Public Sector Reform Today

The Hon. Dr. Geoff Gallop

Keynote Address

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All over the globe governments are struggling with their public sectors. In their search for a better way they look to other countries and other times for examples of best practice. Sometimes they find something that will work but all too often the different context and circumstances mean the results are mixed - and often negative. This takes me to my question for the day. Is their one model of the public sector and system of public management that works best? The answer I will give is that we now know a good deal about what does and doesn't work but the way that evidence is marshalled and applied within any one country, one sector or one activity will be the key to success or failure. In other words the question of public sector reform should be treated as a strategic rather than just an ideological question.

However, let me begin my lecture with a personal note. I was privileged to be an elected Member of Parliament for twenty years and in that time was a Minister for three, Opposition Leader for four and Premier for five. Above all else I learnt two things about the public service and the public sector it manages. Firstly, that its value should never be under-estimated or devalued. Indeed having capable and committed public servants is part of what is needed to produce good government; that is to say government which serves the public interest as opposed to particular and sectional interests and which is capable of dealing with the many crises - natural and man-made - that are presented to it. It might be the tackling of a fire or a flood or it might be the drafting of legislation in a complex area of policy or indeed the delivery of services to marginalised and vulnerable people in the community - whatever the task we need it to be performed efficiently, effectively and ethically. This applies whether your politics is left, right or centre.

Secondly, that we cannot make sense of the public sector if we abstract it from the wider political context in which it operates. The public sector sits in relation to the elected government it serves and the community within which it delivers its many functions. Indeed it may be the quality of these relationships between elected and non- elected officials and the government and non-government sectors rather than the qualifications and technical expertise of the public service that determines whether or not the sector is delivering in an effective manner. Both the political class and the bureaucratic class need to understand this; the first because they may be tempted to over-reach and the second because they need authority for what they do. But more of this later.

WHAT I HAVE SEEN

I can also report to you that in my time in politics - from 1986 to 2006 - I was a witness to significant change and, in some cases, the initiator of change as a Cabinet Minister (1990-1993) and Premier (2001-2006). Let me attempt a summary of these changes and then attempt to make sense of it all.

1. Political power within the bureaucracy has shifted from large government-owned trading enterprises to central agencies of government close to Presidents, Prime Ministers and Premiers.

2. Politicians today have more say over who occupies the key positions in the public service; indeed in the case of Australia today this power is to all intents and purposes the elected governments to exercise as they wish.

3. Services to the public are delivered not just by government agencies but by a range of private, not-for-profit and community organisations. So too might we find a local community involved in the process. The sharp delineation between "public" and "private" has broken down.

4. New technologies - particularly information and communication technologies - have been put to work in a range of ways; to better deliver information to and from the community, to streamline a range of support functions within government and to better facilitate information flows within government itself. What we call "e-government" has arrived.

5. Individuals and the agencies within which they work are subject to the regimes of performance management, including in respect of preventing and exposing corruption. This has meant a more precise specification of what is expected and how performance is to be measured. These days we all have our Key Performance Indicators or KPIs.

6. Community consultation and democratic engagement is now practised more widely. Consumers of government services are consulted and often communities engaged to seek their views about policy and administration. Such engagement may be based on the principles of random selection and deliberation.

7. New efforts have been made to co-ordinate not just work within government (what we call joined up government) but also the work of our national and six state governments around key goals for the nation. We call it co-operative federalism.

8. Public sector education has been extended such that public administration sits alongside business administration as a course of post-graduate study. Generic skills and capacities are now seen to be very important.

Some of these changes relate to power within the heart of the system of government, some to the human and technical infrastructure that should back up the work of the public sector and others to the way policy should be developed and services delivered. It's a mixed bag and illustrative of the fact that we live in an era where there are ideas galore. Four or five decades ago representative government, ministerial responsibility and public service neutrality might have been enough. Today we have added participatory government and its offshoots such as deliberative democracy and community engagement, public sector management and its requirements such as adaptive government, joined up government, E-government and public private partnerships and monitory democracy and its associated ideas such as public value and networked governance. This leads to the following questions. Is there a common theme associated with all of these developments? How do we make sense of it all?

Some who study public administration have answered this question by associating major systems-wide initiatives with particular political ideologies - of the left, right and centre. I believe there is some value in this if we are to seek an explanation but not enough to complete the picture. However, before moving forward to my own position let me summarise the argument that has been put forward about "systems".

THE BIG SYSTEMS

In his analysis of modern administration John Bennington[1] has identified three schools of thought with particular systems attached to each.

- Traditional Public Administration (TPA)
- New Public Management (NPM)
- Networked Community Governance (NCG)

When you look at the aspects of each of these it's easy to see how political labels follow. Let me refer you to Bennington's diagram: Public Value and Networked Community Governance.

Public Value and Networked Community Governance

	"TRADITIONAL" PUBLIC ADMINISTRATION	"NBW" PUBLIC MANAGEMENT	NETWORKED COMMUNITY GOVERNANCE
CONTEXT	Stable	Competitive	Continuously Changing
POPULATION	Homogenous	Atomised	Diverse
NEEDS/PROBLEMS	Straight-forward, defined by professionals	Wants, expressed through the market	Complex, volatile and prone to risk
STRATEGY	State and producer centred	Market and customer centred	Shaped by civil society
GOVERNANCE THROUGH:	Hierarchies	Markets	Networks and Partnerships
REGULATION BY:	Voice	Exit	Loyalty
ACTORS	Public Servants	Purchasers and providers. Clients and contractors	Civic leaders
THEORY	Public Goods	Public Choice	Public Value

Source: John Bennington "From Private Choice to Public Value"

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[1] John Benington, "From Private Choice to Public value"

Public Sector Reform Today, Hon. Geoff Gallop, 25 March 2014

In the traditional system public servants were to be apolitical administrators of significant enterprises created by the state to promote development and provide social services. Such enterprises were to be different - and indeed special given their collective ownership and public purposes. Professionals ranging from scientists to engineers to educators to health service providers and social workers were given a special place in the hierarchy of decision making. Under NPM public sector leaders became managers from who was expected market conscious and businesslike behaviour in all aspects of their work, including the delivery of social services. In this conception public and private sectors were to be placed on a level playing field vying for the work of government. Working to create public value, however, required facilitators rather than just managers and community engagement around collective purposes became the call sign for NCG, as did the idea that government, business and the community were interconnected.

A SIMPLIFIED HISTORY

There's no doubt that this is not just a good way to describe schools of thought but it is also a way to describe what has happened in the last forty years. A simplified version of the history goes like this: In the years after the end of the Second World War the State occupied a powerful position in our society and the public servants who worked for it, whether in the big departments or utilities, had significant influence over the politicians and power in the community. The State participated in economic activity and delivered a range of services directly and with the aim of ensuring social and geographic equity. In organisational terms the system was a hierarchy, separate from and controlling many aspects of economic and commercial life.

Then starting in the 1970s we saw the New Public Management Resolution which brought the business sector to the heart of government - as advisers, as service deliverers and as managers. The private sector model of a board of directors, a CEO and an executive team with the objective of maximising shareholder value was delivered lock, stock and barrel to the public sector. Big government enterprises were disaggregated and some sold off - if not they became commercial entities, publicly owned but privately run. The major themes were "let the managers manage", "contestability" and "productivity".

The New Public Management approach swept through the world - and was taken to the developing world courtesy of aid programs. It produced improvements but also problems for a sector not suited to efforts to transform it along private sector lines. For example concern was expressed that the entry of market principles into governing itself was a positive in some contexts but not so in the regulatory and policing functions of government where the prevention of market failure was a key concern. Indeed there was resistance to the wholesale application of market-based ideas and eventually it took shape as a philosophy of public value - as opposed to shareholder value - and a whole range of reforms designed to ensure its creation were developed. "Public value", write Coats and Passmore, "argues that public services are distinctive because they are characterised by claims of rights by citizens to services that have been authorised and funded through some democratic process....It is designed to get public mangers thinking about what is most valuable in the service that they run and to consider how effective management can make the service the best that it can be".[2] The call was for a public

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[2] David Coats and Eleanor Passmore, Public Value: The Next Steps in Public Sector Reform (The Work Foundation, London, 2008), p.4.

sector that was mixed rather than uniform, community focussed rather than producer focussed and strategic rather than controlling.

It seemed so simple - right replaced left and then a "third way" in between the two followed. We went from a Strong State to a Market State to an Enabling State. For the Strong State equity was a prime concern, for the Market State efficiency was a prime concern and for the Enabling State it was economic, social and environmental improvement. Now the problem I have always had with this formulation is that it encourages us to think there is just "one system" and a "choice" had to be made on which system to adopt, and was made by politicians looking for a theme that set them apart from their opponents. The reality, however, is that there are, and need to be, elements of each of these systems in our contemporary practice. In saying this I note, firstly, that the public sector isn't just one entity but rather involves different types of work: policy development, delivery of services to the community, monitoring, regulating and enforcing and delivery of support services like ICT to government itself. Each of these activities has its own "logic" and "requirements" that mean what would be good for one sector (for example tendering for the delivery of services) may not be good for another (for example the delivery of policing). Nor is any nation ever completely homogenous and what works in one place or for one community may not work in another.[3]

Secondly, as Henry Mintzberg[4] has reminded us, relations between the government and the people vary according to the framework within which they are considered. When considering our democracy we speak of citizens with rights and responsibilities and subjects with obligations to their fellow citizens. However, when it comes to a government agency or service we talk of customers and clients with expectations and needs. What we want from our police service will be different from what we will want from our election commissions just as what we want from a government-run gas company will be different from what we want from a government hospital. In a sense we are all stakeholders in government and the notion that there is just one way of looking at and defining the public sector is as remarkable in its audacity as it is flawed in its application.

What this tells me is that the public sector is heavily contested space and what defines it won't just be the governance ideology of the party in power but rather a mixture of elements. After all no party ever inherits a blank sheet of paper onto which they can draw what they wish. They inherit a complex system that will have experienced both change and continuity - and in today's world it is more likely to be the former rather than the latter. After all there's lots of money to be made by advisers and consultants if change rather than continuity is the mantra.

Clearly, then, we can see elements of each of the major theories playing a role in the public sector. Some parts of the service are professionalised, long-term career based, and top down. Some work with the purchaser/provider model of thinking and others highlight the case for co-production and partnerships. Some governments seek to minimise their role whilst others seek to plan around community wide objectives. What are at play here are political beliefs, managerial theories and functional realities and the big systems to which we refer are necessarily abstractions. Indeed the battle to define public sector reform needs to go beyond theory and into

[3] See Geoff Gallop, "Public leadership, public value and the public interest", Public Money and Management, vol. 31, no. 5, September 2011, pp. 371-376.
[4] Henry Mintzberg, "Managing Government, Governing Management", Harvard Business Review, May-June 1996.

the bowels of government where decisions are made and both values and interests are involved. Her we can identify tendencies and for the sake of the argument I will call them "parties".

PUBLIC SECTOR REFORM TENDENCIES

Such "parties" can be found within Presidential and Prime Ministerial Offices, the Cabinet itself, government agencies and within the wider community, including the business sector. They compete for attention and make claims about what is needed from the public sector. In my experience they number four:

1. The Productivity Party
2. The Control Party
3. The Results Party
4. The Integrity Party

To put it another way we might say - the Productivity Party (PP) is interested in the efficiency with which inputs are converted to outputs, the Control Party (CP) is interested in the delivery of the outputs, the Results Party (RP) is interested in the overall effectiveness of what the public sector does and the Integrity Party (IP) is focussed on the ethics of all that happens within government. We might represent these four "parties" in terms of four aims for public sector reform:

THE FOUR AIMS FOR PUBLIC SECTOR REFORM
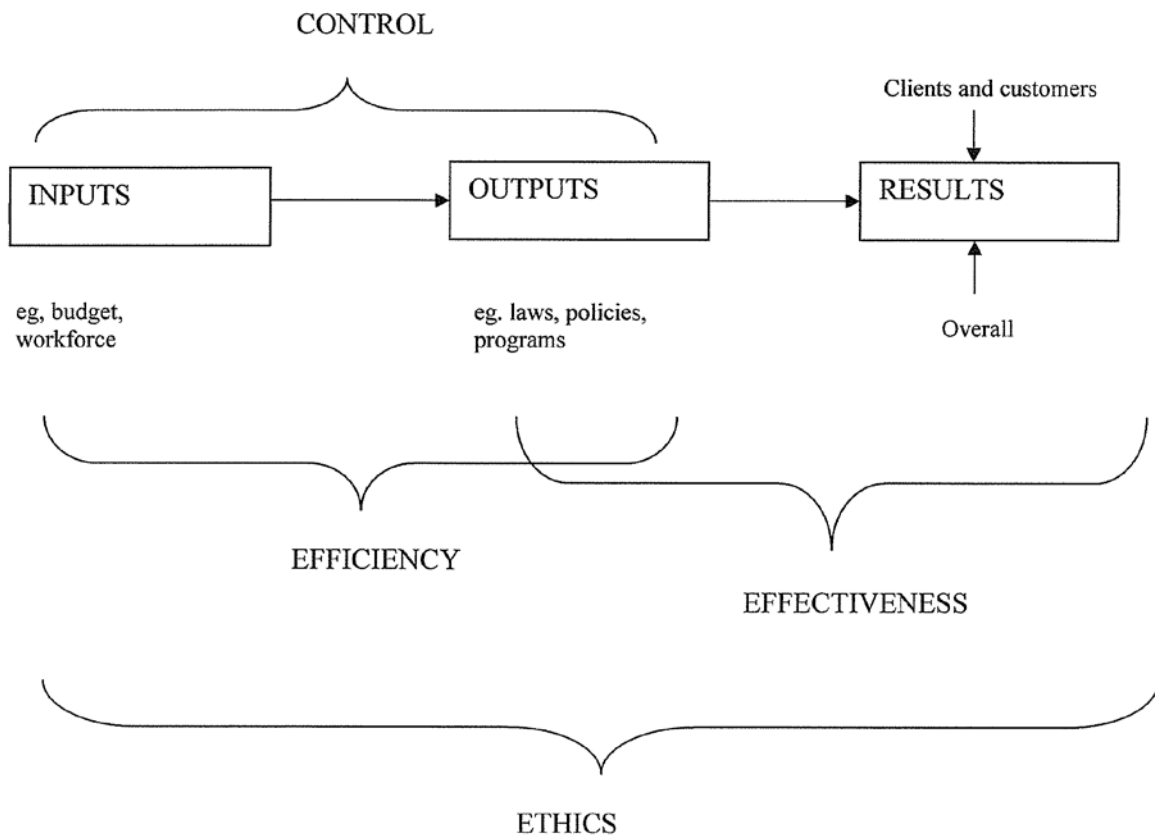
Source: Geoff Gallop (2014)

Public Sector Reform Today, Hon. Geoff Gallop, 25 March 2014

For those in the PP cost containment and efficiency in taxation and expenditure are paramount goals for government. They may be seeking short-term measure to deal with a budget crisis, medium term measures to change work practices or longer term measures to share support services across the public sector. They are concerned not just with day-to-day costs but also with investment in infrastructure and the need to spend where the cost benefit calculations prove best. They prioritise economic rationality and question decisions seen to be made irrespective of what "the market" dictates. Backing up their thinking in the real world of politics is an army of consulting firms keen to be engaged by governments. To convince government that they are needed they point to an indefensible "productivity gap" between the public and private sectors. Efficiency is their motto.

The CP puts its focus on whether or not what the government wants is happening. Their interest in public sector matters focuses on the appointment and dismissal powers of a government, their capacity to create a coterie of political advisers and the need for the centralization of political and bureaucratic power rather than its devolution. They are interested not just in what is happening within government but how that is communicated to the outside world. It follows that information management is accorded a top priority in the way they arrange their affairs. Power is their motto and media management a key principle.

What I've called the CP practises to a lesser or greater degree what the late Peter Aucoin called new public governance and it involves " the integration of executive governance and the continuous campaign, partisan-political staff as a third force in governance and public administration, a personal politicization of appointments to the senior public service, and an assumption that public service loyalty to, and support for, the government means being promiscuously partisan for the government of the day".[5] Given the political pressures that exist in democracy today it's a political tendency that isn't going to evaporate soon, if at all.

The RP takes us to a higher level with their desire to ensure that what the government is doing is creating value for the community, whether it's jobs and income, peace and justice, environmental amenity or national security. They favour reforms like outcomes-based budgeting and performance management at all levels, including whole-of- government evaluation. They accept that there will need to be some overlap between government and civil society and to that end expertise in community engagement and partnering will be priorities. They favour a "whatever works" or "evidence-based" approach to policy and its implementation, with effectiveness being their motto.

Like the CP the IP is focussed on process matters but from the perspective of ethics and the public interest. The want codes of conduct to clarify what is right and wrong, risk management systems to prevent corruption and monitoring of activity within the public sector by independent bodies with wide powers of investigation. Integrity is their motto and they see efficiency and effectiveness as important but not at the expense of due process and public trust in government. The need for control is understood too but not if it leads to a blurring of the important distinction between "party" and "state" and the creation of inappropriate networks and partnerships.

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When it comes to a contest between these parties two conflicts stand out - that between the CP and the IP and that between the PP and the RP. This is not surprising given that governments want the power to do things - after all that is why they seek election - and the IP places a straitjacket around the exercise of power in all sorts of ways. What some may see as a reasonable constraint others might see as a limit on democratically ordained power. So too is the conflict between the PP and the RP an ongoing one, with governments caught in the middle between taxpayers wanting relief and citizens wanting performance. At best it's a work-in-progress, a war without winners!

It's the case in fact that each of these parties for reform works with flawed assumptions. Can we ever really measure public sector productivity when there are "multiple and often conflicting policy objectives" and is price always a measure of value?[6] Can governments achieve control across the system without undermining initiative and affecting performance, letting alone opening up the system to corruption? Can we expect governments to be held to account for all community-wide outcomes? Can the comprehensive oversight of the work of government be achieved without the creation of a risk-averse public sector? What this tells us is that government ought to involve some sort of coalition or alliance between these parties for reform. Just as there is no one system that makes sense of the public sector as a whole - TPA, NPM or NCG - and there is no one package of reforms whether derived from the PP, the CP, the RP or the IP. There is no one agency, no one job and indeed no one problem or one locality. Surely it follows that what we want is a public sector that is diverse in structure, operations and outlook. It needs to serve the government of the day, be cost and results conscious, and ethical in the way it carries out its functions.

LEADERSHIP AND THE QUESTIONS THAT NEED TO BE ASKED

In considering public sector reform, then, we need to allocate its carriage to all parts of the system - the President or Prime Minister and their Offices, the Ministers, the Agency Heads, and the Team Leaders or Project Managers on the ground. Each has his or her own province or sphere of action and each need to ask four leading questions about capacity, performance, contestability and community and with a view to creating a "self-improving system".[7] Firstly, what capacities and skills- technical, managerial, and political - exist in my province? Are they relevant and adequate to the tasks at hand?

Secondly, how do we measure and assess performance in respect of efficiency, effectiveness and ethics? Do we use the right criteria for assessment and do we follow up on the findings? Thirdly, should we be opening up to competition, or at least benchmarking, what we are doing? Fourthly, how do we involve the community in the work we do, be it policy development, project delivery or performance evaluation? Is it enough and is it using the right means?
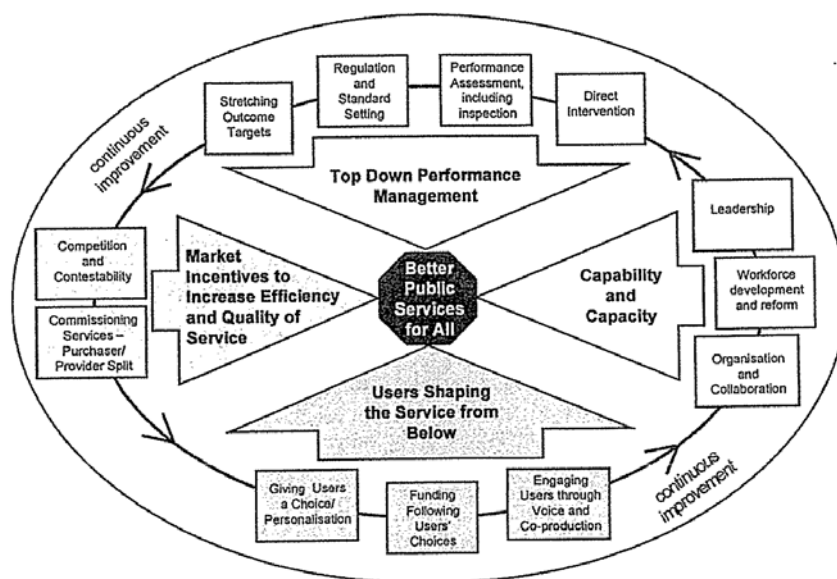
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[6] Peter Aucoin, "New Public Governance in Westminster Systems: Impartial Public Administration and Management Performance at Risk", Governance: An International Journal of Policy, Administration and Institutions, vol. 25, No. 2, April 2012, p. 179.
[7] UK Cabinet Office, The UK Government's Approach to Public Sector Reform -A Discussion paper (2006)

UK Government Approach to Public Sector Reform

continuous improvement

Stretching Outcome Targets

Regulation and Standard Setting

Performance Assessment, including inspection

Direct Intervention

Top Down Performance Management

Competition and Contestability

Commissioning Services – Purchaser/ Provider Split

Market Incentives to Increase Efficiency and Quality of Service

Better Public Services for All

Capability and Capacity

Leadership

Workforce development and reform

Organisation and Collaboration

Users Shaping the Service from Below

Giving Users a Choice/ Personalisation

Funding Following Users' Choices

Engaging Users through Voice and Co-production

continuous improvement

Source: UK Cabinet Office (2006)

The challenge of public sector reform is a leadership challenge and it requires judgment about why, how and where the system needs changing. How leaders define the issues, develop priorities and then marshal their resources - human and non- human - to that end is the key to public sector reform. Helping make such decisions will be the grand schemes - TPA, NPM and NCG - and the reform drivers - PP, CP, RP and IP but not one of them is in a position to offer a complete solution. In my experience what works best is an overall plan[8] developed at the top in consultation with the people in general and stakeholders in particular (in other words leadership) and followed up with appropriate performance management process, including independent monitoring and evaluation (in other words accountability), a program development and service commissioning process informed by evidence (in other words, evidence-based policy- making) and a professional development program to build the right capacities and skills (in other words deliverability). Questions about whether hierarchy, markets or partnerships are best are context-driven as is the difficult task of synthesizing efficiency, effectiveness and ethics. Leaders beware, there's no way around this as the public sector is as complex and complicated as the society within which it functions. They will be tempted by crude politics on the one side and fundamentalism on the other but principled pragmatism is inevitably the best course.[9] Indeed the conclusion I have reached after many years in the system is the following: Take a good idea, abstract it from the context in which it is to apply and ignore all other good ideas, and you have a bad idea!

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[8] See Geoff Gallop, "The vision thing   we need a national plan", in Miriam Lyons (editor), Pushing our luck: ideas for Australian progress (Centre for Policy Development, Sydney, 2013).
[9] See Geoff Gallop, Politics, society, self: occasional writings (UWAP, Nedlands, 2012) and also "Change" in Patrick Keneally (editor), Finding our place: thoughts on love, hope and belonging (Benevolent Society, Sydney, 2013).

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