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**PUBLIC SERVICE REFORM –
MOVING FORWARD IN CHALLENGING TIMES**

**Speech by the Hon Dr Craig Emerson MP to the CPA International Public
Sector Convention, 20 March 2009.**

A vibrant and healthy Public Service is a fundamental part of Australian democracy. Without good governance and the ability to implement government policy in an ethical and impartial manner, our system of government is brought into disrepute.

The Government recognises that a strong and effective public service is crucial to delivering its agenda.

Along with the public services of the States and Territories, the Australian Public Service has played a major role in building the strong and vibrant nation that is Australia today. As a result, many senior public servants from neighbouring countries in the Asia-Pacific region and further afield seek its guidance on issues relating to public sector reform and service delivery.

But, like any other large organisation, no public service is immune from the need to change and improve. Nor should it be. The Australian Public Service is world-class precisely because it recognises the need to be innovative and flexible in dealing with an ever changing environment.

In his address to the National Press Club in August 2008, the Prime Minister outlined the Government's long-term reform agenda and key priorities. These priorities included building a more secure Australia, given the national security challenges we face, and building a stronger Australia, with a successful economy which will enable us to deliver benefits to the Australian people. Another priority is building a fairer Australia, based on equality of opportunity, a humane safety net and by acting on disadvantage. The Prime Minister also committed to building an Australia capable of meeting the challenges of the 21st century, including climate change and to a new way of governing.

It's clear Australia faces some major challenges right now: the global economic crisis, climate change, national security, closing the gap on indigenous disadvantage, education, health and infrastructure bottlenecks. As the Prime Minister has said, tackling these challenges is beyond the resources of the Commonwealth alone. They are challenges for the Federation, and progress will

require greater levels of cooperation between the three levels of government, and between governments and business and community organisations.

Many of you will know that the Council of Australian Governments, the peak intergovernmental forum in Australia, agreed in December 2007 to a new model of co-operation between all levels of Government, with a new framework for federal financial relations to underpin the reform agenda.

At that meeting, COAG agreed to establish seven working groups to develop economic and social reforms of national importance. Each working group has been chaired by Commonwealth Ministers with deputies nominated by the States and Territories. And each working group has included senior officials from all jurisdictions, while local government is represented on the climate change, infrastructure and housing working groups.

The working groups cover many of those challenges facing Australia that I have just mentioned. There are working groups on health and ageing; the productivity agenda which encompasses education, skills, training and early childhood; climate change and water; infrastructure; business regulation and competition; housing; and Indigenous reform.

I have been co-chairing the Business Regulation and Competition Working group with Lindsay Tanner, the Minister for Deregulation, and I thought I would give you some insights into the workings of that group.

The Business Regulation working group has been operating for a little over a year now and we have achieved a great deal of progress. We've been working on 27 different areas of reform, picked for the contribution each would make to lifting the nation's productivity. These areas include occupational health and safety, a major concern for most employers; national trade licensing, so finally licensed tradespeople can work anywhere in Australia; financial services and consumer credit; consumer affairs and product safety; standard business reporting; and the national registration of business names.

We now have an agreement on the direction of the reforms with the States and Territories, through COAG, on 24 out of 27 of those areas and are working hard on the others. We have provided well over \$1 billion to ensure this reform effort is implemented: \$550 million under the National Partnership Agreement with the States and Territories and the rest to implement the reform areas for which the Commonwealth is assuming responsibility.

The model of Ministers working directly with State and Territory public servants is unique and has proven to be extremely productive. That may be because the State and Territory public servants on our Business Regulation working group have been from the central agencies: treasuries and departments of premier and cabinet.

And they have worked hard to convince line-agencies and line-ministers of the benefits of reform, particularly where those reforms involved line-ministers losing some of their territory. And of course, those State and Territory public servants are responsible for briefing their treasurers and first ministers leading up to the COAG meetings.

These new arrangements are a good working demonstration of the Government's commitment to co-operative Federalism; reviving the federation to make it work more efficiently and effectively. They also demonstrate the critical role of an effective public service; not just at the Commonwealth level, but also at the State and Territory levels. The Government recognises we cannot deliver our vision for a modern Australia without a public service that is committed to excellence in policy design, policy implementation and service delivery.

Prior to the 2007 federal election, the Australian Labor Party recognised the need for reform of the Australian Public Service to increase transparency and accountability. These are the bedrock principles on which an efficient and effective public service is based. We recognised that the institutions and systems of government needed to be improved to deal with issues, like climate change, which cross portfolio and government boundaries.

An effective public service must be strong, unified and apolitical; effective in the development of evidence-based policy and in its implementation. We made it clear that there would be no 'night of the long knives' and that any reorganisations would occur in a planned way with proper consultation. We considered that wholesale changes were unwarranted, disruptive and not conducive to a good working relationship between the public sector and the incoming Government.

In a speech to the heads of agencies and members of the Senior Executive Service in April last year, the Prime Minister outlined the key elements of the Government's vision for the future the Australian public service. One of these elements was the need to reinvigorate the Westminster tradition of an independent public service with merit-based selection processes and continuity of employment when governments change.

The Prime Minister also talked about developing evidence-based policy-making processes as part of a robust culture of policy contestability and about improving the strategic policy capability of the public service. He talked about the importance of strengthening the integrity and accountability of government and about broadening public participation in government through more inclusive policy processes. He also outlined a contemporary view of government service delivery.

As people in this room know only too well, the issues to which the Government must respond are complex. To deal with these issues successfully, the capacity of the public service must be strengthened. Agencies need to identify whether staff have the right mix of skills and are equipped to work productively in a complex and dynamic environment.

The Prime Minister sees the benefit in allowing more flexible pathways between the private and public sectors, research institutions and the community sector. He also wants to see more mobility between agencies within the Australian Public Service and the State and Territory public sectors. This cross-fertilisation is one way of improving the capabilities of the Australian Public Service.

The Australian Public Service must promote a culture of innovation: creativity and imagination are critical elements in the policy mix. In the 21st century, the

public sector needs to become more agile; able to respond quickly to changing agendas and to the fast-moving pace of our operating environment. Too often in the past the public service has resisted change and new ways of doing business. Public sector leaders need to create environments where change and growth are welcomed and accepted.

Integrity and transparency

I have mentioned the Government's commitment to improving integrity and transparency within the Australian Public Service.

Transparency and accountability are central to integrity in government and the foundation for public trust in government decisions and in the institutions of government. The Government is committed to a clear and transparent framework for the public sector which respects the separate roles and responsibilities of executive government and the public service and ensures both transparency in decision-making and public service accountability.

To achieve this, the Government has introduced a Code of Conduct for ministerial staff that clearly delineates the responsibilities of public servants and ministerial staff, and set up a Register of Lobbyists and a Lobbying Code of Conduct. It has imposed restrictions on ministers, senior public servants and ministerial staff who leave their employment to take up careers as lobbyists, and introduced merit-based selection processes for APS agency heads. It has issued new guidelines on government advertising to remove politics from advertising, with information about government advertising expenditure to be published every six months. It has also undertaken initiatives to broaden and strengthen public interest disclosure systems, or 'whistleblowing', and to reform freedom of information and electoral laws.

Evidence-based policy

I talked earlier about evidence-based policy. The Prime Minister has made it clear that he expects policy design and evaluation to be driven by proper evidence-based analysis.

It is essential that we recognise the importance of good evidence in developing effective public policy and the importance of accurate measurement in driving informed public debate and better government practice. Good data can drive improvements in public sector policy development and service delivery. Measurable quantitative indicators can help focus policy initiatives and test their outcomes.

The Chair of the Productivity Commission, Gary Banks in a speech in February on evidence based policy-making to the Australian and New Zealand School of Government, said: "Without evidence, policy makers must fall back on intuition, ideology, or conventional wisdom." I would like to acknowledge the work the Productivity Commission does, and the contribution it makes by providing the data and evidence essential to good policy development.

The Government is interested in facts and in policies which are supported by solid evidence. In the current climate, we cannot afford to implement policies that are not supported by evidence. Good evidence is simply good sense.

Innovation

The Government also wants to foster a culture of innovation in the public sector. Innovation can help deliver better policy and better outcomes across the community. But we cannot think about innovation in the public sector in isolation.

A great deal of work has been taking place through a number of Government commissioned reviews, particularly the Cutler and Bradley reviews. Cutler and Bradley both say we need to build Australia's human capital, and they make complementary recommendations on how to go about it. This is one of the most important things we can do to boost our research and innovation effort, and to accelerate our economic and social development.

The Government's response to the Cutler and Bradley reviews, due shortly, will detail a new approach to research funding, and measures to strengthen the contribution universities make to the national innovation system. This is relevant to the Australian Public Service, given the number of new graduates added to its numbers each year.

Universities, and the research and innovation systems, provide the intellectual fuel that drives innovation, ultimately making us more productive and more competitive. The Prime Minister has asked for fresh ideas and for us to take some risks and think outside the box. Innovation is critical to solving problems, like climate change and lifting Australia's productivity and competitiveness.

Terry Cutler made an interesting comment when his report was released by the Minister for Innovation, Industry, Science and Research, Senator Carr, in September last year. He said in relation to risk and failure:

"... it's really interesting when you look at science. We accept failure, the failure of an experiment, the null hypothesis, as positive learning, and we build on that. What we need to do is to apply the same to innovation and firm activity and innovation across the board. The important thing is: do you learn from failure."

I believe the long-term success of the Australian Public Sector will be measured by our ability to integrate with and draw on re-invigorated higher education, research and innovation sectors in Australia. Resources are scarce and we need the public service to look at new and innovative ways to achieve results.

Working across sectors

On another front, the public sector needs to develop the capacity to work effectively in partnership with the private and non-government sectors and with other government partners. Whole of government responses require different agencies to work together effectively.

But increasingly, the Australian Public Sector needs to work with the public services of the States and Territories, and with the private and non-government sector, to deliver services. As I indicated earlier, this is already underway through the working groups established to develop and implement the COAG reform agenda.

This is a substantial move away from the traditional public sector arrangements of governments developing responses to problems that were their sole domain. A case in point is the response to the water crisis which requires engagement across all levels of government, with business and community sectors, and with individual citizens.

Public-sector leaders and employees need to be able to develop and maintain relationships across the whole of government and with business and community sectors, and to deliver results across organisational boundaries. To help the Government achieve its policy objectives, the public service will also need to develop and attract leaders and employees that have experience in business, finance, logistics, strategic planning, as well as experience in the voluntary and community sectors.

Conclusion

The Government is committed to strengthening the Australian Public Sector, to transparency and accountability, and to making policy decisions which are based on sound evidence. We will continue with our commitment to co-operative federalism, working with the States, Territories and local government through the Council of Australian Governments. We will continue to insist on good governance and on a public service which has, at its heart, a commitment to working in an ethical and impartial manner. And we will continue to encourage a public service which has the capacity to adapt and respond creatively.

These are the building blocks to ensuring the Government can successfully implement its broad reform agenda, and deal with the challenges that lie ahead.