater challenge than boosting the health of Australia's democracy and, with it, public administration.

Tonight, I'd like to preview the results of this attitudes research, and some of the ideas that might emerge when CPD's full discussion paper is released next month. I do so because one of the lessons of the marriage equality survey is that Canberra has been listening to but not necessarily *hearing* what Australians want.

What's clear from CPD's research is that Australians think reinvigorating our democracy is a pressing and overdue task. And it's not just about reforms to the system and its processes. It means ensuring the best contemporary policy ideas rise to the top.

Many of you here tonight will recall the *Ahead of the Game* consultations I led 7 years ago. If there is a motto for my speech tonight, it's that government and the public service must get *back in the game* – both in terms of policy and in terms of service delivery. Let me explain why.

No quick fix

There is no shortage of diagnoses from opinion makers telling us what the problem with Australian democracy is: mediocre politicians, powerful vested interests, inadequate public service advisers, partisanship, disengaged voters, the list is long. There is also no shortage of solutions put forward: a federal corruption commission; fixed parliamentary terms; the use of citizen juries; tighter regulation of political donations; and reforming the Federation.

The reality is there are no silver bullets, although some of these ideas would be helpful and are strongly supported. We might include among them limiting machinery of government changes, which have been rightly described as devastating.

As someone who has observed governments at close quarters for decades, I'm not convinced the quality of people is the problem – although the diversity of our representatives is an issue.

What's less clear are the key ideas, understood and accepted, sufficient for our political system to break through the current policy impasse.

What are the new policies, derived from these **ideas**, Australia needs to restore both confidence in a system under stress and legitimacy to political leadership?

My own view is that we've reached the end of a nearly 50-year political policy cycle, dominated by **ideas** derived from macro and micro economics.

Right now, the policy pendulum is swinging away from a consensus on the primacy of light touch regulation of markets, the unexamined benefits of outsourced service delivery, a general preference for smaller government, and a willing ignorance of public sector values and culture because they're not always compatible with efficiency as viewed by Treasuries.

Replacing this consensus is an increasing acceptance of a larger role for government, including involvement in service delivery, more effective regulation and bolder policy initiatives.

What do Australians want?

CPD's attitudes research is national and shows Australians don't just want more effective government. They want a more active government. The research was done in partnership with Professor Glenn Withers from the Australian National University and with Essential Media. It focuses at the federal level but much the same results would probably apply at state level.

Glenn oversaw similar research for Prime Minister Paul Keating's Economic Planning Advisory Commission in 1994, and for the Australian Council of Learned Academies in 2015. We've produced a third tranche of data, and included new questions about Australia's democracy.

What did we find?

- 73% of Australians agreed that politics is “fixated on short-term gains and not on addressing long-term challenges”.
- One in three Australians (35%) think the main purpose of democracy is “ensuring that all people are treated fairly and equally, including the most vulnerable”. This was easily the most popular response.
- Australians are prepared to pay more for essential services like health, schools, social service payments to the elderly, and economic infrastructure because they benefit the community. This has been a trend for more than two decades. 61% of Australians are still prepared to pay more.
- Australians are highly sceptical about the outsourcing of social services. 82% want to see government retain skills and capability to deliver these services directly, and view

government as a ‘better’ provider of services on most indicators when compared to charities and businesses.

- People thought the top policy priorities the Federal Government should pursue are those delivering economic benefit and nation building, such as investing in economic infrastructure, improving job security, boosting wages, investing in R&D and shifting to renewable energy.
- People believe local governments provide better services and more accurately represent the needs of the community than Federal or State governments.
- Australians have a strong appetite for positive reforms to the form and function of our democracy. 79% supported strengthening the parliamentary code of conduct. 77% supported introducing a federal corruption commission. 68% supported allowing citizens to serve on parliamentary committees.

This last finding warms the heart. Unlike in other countries, Australians don’t want to overturn the system or drain the swamp. They want to landscape it more artfully!

Australians see democracy as a force for equality, and want their governments to take the lead in identifying big problems and helping to solve them. In my time in DPC, research I had

access to suggested a strong view of this sort in Australia but not in the US. We are not at all the same as the Americans although few realise this.

Things haven't changed much including the inability of governments to hear the message.

Active and effective government

I want to highlight two messages from the attitudes research tonight.

First, the health of our democracy can't be divorced from the health of our public institutions and our public sector.

Second, getting back in the game means investing in an APS (and a VPS) that can think for itself, not smothering it with a dominant microeconomic paradigm that no longer works and the community no longer supports.

The economists need to step back and reflect. It is their ideological commitment to micro economics above all which has created a big gap between the community and government. To solve our problems we need more creative ideas about communities from sociology, psychology and anthropology as well as a better understanding of our history.

The marriage equality postal survey was a costly demonstration of the inattentiveness of government. What we see in CPD's attitudes research is the danger of further inattentiveness to failing service delivery systems.

Nowhere is this clearer than employment services.

In its 2015 report, *Grand Alibis*, CPD demonstrated how delivering results for the most job-ready Australians but parking our most vulnerable jobseekers in outsourced and poorly accountable employment services created yet another two-speed delivery system. Ideology has Trumped results again.

Two years on and the current *Jobactive* system is no better, with less than half of all jobseekers finding sustainable employment outcomes. The big winners have not been job seekers or employers, but the private companies and large charities winning the government contracts and the profits they deliver.

Its madness for government to restrict itself to one side of the contract gate, remote from effected communities. We must find a new way.

Finding a reform pathway means taking on unproven assumptions driving today's policies. We still have an unhealthy reliance on neoliberal microeconomic reform and

outsourced services. Even the Productivity Commission concedes problems. The UK Institute for Government questions the worth of the Public Finance Initiative (on which our PPPs are based) and notes the lack of evaluation. We are in the same position.

A modern package must emerge that strives to deliver prosperity for all Australians – we might start with an independent commission of inquiry into outsourcing.

While we're at it, we should fix national competition policy. Right now, it reinforces oligopolistic market practices, think the energy, banking and finance sectors. It creates a handful of winners and a multitude of losers. Regulation of many areas of social policy should also be required to emphasise service quality and results beyond the financial.

Australians want government to be *active and collaborative players, not just investors*. Funding must be connected with joined up local service delivery, and delivery must be reconnected with an ethic of public service.

Government must seek tailored, smart, creative solutions that draw on the experience of civil society, business and the public. They must admit they don't have all the answers and organise the search for them. And they must work *across* departments and other levels of government to find the best entry points.

Shadow Minister for Finance, Jim Chalmers, gave a speech at the ANU last week that suggested the Federal Opposition are already considering similar principles if they win government. The Social Services Minister, Christian Porter, has also been prepared to consider new approaches to settlement services for refugees, especially in helping refugees to find jobs faster.

Getting the APS back in the game

The Australian Public Service is less than half of all Commonwealth public sector employment and it remains excellent in many areas – national security, central agencies. Outside the public service many of the agencies, such as the macro economic regulators, are rightly considered as amongst the best of type in the world.

The reality, however, is that the APS is failing in areas of social policy because it has been stripped of specialist capability and service delivery experience. If it were a patient it would be in palliative care. Successive governments haven't nurtured the APS: they've gutted it.

Australia needs a new way, but the best ideas won't rise to the top without the stewardship and advice of the public sector.

They won't rise to the top by outsourcing advice to consultants, either. While there is a critical strategic role for consultants, at a lower level they are just being overused:

often engaged at the wrong organisational level and for work the public sector is better placed to deliver. It's like writing to Santa Claus without knowing what you want, how old you are, or whether you've been (or want to be) naughty or nice.

Reinvesting in policy memory and capability, encouraging frank advice, and improving service delivery know-how is the way forward if the APS is to think for itself and be the crucible for reform that it can and must be for Australia to thrive.

As Paul Keating reminded us last week in his CEDA address, the best ideas for Australia will require imagination and real courage.

This isn't about tinkering with the status quo. It's about structural, methodical change to the way we do government and challenging the assumptions underpinning our policies. The best ideas, based on the best available evidence, must win out and drive government policies and programs.

Right now, slothful economic and fiscal ideology too often blocks the best ideas from breaking through.

Social license for governments as well as business

Social license is the buzzword in business these days. Australian companies have started to realise that their value creation has been out of step with community attitudes.

The social licence under which business operates is in desperate need of renewal, otherwise hostility to markets and to openness will grow.

By the same token, social license and legitimacy are non-negotiables for governments, and right now both are in short supply.

The same can't be said of the judiciary, especially the High Court, which remains one of our most trusted institutions (along with the ABC). The oft-cited line from the Privy Council, "in a federal system, the absolute independence of the Judiciary is the bulwark of the Constitution against encroachment whether by the Legislature or the Executive" rang true in its decision on the "Citizenship Seven".

Too often we forget, however, that the independence of the public service is also the bulwark of any government, especially when its social license – its legitimacy – is questioned.

If the APS isn't funded and empowered to think for a living and advise accordingly, Australia and her governments suffer.

Now it's time for the APS to get back in the game, at a time when digitisation might lead some to suggest it can retreat further from it. Quite the opposite. Digitisation can be used in a way that helps improve service delivery across government and helps government understand the patterns of need in the community.

Digitisation is no substitute, however, for personal engagement in the lives of Australians. There is no algorithm or bot for that. Too much reliance on digital approaches will make it harder for the disadvantaged and make government less attentive to the social and human consequences of government programs.

My argument tonight is that Australian public administration is more than capable of rising to the challenges.

But this will require a new approach – much more than reforms to systems and processes. We need fresh ideas. Big bold ideas. Ideas which can drive new policies and the programs to foster a more sustainable economy and greater wellbeing across society.

Above all, the starting point for renewing Australian democracy is to reinvest in the creative elements of our public

services, enriched as they must be by direct experience of the services that Australians expect government to provide.

On this last point, the APS has more to learn from state administrations than it seems to realise. Thank you.