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# Who's who in the public sector?

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I'm sure everyone here today is well aware of the importance of the public sector in our everyday lives. It provides much needed services, regulates the society and economy and protects the environment, hopefully in the public interest. All of this happens, of course, under the supervision of an elected government and within laws and regulations delivered by parliament.

When you put it all together what you see is a "system" involving elected officials and public servants, a range of services being delivered centrally, regionally and locally and a complex set of relationships between government, society and the economy. Policy advisers, service providers, regulators and enforcers are all involved and for that system to work an army of system managers is also there deliver backroom services in areas like finance, human resources and ICT.

We analyse the system and the parts that make it up in terms of its efficiency, effectiveness and ethics. To this end we have created institutions within the sector itself such as the Audit Office, the Ombudsman's Office and the Corruption Commission to examine performance and make recommendations. In order to do this job properly these agencies of accountability are given extensive powers and a good deal of independence.

When we think of the sector in these holistic terms it is composed of insiders delivering to the public and outsiders looking in, policy wonks and technicians, enforcers and helping hands, managers and workers and, of course, leaders and followers. So too are there private and not-for-profit agencies in the mix delivering by contract or agreement. It's a mini-political system all of its own and not just an administrative means for authorised ends.

The way we imagine and operate this system is of some significance and can be a matter for heated political debate. The focus of such debates may be the political/administrative divide and the way it is managed, the structure and organisation of the non-elected part of the system or the techniques and technologies used within it to produce result. It may also be a debate about the size of the sector overall and the resources needed for it to deliver, with supporters of small government on the one side and interventionists on the other.

At any time, we need to ask who is really in control. Who is in the driver's seat setting the agenda for the system? What ideas do they bring to the table when considering organization, technology, and culture? In other words, who's who in the public sector?

In my lifetime, born in 1951 and working in the system as politician and now adviser from the 1980s onwards, I can recognise five different phases in its development. In today's talk I will endeavour to describe each and identify the drivers at work. In many ways I feel as though I've seen it all at first hand, either as a youngster growing up in Geraldton or as a participant in later years. Certainly, it confirms my view that there waves of thinking that take control by framing the debate and establishing the criteria for evaluating policies and performance. They take over not just by the influence of argument but also by the power of interests. There is, in other words, a

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politics within the political economy of government and it's not just a rational process in which the good ideas win out over the bad.

#### THE POST WAR ALLIANCE BETWEEN POLITICS AND PUBLIC SERVICE

The first phase followed the Second World War and represents the high point for the state and its public service. Our side had won the war and the public service was held in high esteem for the work it had contributed at home and abroad. Those who returned from the war remembered the Great Depression and didn't want a repeat episode. This meant state intervention in the interests of employment and growth. There was also an Australian consensus that the nation's wide open spaces needed to be populated and developed and that meant protection on the one hand and investment on the other. Public sector involvement to these ends was deemed a necessity.

A partnership was formed between the politicians and the mandarins and between the elected government and the massive agencies that delivered infrastructure on a monopolistic or almost monopolistic basis - electricity and gas, water and sewerage, and transport and communication. Together they planned and provided in the interests of national development. In the private sector too there was an alliance, in this case between overseas investors and local protected industries.

It was very much top down government, a good example of what Joseph Schumpeter called elitist democracy. The people voted for those who would be the political half of the ruling elite, sometimes favouring left-of-centre and sometimes right-of-centre leadership. Accountability was guaranteed by parliamentary scrutiny, community interest and regular elections. The public service was also top down and hierarchical, highly professionalised and confident of its mission. The governments of the time were clear on what needed to be done (outputs) and had faith that these outputs would deliver the outcomes desired (national development). It was as if everyone knew their place and what was public was public and what was private was private.

The individuals who ran this system of political economy had real authority and were seen as the true carriers of the public interest. As noted earlier part of this authority came from a successfully prosecuted defence of the nation; the other half coming from the commitment of the leaders to a fair go for all from Curtin to Chifley to Menzies. It was Australia's version of the Keynesian welfare state and it delivered good results.

#### COMPLETING THE PICTURE FOR ELITIST DEMOCRACY

The second phase saw procedural reform and a degree of openness coming to this system of elitist democracy. The changes didn't undermine the powerful partnership between politicians and bureaucrats but rather added to their authority as guardians of the public interest. Indeed there was nothing really surprising about reforms that assured procedural fairness and freedom of information as both were implicit in what we understood by liberal democracy. In order to hold governments to account citizens had a "right to know" and a "right to be consulted" when major decisions were being considered. So too did they have a "right to be compensated" should their property be needed for the greater good.

To some extent it was a case of common law rights but we can also see at work the desire of the public to intrude into the space controlled by the politicians and their partners in the public sector. It was hardly a paradigm shift in systems but it was a sign of things to come in a society

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where the baby boomer generation was questioning the prevailing concepts of order and hierarchy within government and between government and the people.

Their key concept was freedom applied by some to the economy (free market advocates) and by others to the society (libertarians).

#### A POLITICS/BUSINESS ALLIANCE

By the end of the 1960s more significant changes were being contemplated as a result of this social and entrepreneurial restlessness. However, it wasn't just a case of people but also of economic ideas, it becoming apparent that Australia's highly regulated and protected system carried inefficiencies that jeopardized competitiveness. Free market warriors who had been eclipsed by the Keynesians grew in confidence and found support within the political and business sectors.

The newer generation of politicians emerging were unhappy with the fact that they weren't completely in control of their world. "Yes Minister" may have been the language of their public servants but it was hardly the reality when it came to power, particularly in respect of the nation's great statutory authorities. The politicians wanted change and they sought to guarantee it through changes in public sector management - political control of the most senior appointments to the public service, the creation of powerful Ministerial Offices and the expansion and development of Departments of Prime Minister (or Premier) and Cabinet alongside the existing system of departments and authorities.

The mandarins being challenged by these new arrangements called it "politicization" - and some still do today. However, it was just one part in the development of a new partnership, in this case between politicians and business. Extensive regulation and monopoly provision were thwarting the ambitions of enterprising businesses and they began pressing their case to government. Some were ideologists keen on a freer market while others were opportunists who wanted a slice of the cake that was government expenditure. Their questions proved compelling to the newer, post-war generation of politicians "Why not open up the government to competition?" "Why not remove restrictions on freedom to enter industries?"

Thus came the third phase in public sector management and it meant corporatisation and privatisation (usually preceded by disaggregation and separation of functions), contracting out of service delivery and performance management within government itself. New types of jobs were created in the sector with human resource management taking on a new significance - and it became absolutely clear that public sector leaders were to be "managers", rather like the CEOs of business corporations. Their clients were to be imagined as customers and given choice or, if that wasn't feasible, consulted about the quality of the services they received from the government. Culture had to change too as agencies were expected to benchmark with private sector and not-for-profit equivalents.

Some - but not many governments - went even further and started to reduce the range and functions of government more generally, arguing that social initiative and markets were better vehicles for progress. "Let the people decide", they said, "not only through their voices but by way of their choices in the marketplace and the social domain". Working within this paradigm meant a view of government as at best rule setter and facilitator, but no more.

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## BRINGING PARTICIPATION TO THE TABLE

To many traditionalists it seemed as if the public sector was no longer in control but rather it was being controlled by the private sector and their political supporters. However, at the same time technology was opening up new opportunities and citizens were making new demands for direct participation. Yes, the people wanted more efficiency in the way services were being delivered but so too did they want those services to be of the sort - and delivered in the way - that met their needs. They wanted to be in on the action not just in helping evaluate the quality of performance of government but also in order to set priorities for government. The reference point there wasn't clients or customers but the more expansive political term citizens.

This fourth, or citizen-centric phase, manifested itself as a revival of direct democracy and the use of referenda or as democratic engagement sometimes using the tool of random selection. It's been used to develop budgets, plan cities, revise constitutions or recommend in new spheres of disagreement brought on by scientific or technological advance. The methods are many and varied but all designed to involve and engage people not as only as clients or consumers of government but as decision-makers within government. Town meetings, participatory budgeting, citizens' juries, citizen parliaments, and deliberative assemblies all take our system beyond a narrow market-based conception of government.

In an important sense though what I've called the market phase and the participatory phase came together under the umbrella of New Public Management and it came to be clear throughout the 1990s that some sort of resolution of the tension between them was needed. Were people to be conceived of as consumers or as citizens? What's best? Is it the free market or is it democracy? The technocrats provided the answer - strategic government.

## STRATEGIC GOVERNMENT

Strategy and the ways it could be applied in a non-military context has been at the centre of management thinking in the private sector for many decades and it wasn't a surprise to see it drift across to the public sector. Governments too need to position themselves in a changing environment, recognise threats and opportunities and bring a sense of purpose to their work. They need the support of their citizens but also the knowledge that citizens can bring to the decision-making table. They need to be able to anticipate change and develop early warning capacity as well as delivery mechanisms for the here and now. So too do good governments need good measures of performance to determine how well they are going - and independent reviewers to keep them honest.

When it's put in these terms there is no contradiction between markets and democratic engagement but rather an attempt to integrate them in ways appropriate to the circumstances. Sometimes the logic of the market is the best means to adopt when considering service definition and delivery. Sometimes on the other hand a more intensive process of democratic engagement is necessary. The role of strategic planning is to sort out what would be best mix and match in the circumstances that prevail.

However, there is a serious weakness in the politics of strategic government that makes its realization difficult to achieve. In the immediate post-war years the alliance between politicians and the public service made sense of the times, coming as it did after the Great Depression and

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the Second World War. It was understood and strongly supported by the electorate hungry for development and jobs.

So too had the alliance between the politicians and business that emerged into the 1970s and 80s made sense even if strongly contested by public servants and their unions and a range of communities affected by change. To make the new market-oriented system happen the political class needed a degree of unity across the political boundaries and this happened in respect of the National Competition Policy. So too did they need to change their own modus operandi, particularly the Labor Party because of its links to organized labour. The temptation, of course, was to re-align organisation with political need and this happened with political parties relying more on funding from the business sector and less on their members and supporters. Sometimes this manifested itself as semi-corrupt or corrupt behaviour thus making the politics of New Public Management further complicated. It followed that bringing the people into the equation by way of engagement strategies made good sense not just as a means to better outcomes but also from a political point of view in a society restless in the face of radical public sector reform. Local communities too were organizing around issues and were open to governments that incorporated them into the process. Engagement was in part at least an effort by governments to create some consensus in a world of change.

However, moving beyond New Public Management to Strategic Government creates new challenges again. The market had its advocates in business and engagement had its advocates throughout the community and ways and means of incorporating both ideas were developed by the political class. Taking that next step to a strategic plan was another matter. Who were its advocates? What was its base in society and the body politic? Is it just "an idea" and a good one but one without an obvious "carrier"? The issue here is that strategic government is very much a managerial concept without a clear connection to interests. Compare that to the other approaches outlined in my talk. In the post-war partnership it was a case of "national development for all" and in the case of New Public Management "freedom of choice" and "popular participation". This being said I would say that there is one interest at least that should see strategic government as a real step forward and that is our public service. Let me explain.

#### WORKING IN THE PUBLIC SECTOR

For those working in the public sector each of these models- Partnership for Development and New Public Management - had its own implications. For the post-war model it meant being part of a hierarchical structure that created infrastructure to develop the nation and regulated actively in the interests of the public. Being part of the state carried weight and authority, senior public servants (including those at the top) were selected by their own and politicians were more aware of the distinction between politics and administration. What was "public" and what was "private" were distinct entities, including in relation work and work cultures.

When the market was brought to government all of this changed. Politicians appointed departmental heads and statutory authority boards to bring commercial thinking and practice to government. The "private" entered the public domain and with it came benchmarking and contracting in the interests of efficiency. The idea of ministerial responsibility for public sector performance was never really fully realized but it had remained a strong point of political reference. Now it was effectively abandoned and the public service incorporated into the loop of

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accountability. Work practices began to change and not just because of technological innovation. Indeed, concepts such as "creativity" and "innovation" entered the human resource vocabulary.

The system was, of course, never as precise as how it was described. However, it was forever changed, if only by the entry into government service of a new breed of managers, contract managers, efficiency experts, customer service managers and human resource planners. What had been assumed about organisation in the post-war era now became the object of attention and inquiry - and it was found wanting according to the paradigm of the times.

Adding "the people" to this new approach to public sector management brought further change and the need for public servants capable of more than just consultation and stakeholder engagement. Citizens generally and the communities in which they lived were to be fully engaged by government, elections being just the start of the process. This did more than simply add another element to an otherwise market-based approach but was deeper in conception. It was all about Politicians were asking their public servants to be contract managers in the interests of efficiency, agents of engagement in the interests of consensus and whole-of-government practitioners in the interests of effectiveness. At the heart of politics, however, none of these ideas ever became the consensus position. What this means for public servants is living and working life in a sea of shifting sands and uncertainty - sometimes on a daily basis! The solution - a strategic plan that brings it altogether and by so doing recreates the sense of purpose we saw in the post-war years.

#### A WAY FORWARD

I would argue then that it is in the interests of the public service to take up the cause of strategic government. It requires the politicians to more clearly define their objectives for the economy, society and environment - and to provide measures and indicators related to those objectives. This brings some stability in a world where the temptations of politics as events management can frustrate the efforts of even the most pliable of public servants. It engages the public service - and others - in and around the question of what is needed to realize these objectives. Evidence of the sort accumulated by the public service over the years becomes significant again in a world where real outcomes and not just the appearance of outcomes become important. It brings the concept of teamwork back to government, between politician and public servant and between agencies within government. It brings meaning and purpose back to government but will it become the new governing principle?

Let's be clear on one thing, the enemy of strategic government isn't New Public Management and its markets and engagements as many traditionalists have argued but rather free market fundamentalism on the one hand and populism on the other; the latter more so than the former in the aftermath of the Global Financial Crisis. However, how hard it is to convince the political class that public sector bashing on behalf of private interests or public opinion is not in the national interest. When in a tight corner pointing the finger at the bureaucracy is too easy and too readily accepted by the media as the way to tell a story about heroes and villains, about those who work and produce as opposed to those who interfere and consume. The soberer truth, revealed time and time again, is that when governments take their public sectors seriously and link their work to evidence-based public policies positive results are forthcoming. The adversarial, largely media-driven, politics we often see practised today is fun to watch and perhaps acceptable if progress-however we define it- could be guaranteed. However, progress isn't

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guaranteed and has to be fought for each inch of the way and that requires a sophisticated mix of thinking and doing, creative partnerships between government, commerce and the community and a supported public sector clear on its mission and responsibilities.