

Dr Heather Smith PSM
Secretary, Department of Industry, Innovation and
Science

Keynote address at the launch of the
IPAA Series “Doing Policy Differently”

4.15 pm Thursday 22 March 2018

The National Portrait Gallery, Parkes

Opening remarks

Thank you Frances for that introduction.

Good afternoon everyone. I'm very pleased to be here and delighted to be delivering the opening address of the *Thinking Ahead* series. Let me congratulate the Institute of Public Administration Australia (IPAA) on initiating this important discussion.

I would like to start by acknowledging the Ngunnawal people, traditional owners of the land on which we are meeting and pay my respects to their elders, past, present and emerging. I extend that respect to all Aboriginal and Torres Strait Islander peoples here today.

May I also acknowledge my fellow panellists David Thodey, Blair Comley, and Frances Adamson. What an impressive, and rather intimidating, trio!

Doing policy differently

The very title, "Doing policy differently," should challenge, concern and motivate us. It suggests that something has fundamentally changed; that something isn't working.

Personally, I believe the domestic and global environment has changed so much that we need to do policy differently if we are to adapt and succeed in a new environment.

Or, more bluntly, the way we are configured to make and deliver policy is no longer fit for purpose.

If true, we are likely to be flat-footed in the face of emerging priorities, opportunities and challenges; reactive rather than proactive.

If true, we are serving well neither our Ministers nor the Australian public.

If true, we are adding to growing levels of citizens' mistrust of government.

I say, "if true," because our perception of ourselves is likely to be different to that of others. We in the Australian Public Service (APS) like to think we are one of the best public services in the world — the International Civil Service Effectiveness Index 2017,¹ in ranking us as third, would seem to reinforce this.

Yet, after taking account of how rich we are — because we can afford to devote more resources to public services than can poorer countries — we slip down the rankings to 9th position. This suggests that we are no longer first-best in our policy making and program and service delivery.

We've been talking about our policy and program effectiveness for a while now.

Over the years, many departmental secretaries have shared their thoughts through IPAA about the way forward — usually in a pointed and candid fashion at the end of their tenure.

Previous heads of Prime Minister and Cabinet and of the Treasury have bemoaned the loss of policy capability.

Nearly 18 months ago Peter Varghese lamented the decline of deep policy thinking within the APS. Rebuilding our capacity was urgent, he said, because

we are at an inflection point in our history — not dissimilar to post-World War II, or the early 1980s or 1990s. If we don't, Peter warned, we will not be able to chart our way through the challenges we face as a nation.

Peter advocated radical incrementalism — the need to shift gears and shape up — rather than reinvention. Because change takes time and needs to be digestible.

Jane Halton cautioned against a go-it-alone mentality, encouraging agencies to network, work more collaboratively, and share experiences, skills and resources. She stressed the importance of using outside expertise to augment our skills and to provide quality assurance.

Dennis Richardson spoke to our excessive process and regulation in what he calls “the temptation to assume that you can regulate your way to perfection”, explaining how the APS often confuses poor individual judgement with a systemic failure by adding more process.

And what about the image of public servants as just paper pushers removed from the realities of the outside world?

Mike Pezzullo — not yet a valedictorian — has urged us to go beyond rules, procedures and processes — what he calls the “Empire of Rules”— and operate in the real world. Mike stressed the need to invest in policy research and planning and insist on clear and expressive communication.

Last year, Gordon de Brouwer identified the difficulty in broadening our thinking due to agencies becoming more tribal. He called for an integrated and more multi-disciplinary approach to policy.

Martin Parkinson, in his end-of-year IPAA speech, called out our complacency in how we think, urging us to embrace disruption and innovation.

Pointedly, he said we seem to think that disruption is something that is happening to other people but not to us. He called upon us to create safe spaces to innovate and to have better frameworks to test ideas. And he challenged us to build the leadership attributes that will be needed to lead through change and uncertainty.

Have we heeded these reflections and risen to the challenge?

Clearly we aren't standing still. Much is happening across the APS, including through the Secretaries' APS Reform Committee, which has been tasked with driving APS-wide innovation.

We are pursuing digital transformation and we are beginning to value and use our data more innovatively and effectively.

The APS is experimenting with new ways of doing things — through new policy tools, methods and approaches.

How many of us know, for example, that we have over 20 innovation labs bringing into policy development design-thinking, co-design and agile approaches?

And that they are embedding these skills across the APS by pulling together cross-disciplinary teams?

Behavioural economics and randomised controlled trials are becoming more commonplace. This expanding policy toolkit is generating innovative, compelling new policy ideas and we should be pleased with that.

But it is not enough. It is not nearly enough.

No ordinary times

Today we are living in a paradox.

We are economically strong and yet the national mood contradicts the relative economic position we are in. Multiple cross-cutting conversations across the political, social and economic spectrum reflect social and cultural insecurity about the future. Gareth Evans in his memoir — on why liberal democracy is under strain — argues that three anxieties – economic, security and cultural – have now become mutually self-reinforcing.²

FT columnist Edward Luce, in his book, *The Retreat of Western Liberalism*³, goes even further, making dire predictions about the global order.

He argues that Western liberal democracy “is far closer to collapse than we may wish to believe. It is facing its gravest challenge since the Second World War.” The adverse impacts of globalisation, automation and rising income inequality in Western democracies are eroding the middle class and leading to a groundswell of nationalism and populist revolts, resulting in either “strong man”-type leaders or mass fracturing of community consensus.

Meanwhile, the positive outlook for a global economic recovery, along with the unparalleled opportunities delivered by technological change, seems to offer

no comfort. One can understand this in countries where real incomes continue to stagnate; but it seems to hold true also in countries such as Australia, where incomes have risen and income inequality is little changed.

Australia is now in its 26th consecutive year of economic growth. In the ten years to 2014, Australia lost about 100,000 jobs in industries like manufacturing, agriculture and media. But over two million jobs have been created, about half of which are in higher paying industries.⁴

Uncertainty about the future of work is causing anxiety in our community, with people worried about their jobs being displaced by robots, and parents concerned about how their children will fare in the employment market.

While the fear of technological displacement is likely overdone, there is another set of forces at play that would truly cause great damage if unchecked, or if we are unprepared.

Throughout our modern history, Australia has known only a globalising world.⁵ Yet today the largest components of that globalised world are propelling themselves erratically in uncertain directions. Over the last 60 years we have been able to “slipstream” on the wave of openness and have not, to quote Peter Varghese, ever had to exercise real power.⁶

But thinking that the world will remain open could turn out to be a dangerous conceit given what appears to be occurring. We need to hope for the best and prepare for the worst.

Whether or not you subscribe to the view that liberal democracies are at an inflection point, that globalisation and openness can be sustained, or that

technology will radically recast the future of work, the questions for us in the APS remains the same:

How prepared are we to advise government on how to address these challenges and to deal with the anxiety being experienced by our fellow Australians?

And how do we engender the trust of citizens that we can navigate these processes?

Policy-making – what’s different?

In the past, the stereotypical view of policy-making was of mandarins in ivory towers, where power and influence was wielded by large, siloed empires of staff who had monopoly control over policy spheres and advice to government.

We know those days have long gone, if they ever truly existed. The APS workforce today is smaller and more decentralised, the fat in budgets has long gone, the information and advisory space is highly contested, and no policy problem can be solved in isolation.

Some hanker for a return to the policy processes and reforms of the 1980s and 1990s, conveniently forgetting that the commitment to openness and enhanced competitiveness came on the back of broad community concern that Australia was losing its relative economic position.

But the challenges of today are very different, a point acknowledged by Paul Keating who recently said, “Nostalgia for the reform politics of the eighties and nineties is not going to advantage us or advance us mightily.”⁷

This doesn't mean that we policy makers should be adrift, washing backwards and forwards with no anchor. As Gary Banks reminds us, "the fundamental principles of good policy process should be timeless, even if the manner of their execution must adapt to the times".⁸

Rigorous, evidence-based approaches to public policy are as important today as at any time in our history. And the lessons of the past remain valid for the future.

Without evidence, the resulting policies can go seriously astray, given the complexity in our society and economy, as well as the unpredictability of people's reaction to change.

Robust evidence and analysis serve as a counterweight to sectional interests trying to masquerade their demands as being in the public interest. This in turn requires good capability and expertise. And a strong research culture, including dedicated evaluation, helps guard against advice that second-guesses the politics of an issue.

Understanding the problem is also half the battle. Failure to do so is one of the common causes of bad policy outcomes and subsequent poor regulation⁹, for public policy is an area "rife with solutions in search of a problem".

Measured against these ingredients, it would seem some of our current practices continue to fall short.

And yet much remains within our gift to change.

Radical incrementalism or radical transformation?

In Australia we seemed to have lagged behind the rest of the Western world in our anxiety — because we largely avoided the GFC and had our terms-of-trade boom drive widespread growth. But we seem to be now converging towards the rest of the West in our conversations: the overwhelming impression is one of unresolved long-standing issues, with no agreed path to the future.

So while I agree with Peter Varghese's diagnosis of the problem, and that we must be radical in setting our vision, I am less convinced that incrementalism will now get us to where we need to be.

But why the urgency?

Arguably, the three most fundamental forces shaping Australia's future are:

- China's role in the international system and the implications for Australia's prosperity and security;
- The role of technology and its impact on the future of work; and
- The dangerous ambivalence toward the two features that underpin our democracy – respect for, and investment in, institutions that support our prosperity, and the erosion of support for our openness to the world.

As I see it, the APS today is neither structurally-configured, nor culturally-aligned to help government navigate these and other policy challenges, nor to capitalise on the opportunities when they arise. There is no sense of a burning platform. No sense of strategic preparation for the decades ahead.

So what needs to change?

First, our way of working with each other needs to transform. Our business model needs urgent disrupting. Many of the policy challenges we face require different ways of thinking and working — collaborative, horizontal team-based approaches rather than vertical-based hierarchical structures that still form the APS.

The creation of super-portfolios such as the Jobs and Innovation Portfolio and Home Affairs Department, and the use of whole-of-government task forces such as for the G20 in 2014 and more recently for the Foreign Policy White Paper have really raised the bar.

It has led us to rethink the way we do business and how we advise government, using the one lens to consider policy and program design, development and delivery.

Whether the new super-portfolio arrangements are part of a broader paradigm change in the APS remains to be seen. Time will tell. But this could be the new way of working for the APS — super-portfolios, fewer departments, and a more joined-up corporatist approach to delivering for the citizen.

If this is the model going forward, should the APS be structured more like a corporation? Should Secretaries' Board be smaller — replaced by an "Executive Committee," if you like? Should we have fewer departments, but with a common strategic plan and organisational strategy?

Second, our mindsets and work practices, reinforced by our structures, need to be less bifurcated between our domestic and international interests and more reflective of the borderless world in which we exist.

With the policy issues we deal with being increasingly integrated and multidisciplinary in nature, greater mobility within the APS will be essential to fulfilling our role.

In fact, how can we be confident that we are providing well-informed and integrated advice to government on Australia's place in the world or on the transformation of the Australian economy, if the bulk of the APS has only worked in one department?

The statistics speak for themselves. Only 2 per cent of APS staff moved agencies last year; and 72 per cent of APS staff have only ever worked in one agency. This is not a sustainable model for the future.

Not surprisingly, I'm a firm believer in mobility inside and outside the APS, having been a boundary-jumper myself between our domestic and international institutions; in having worked on economic, strategic, foreign and intelligence policy; and now, in having led two departments at the interface of digital disruption and its impacts on business and citizens.

Understanding the connectedness between policy frameworks that guide our domestic economic interests — markets, institutions, wellbeing — and frameworks for thinking about Australia's place in the world — interests, values, ideology and history — is a challenge for the APS in helping government position Australia for the future.

Third, we need a radical transformation in how we engage with the community we serve.

In part, this goes to how we help government communicate the impact of the policies we implement to real effect. But how far have we taken advantage of innovative approaches to get our messaging across, and to meaningfully engage with the community?

My sense is that our practical experience in how to engage the community beyond traditional information-sharing and consultation is patchy. This is why Martin Parkinson challenged us last year on how well we know the community we serve.

Open dialogue and user-design approaches, where we identify and understand the actual needs of the people, must be front-and-centre. As Beth Noveck from GovLab in the US (who spoke at an IPAA event last year) has said — public servants need to stop talking for citizens and start talking with citizens.¹⁰

For the APS it means being connectors, interpreters, and navigators. It may also mean being open to citizen juries. This requires a very different approach to collaboration from the traditional approach to policy.

This different way of working may mean that the APS sometimes plays more of a “broker” role; as a strategic coordinator of policy inputs, and helping to ensure that all inputs are fit-for-purpose and impartial in order to realise the best outcome for the public.

The future for policy-making will very much be a compact between government, business and community to resolve real-world problems together. More meaningful engagement with expertise in the community can only help address the complex issue of trust and enhance confidence in public policy solutions.

The threshold question for us is simple:

To what extent are we using control of process and limitations on access to data to cement our role, rather than bringing outside expertise and insights into our deliberations to give us richer understandings of issues and options, new ways of thinking about information, and new partners to enlist in the reform quest?

Conclusion

To conclude, the Australian Public Service is not broken. We have a proud tradition of over 117 years of service to the Australian public.

And we are making progress, becoming more digitally savvy, and making greater use of data to ensure that we have the right policies and programs supporting the right people at the right time.

But we have to get even better, and we have to do it quickly.

If the Government agrees to the Innovation and Science Australia 2030 report recommendation to review the APS, it would be the first root-and-branch look at the APS since the mid-1970s to examine whether we are fit for purpose -

not for today but for decades ahead. It could provide the platform for the change I've been talking about today.

Collaboration needs to become the rule, not the exception. Evaluation of policy, and communication of the impacts and benefits, need to be front-and-centre. We have a responsibility to work with everyone — government, the private sector, NGOs, academics, and the broader community.

And we need to streamline process, become more agile and innovative, rewarding people who think deeply about their work, looking for connections, and understanding best-practice at home and abroad.

And we need to be prepared to fail, fail fast, pivot, and to try different approaches in the face of failure or changing circumstances.

Because these are not ordinary times.

The work of public policy is increasingly complex at a time when trust in government and the institutions that support government is in decline.

Rising to the challenge must involve making the most of what technology has to offer.

It means us being more representative of the society we serve — that we stop seeing merit as something found only in people like ourselves.

It means serious investment in capability — be it evidence-building capacity, be it in data analytics, research or evaluation. In fact, just about everybody in the APS could benefit from building their data literacy.

Fundamentally, it means not only talking about the need for change, but acting to effect change as custodians of an institution that makes a real difference to the lives of Australians.

So my question to all of us is: can we really wait for the next generation of public servants to do this?

Thank you.

¹ InCISE, 2017. *The International Civil Service Effectiveness Index 2017*, Blavatnik School of Government and the Institute for Government, UK.

² Gareth Evans. 2017, *Incorrigible optimist: a political memoir*, Melbourne University Press, Melbourne.

³ Edward Luce. 2017, *The Retreat of Western Liberalism*, Atlantic Monthly Press.

⁴ Office of the Chief Economist. 2014, *Australian Industry Report 2014* Department of Industry, Canberra.

⁵ Allan Gyngell. 2017, *Fear Of Abandonment*, La Trobe University Press, Melbourne p.360

⁶ Peter Varghese. 2015, 'An Australian World View', DFAT.

⁷ Paul Keating. 2017, "The three great transformations", CEDA Annual Dinner Address, Sydney, 14 November.

⁸ Gary Banks. 2014, "Return of the rent-seeking society?" *The Governance of Public Policy: Lectures in Honour of Eminent Australians*, ANZSOG, Melbourne.

⁹ Gary Banks. 2010, *An Economy-wide View: Speeches on Structural Reform*, Productivity Commission, Melbourne. pp. 247-63.

¹⁰ Beth Simone Noveck. 2015, *Smart citizens, smarter state: the technologies of expertise and the future of governing* Harvard University Press, Cambridge.