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Senate Finance and Public Administration Committee
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Parliament House
Canberra ACT 2600
Via email: FPA.SEN@aph.gov.au

Submission to the Inquiry into the current capability of the Australian Public Service (APS)

The Centre for Policy Development (CPD) welcomes the opportunity to make a submission to the Finance and Public Administration References Committee to assist its inquiry into the current capability of the Australian Public Service (APS). Helping to nurture and grow public service capability to support more effective government has been one of CPD's top priorities since we were founded in 2007. It has also been a hallmark of the careers of our founding Chairperson, John Menadue AO, and current Chairperson, Terry Moran AC, along with many members of CPD's network.

Concern about the erosion of public service capability has been a theme of CPD's work and submissions to various government inquiries over several years. This includes our reports *False Economies* (June 2014), *Grand Alibis* (December 2015), *Settling Better* (February 2017, which was released with the support of the Boston Consulting Group), *What Do Australians Want? Active and Effective Government* (December 2017) and our *Blueprint for Regional and Community Job Deals* (September 2020). It was reflected in CPD's input to the Expert Advisory Panel into the Employment Services System (August 2018) and Review of the APS (2018-19), our submissions for the Joint Commission of Public Accounts and Audit (February 2018), the Climate Change Bills (November 2020), and the National Disability Insurance Agency (NDIA) (February 2021), as well as a range of public speeches and commentary. This submission draws on these materials.

A history of outsourcing the design and delivery of service systems to private and not for profit firms, and a similar predisposition to contract out for advice on policy development, has worn away internal APS knowledge, experience and expertise. CPD's team has observed growing capability deficits in the foreign service as well as in areas of domestic policy in recent years. The APS has lost the capacity to sustain the number of sufficient people with contemporary experience of the large delivery systems in areas such as health, education and community services, as well as leading edge approaches to systems, financial management and business operations. In place of these capabilities, the APS has often equated policy innovation with approaches grounded in microeconomics, and relied excessively on generalists as the appropriate shapers of much advice.

This loss of capability, creativity and depth has hurt the APS and operated to the detriment of all Australians. The capability gap has been laid bare by recent inquiries, reviews and royal commissions into aged care, employment services, vocational education and training, and the state of the APS itself. A clear theme emerging has been to invest more into public sector capability, double down on place-based responses and use these to inform systems reform, embed a professions mindset into the APS, and restore public delivery capability or benchmarking to lift confidence in service delivery across the board.

We know this is what Australians want. CPD conducted an extensive analysis of Australian attitudes to democracy and the role of government and service delivery in 2017 and 2018. The results showed Australians believed services delivered by government were of higher quality and more affordable, accessible and accountable than those delivered by private companies or charities. Three in four thought it was important

for government to maintain the capability and skills to deliver social services directly instead of paying others to do it. In June 2020, we asked the same questions again. The result was striking. Nine in ten now think it is important for government to maintain the capability and skills to deliver social services directly. The view is emphatic regardless of voting intention, although Coalition voters are more in favour.

Australians do not want their democracy, or the services on which Australians depend, to be wholly sublet. The experience of hotel quarantine and the vaccine rollout during COVID-19 has reinforced that Australians remain uneasy about the outsourcing of essential services. Yet it continues at pace. The recent proposal to outsource independent assessments as part of the National Disability Insurance Agency's eligibility and access policy is the latest example. Responsibility for the critical element determining access to the scheme is set to be shifted to private providers. It is but another illustration of how insufficient attention is given during the growth and pricing of outsourced services to:

- Joined up responses (such as in education, employment and care);
- Cost-benefit comparison of public provision; and
- Culturally-sensitive capability, service delivery experience and incentives to ensure decision-makers act in the best interests of the client.

It is well past time for this erosion of capability to stop. The final report of the Review of the APS, delivered in late 2019, was clear about the acute risks for policy, regulation and delivery if the recommendations were ignored. The Review Panel insisted "the impact of strengthening APS capability will be profound" and "the only way to ensure that government expectations are met, priorities are delivered, and results achieved". Less than six months later, as COVID-19 struck, we saw the impact of blunt efficiency dividends and the gutting of public sector capability over the past decade come home to roost. The risk posed by the "novel coronavirus" had been foreseen years earlier, yet there had been no national pandemic exercise since 2008 and the medical stockpile had been run down. While Australian public services had a script, they lacked dress rehearsals.

A pandemic is not the only systemic risk Australia faces. Others include climate change, water scarcity, ecological collapse, terrorism, weapons of mass destruction, infrastructure failure, cyberwar and antibiotic resistance. We ignore their cascading impacts at our peril. Although on some challenges we hold joint exercises, it is critical to boost Australian public service capability to meet the challenges and seize the opportunities presented by foreseeable economic, social, health, environmental and geopolitical changes.

A desire to renew public service capability and change the conversation about what government can achieve is why CPD brought Professor Mariana Mazzucato to Australia in 2018. Mazzucato's work across four books provides a vision for rebuilding government capability to generate public value. Mazzucato's thesis, now adopted by governments of all political persuasions around the globe, does not pit government against business, unions or the community. Rather, it has them working together to co-create the future. Mazzucato reminds us that government research and investment have historically been key drivers of wealth creation and innovation; that growth has not just a rate but a direction; and that the contours of long-term development have always been shaped by policy and strategy, or their absence. This thinking was central to the CSIRO's "Missions" for recovery and resilience, announced in August 2020.

Boosting APS capability and changing how this capability is deployed will be essential to tackling inherited disadvantage. This was made clear in the Thodey Review, which recommended using "place-based approaches to address intergenerational and multi-dimensional disadvantage", and concluded that "local solutions will be increasingly important to tackle issues that matter most to Australians". CPD has shown how this can be done in our *Blueprint for Regional and Community Job Deals*. If Australia is to put place front and centre to address cycles of disadvantage — often evident across housing, employment, health, corrections and education systems — it must be underpinned by investment in public capability at local level to coordinate effective services, and to help Australians to navigate them. This will require working in new ways, leading on the ground as an employer, co-ordinator, procurer, licensor and service provider.

Once again, we are confident that this is not just what Australians need, but what they want. In 2020, we asked Australians for the third time what they think the main purpose of our democracy is. The answer now three times as popular as any other is ensuring all people are treated fairly and equally, including the most vulnerable. A total of 45 per cent of Australians chose this as the main purpose of our democracy (up from 36 per cent in 2018 and from 35 per cent in 2017), well ahead of other answers like ensuring people are free to decide how to live (15 per cent), ensuring no person or organisation has too much power (14 per cent) or electing representatives to make decisions on your behalf (13 per cent). What this means, we believe, is that Australians want an active and purposeful government in the best of times, and especially in the worst of times. The twin crises of 2019 and 2020, the bushfires and COVID-19, have sharpened attitudes about our democracy and faith in government. Australians expect government to be capable of playing an active role in service delivery, and for their democracy to improve the lives of others, particularly the most vulnerable.

COVID-19 has put government back into the game. There has been a deference to expert advice, a willingness to consider bolder reforms, and a preparedness to discard shibboleths hampering policy development and implementation. We took Australians out of poverty overnight. We saved industries from collapse. We conceded certain services, like early learning, were essential. We lifted wage subsidies and organised surge workforces. Lessons from the mobilisation of resources and innovation across government, industry and the community as part of Australia's COVID-19 response should be identified and considered for application in other areas. In the United Kingdom, for example, collaboration between government, business and academia was critical to the successful development and testing of potential treatments and vaccines for COVID-19, as well as an accelerated roll-out. The lessons here and abroad offer an alternative path, for example, to the traditional and cumbersome departmental grant giving processes. Such responses will not help to catalyse new industries to sustain growth in an economy which has become too narrow, or enable effective integration of services at the local level. There is much more that can be done so that our democracy can deliver for all Australians as we plot our way back from COVID. That cannot happen unless government gets ahead of the game. If the APS isn't funded and empowered to think for itself, and to advise and deliver accordingly, Australia and her governments suffer.

Digitisation might lead some to suggest that government can retreat further from the lives of Australians. Quite the opposite. Digitisation can improve service delivery across government and help government to understand what is needed in the community. But digitisation is no substitute for personal engagement in the lives of Australians. Excessive reliance on digital approaches makes it harder for people facing disadvantage and makes government less attentive to the social and human consequences of government programs. Over the next decade, Australia will need fresh ideas. We will need big and bold ideas to drive new policies and the programs to foster a more sustainable economy and greater wellbeing across society. The starting point for renewing Australian democracy after COVID-19 is to reinvest in the creativity of our public services and ensure they are enriched by direct experience of the services Australians expect government to provide.

Please contact us if you would like to discuss any of the matters raised by this submission.

Sincerely,



Travers McLeod
Chief Executive Officer



Terry Moran AC
Chair