Institute of Public Administration Australia ACT Division

P 02 6154 9800
PO Box 4349 Kingston ACT 2604
info@act.ipaa.org.au
www.act.ipaa.org.au

ABN 24 656 727 375

SECRETARY VALEDICTORY

DR GORDON DE BROUWER PSM

SECRETARY, DEPARTMENT OF THE ENVIRONMENT AND ENERGY

NATIONAL PORTRAIT GALLERY

PARKES, CANBERRA

THURSDAY 7 SEPTEMBER 2017

Speech as provided to IPAA by Dr de Brouwer on 7 September 2017, including a postscript on crisis management. The full delivery of the speech is viewable at https://vimeo.com/232854544

Thank you for the opportunity to speak at IPAA today.

I would like to pay my respects to the traditional custodians of the land we are meeting on, and acknowledge and respect their continuing culture and the contribution they make to the life of our city. Over the past few years, the acknowledgement of country has become more natural and important to me and I'll finish my comments today on why that is so.

It won't surprise any of you when say I am very proud to be a public servant, having been in and out of the Australian Public Service in different agencies and roles over the past 30 years. I think ours is an important and strong institution, bringing substance, delivery and continuity to government. It is, though, an institution facing its own challenges, some from the accumulation of past practices and habits, and some from big and ongoing changes in technology, in patterns of thinking, communicating and working, and in uncertainty about the world.

With these challenges in mind, I would like to talk about how we position for the future – what we can do to ensure that the public service remains effective and influential in the next decade and beyond.

I have three broad areas in mind.

The first is the people who work in the public service, and some ideas to better enable them to do the work they are employed to do and to ensure sufficient diversity in the workforce so we do our job well.

The second is about broadening our ways of thinking, and some ideas to better define problems and solutions for government.

The third is about improving public trust in institutions, and some ideas to lift trust in public administration.

So let me start with public servants. The vast majority of people I have worked with over the years are professional, capable and seriously hard-working individuals. They are well trained. They want a challenging job and want to do it well. I am proud to have worked with them.

My sense is that, over the years, as problems have occurred or mistakes been made, management of issues and briefing responsibilities have been progressively elevated and sometimes centralised. I suspect that too often Senior Executive officers have ended up doing the jobs of Executive Level officers as a way to manage risk, that they too often (usually unintentionally) crowd out more junior officers, and that those EL officers in turn do not have the opportunity to learn on the job and hone their analytical, conceptual and communication skills and judgment. The result is that we are not developing the next cohort of leaders and senior leaders to think and to have the ability and courage to provide good and persuasive strategic and operational advice to ministers. We need people who can deal with the serious challenges and greater and new global risks we face (and I have a postscript on crisis management at the end of the written version of this talk). And we won't recruit and retain enough good young people if we don't provide meaningful and responsible jobs. I think this resonates personally with us all: frankly, we thrive and are motivated to do our best when we are given responsibility and treated like adults.

This is what management jobs in the public service were meant to be, as set out in the Australian Public Service Commission Work Level Standards. The distinguishing characteristics of a good SES officer are strategic oversight and ensuring the capability of teams, with greater complexity the higher the level. The heart of public sector management is the EL, whose job requires strategic professional expertise, problem solving and leading teams and stakeholder engagement with autonomy.

Looking at these work standards, the norm in preparing written briefing should be that the ELs lead their staff in the development and writing of a brief, with the active engagement and guidance of their SES and others, and that verbal briefings, including to ministers, should typically be led by some combination of EL2s and Band 1 SES, with more senior officers to provide high level strategic advice, especially on sensitive and broad topics. But this is not happening as much as it should.

In my experience, SES and EL officers are able to get on with the job they are paid to do when:

1. internal process systems, like financial delegations and brief clearances, support decision making
2. the departmental approach to risk, professional development and culture support an officer being able to his or her job with reasonable care and diligence, as set out in the Public Service Act, and
3. incentives are consistent with work standards, so that people are rewarded for doing their job and empowering their staff, able to learn from mistakes, and penalised for malfeasance or deliberate negligence but not failure.

There are two things we can do to remedy over-management. The first is to check whether staff are given responsibility to do their job and, if not, explicitly devolve responsibility and institute the system I just outlined. The second, more controversially, is to drive behaviour change by considering cutting the number of SES levels across the service from four (including the Secretary) to three, essentially combining SES Band 1 and 2 levels and strengthening the EL2 level. The literature on the desirable number of management levels settles on five to seven layers of management. We have six, which sounds reasonable on the face of it. But, given the tendency in the public service to elevate risk management and decision making, I see value in redesigning our system to five layers – three SES, two EL. If well designed, regime change in this case could be an opportunity for cultural change in leadership, to one with greater emphasis on empowerment, risk taking and effective systems of support.

As we think about the people who join and work in the public service, it is also timely to build on our successes in broadening the diversity of people and experience, and make deeper institutional changes to support this.

The value of diversity is not just that it humanises us and helps us treat others with respect and value them for the people they are, but that it keeps us on our feet, brings in new and different ideas, ensures we have the best of the crop advising ministers and implementing government policy, and improves outcomes.

In many respects, the public service does well in diversity.

We typically have vibrant women's, Indigenous, religious, disability and LGBTI networks in our agencies. I think that is important and warrants ongoing reinforcement.

We are certainly stronger on gender balance than we used to be, but we could finally turn the dial to 50:50, especially at senior levels, by being more explicit and forward leaning on flexible working arrangements and changing some of our selection procedures, like expanding our senior officer recruitment panels from three to four people, with a requirement of gender balance on the panel, not just to ensure we are neutral to gender in promotion but to give an unambiguous signal to applicants that we are.

We can also do more on Indigenous recruitment, including cadet and graduate recruitment, and the use of identified (ie Indigenous aware) positions and special measures (Indigenous-only positions).

We are clearly underdone on ethnic diversity and disability in the Canberra-based service, and can be more forward leaning in talking to people with these backgrounds about public sector careers.

Finally, we can do a lot more on the recruitment of people with different professional backgrounds on the issues we deal with, specifically from business, universities, not-for-profit organisations and state administrations, perhaps under contract and certainly at different levels of seniority. Peter Shergold's 2015 report talked a lot about this and it is unfinished business. I know first-hand that ministers would appreciate these other professional perspectives as part of the advice we provide them. Stakeholder engagement alone does not cut it. Ministers value knowing that these more diverse professional backgrounds and insights are not just an input (sometimes) but are part of the assessment, filtering and construction of the ideas we talk about with them.

This takes me to my second theme, about how we draw together different ways of thinking and disciplines in identifying the forces at play in the world, understanding public policy, and defining solutions in the national interest.

As a general observation, we have a discipline-specific approach to defining the national interest, born from professional pride in expert principles-based thinking and the fact that many departments are themselves discipline or line based. We do work hard, and sometimes very well, at finding integrated solutions but it is often hard because our initial framing occurs within a particular way of thinking and can be difficult to broaden when agencies become tribal. I have to say it took me a long while to see this and only after moving between very different parts of government.

Let me talk through a couple examples.

I trained and worked as an economist. This has been invaluable to me in learning to think about systems, connections and stability, and interpreting events in terms of forces at play and where they are likely to lead. At its best, economics demands critical thought – about the various sides to an argument and the evidence for them (cost-benefit analysis), about what is given up in following a particular policy (opportunity cost), and whether there are unintended consequences to a particular policy or if the intended outcome of the policy will come undone (dynamic consistency).

This is all good critical thought when done well. But it is not always best in show when it comes to public policy. Economics works much better when combined with other disciplines.

What matters in public policy is not just whether the idea is good but whether it can be implemented and is durable. It's no use having an analytically superior idea if the policy cannot be implemented or implemented well. And it is no use having an analytically strong policy if it makes no sense to the public and it won't endure or stick. The ranking of solutions turns not on whether it is the best based on first principles. Rather the recommended proposal in public policy revolves on good principled insight that works in practice and makes sense to people.

Rarely does a single discipline produce the best outcome for public policy.

In natural resource management, for example, it is often the active joint exercise of science, economics, law and psychology that produces good and durable outcomes that the community will accept. The general public is really much more interested in natural resource management that balances environmental, economic and social outcomes than of one single element in isolation. None of the four disciplines I mentioned can do that alone, but they can when they work together, and again with an explicit focus on effective implementation.

Take another example: Australia’s national interest in the world. The combination of security and economics is more likely to advance our national interest than treating each in isolation or as innate alternatives. Framing the problem matters because it can determine the scope and quality of solutions to problems. Language matters. It is standard practice in international relations to use the term ‘strategic’ to define the security dimension of our national interest with respect to the rest of the world. Rather than being part of our strategic interests, economics is used in international relations as an add-on: we have strategic *and* economic interests. To put it crudely, in a polarised debate, it makes our economic interests sound *un*strategic, dismissed as the pursuit of greedy businesses, blind and perhaps even inimical to our long term security. This framing is insidious. It walks away from income, wealth and jobs. It walks away from seeing and actively pursuing a plurality or multiplicity of interests here and in other countries. It walks away from structuring all dimensions of our engagement with other countries in terms of rule of law, principles and norms, institutions and governance. It walks away from the possibility of different options and solutions, none of which may be perfect, and it risks the fast track to conflict.

In all these examples, the public is best served by multi-disciplinary approaches with a focus on implementation and delivery. It does not mean that each minister and department is the minister and department for everything. What it does mean is that Cabinet is well served by active and open conversations within, between and outside of agencies, in using and integrating different ways of thinking early in the process rather than at the end, and in the diverse workforce I mentioned earlier.

Two practical ways to encourage people to think differently are, first, active and targeted movement of officers at various levels between different agencies and with business, universities, not for profit bodies and state governments, perhaps even a system of formal rotation, and, second, broad-based and ongoing professional development that also brings public servants from different parts of government and people outside government together where possible and gives officers first-hand knowledge of Asia and the Pacific. The public is best served when public servants bring all the evidence and tools of thinking together, when they work through solutions together and with key people outside the public service, and when ministers, supported by their departments, bring coherent solutions to Cabinet. And greater understanding underpins trust.

This takes me to my final topic about positioning public administration for the future: dealing with declining public trust. There is a lot of commentary about declining trust in politicians, public administration, business, media and others. Pretty much everyone is in the public’s sights. The IPAA national conference this year is on regaining public trust, especially as it concerns public administration. I am not going to comment on other groups but I do think there are two things that public servants can do to improve trust in our society.

The first is just to talk like normal people to each other and the public.

Specialist language is everywhere in academic disciplines and professional life, and it is often easier to use complex jargon and acronyms as shorthand. Public servants are no less exposed to this but I think it is compounded in the public service because of a culture that writing must be impersonal, detached and detailed, which just means lots of bloodless prose, passive verbs and convoluted sentence construction, and long lists with lots of brackets inanely explaining terms or stating the completely obvious. I am a very calm person but reading briefs sometimes drives me crazy (less so than it used to because briefs are shorter and written better) and I have seen it affect many ministers the same way. Think then of how the public responds to this secret language. Clear expression shows that you can put yourself in the mind of others and that you think clearly, both of which are essential to being persuasive.

Yet there is a deeper element in how our engagement with the public has evolved. While public policy talks about outcomes, outcomes are hard to measure and the call for greater public accountability and development of internal systems in the 1990s and 2000s gave rise to an imperative within the public service to report on and assess the many inputs and outputs thought to be related to outcomes, with a lot of process created as a result. In a world where public servants are accountable for myriad inputs and outputs, they have an incentive to try to directly control those inputs and outputs where they can, tightening bureaucratic controls on members of the public when they interact with government through regulation, transfers or programs. The system technically shifted back a notch in 2013 with the introduction of the *Public Governance, Performance and Accountability Act* to a focus on outcomes, risk taking and greater responsibility within agencies and a greater focus on deregulation, but the culture and habits of process, caution and direct control run deep. They are, moreover, continually reinforced by the unforgiving scrutiny of audit and performance institutions within government, Parliamentary Estimates and the media, which are seldom constructive in their criticism and almost exclusively focussed on what goes wrong, however small, and not on what goes right or on the opportunities lost by not taking a risk.

Talking to the public like normal people is not just a matter of language, it is also a matter of how we think about the public. We have built a habit of referring to the public as stakeholders, which in practice means outsiders who are to be managed. There are regular attempts to shift the posture back to thinking of the public as insiders in public policy, through various campaigns like citizen-, people- or community-centred policy (think the Blueprint) and a more direct focus on delivering outcomes (think the PGPA Act and Shergold and Belcher Reviews). These are valuable and can build trust with the public but they require constant reinforcement.

More generally, public debate in many areas has become highly polarised, simplistic and less generous. 140 characters matter. Slogans sell. The protagonists often select the evidence to support their argument, and much of the media reinforces this. I think there is an increasingly important role for non-advocacy institutions, like universities, non-partisan think tanks, science and research bodies and government agencies, to draw knowledge together and present information digitally in ordinary language to better help the public inform itself about what is going on. Government agencies do play a role here because we are the non-political part of government and are stewards of enormous amounts of relevant information at hand, particularly around legal and policy frameworks for decision making and data. Advances in technology, data, social media and the digital world are really changing the game in how this information can be accessed and used by the public, and they are an opportunity for us as public stewards.

So in terms of how public servants build the public's trust, it comes down to how we talk with the public, how we treat them, and how we ensure that we provide, rationally and without advocacy, the information they want and need to make informed judgments and decisions. While there have been lots of specific reviews and there are lots of policies to do this, it is timely to reflect on how well we are doing and how well we are positioned as a public service for the future in a very different and digital world.

I am coming to the end of my comments.

I have been spectacularly supported by many generous and decent people over the years, many here today. I cannot thank you all by name but I do appreciate your support and friendship.

I would like to state two specific thanks.

The first is to Jane Ferguson, who has been my executive assistant for almost a decade. Jane is a wonderful person, enormously capable, patient and wise. A skilled wrangler. I really could not have done my job without her and I would like to publicly thank and acknowledge her for all she has done.

My other formal thanks is to the Aboriginal and Torres Strait Islander people I have worked with over the past four years as secretary of the Environment and Energy Department. I have been privileged to work with you. My life has changed in many ways over the years, and I have experienced each new step as the discovery of a new and exciting universe. Yet the greatest serendipity for me as a person has been experiencing the warmth, generosity and insight of Indigenous people, and coming to see and value their knowledge, culture, spirituality, meaning of country and personal histories. A lot of public discussion about Indigenous matters is focussed on the challenges, like closing the gap, and seldom on the contribution that Aboriginal and Torres Strait Islander people make to our nation. I have been inspired by the Indigenous people I have worked with and the strengths they bring. Much of our discussion on natural resource management is about Indigenous people as part of the solution through their knowledge and management practices on species, land and water, including traditional early season burn.

Listening to Aboriginal and Islander people, I have come to better appreciate the need for reconciliation and recognition, and the practical importance of acknowledgement of country as part of these processes. As we celebrated the anniversaries of constitutional reform and the Mabo decision, I reflected on how, at the time, these events involved uncertainty and, especially in the case of Mabo, a lot of fear and serious concern, but, when we look back at them now, we see them as inevitable, good and major successes. My hope is that, as we discuss the next steps of reconciliation and recognition, we also mentally look ahead 25 and 50 years and can see uncertainty give way to celebration and pride in being the people we will be.

Thank you.

Postscript on Crisis Management

I would like to reflect on one matter that has been centre stage in my career: economic and financial crisis management.

I never planned to work so much in economic and financial crisis management.

I studied economics, specialising in macroeconomics and banking and finance, in the heady days of the early and mid 1980s, as many markets in Australia were opened up to domestic and foreign competition, restrictions removed, and many firms went in search of balance sheet growth. I worked at Westpac in Tokyo in 1989 as a credit analyst in one of the headiest of speculative booms, then later at the Reserve Bank in the early 1990s in the clean up of our own boom to be followed in the later 1990s by the Asian financial crisis, and then for PMs Rudd and Gillard on the global financial crisis and its aftermath from 2008 to 2013. I have worked on three crises in three decades – broadly in line with the view that there is a crisis a decade – not always, but sometimes, of your own making. And there are ways to make it better or much worse.

There is a huge literature on economic and financial crisis prevention, management and resolution. The best observation – and the one that matches my own experience – was by Rudi Dornbusch that crises start with a balance sheet problem. A crisis is most spectacular when the problem lies with bank or government balance sheets but it is still serious when it is household and business balance sheets, as the UK and Australia learnt in the early 1990s. Debt-heavy balance sheets are like sticky fly paper on economic growth, making the downturn deeper and recovery much slower because income has to be used to repair the balance sheet, which can take years, and not for spending.

I say this because the quality of Australia's household and government sheets has deteriorated and it makes us more vulnerable in what is a more complex and risky world, even with our strong macro-prudential frameworks and institutions.

The Bank for International Settlement's measure of Australian household debt is 123 per cent of GDP, well above the 75 per cent average in the developed world. There is a smell in the housing market now of the Australian corporate world of the 1980s: you can't have too many assets, balance sheets can't be too big, and prices can only go up. There's froth around.

In recent decades, the Government's balance sheet has been the counter to household debt. The unspoken social contract since financial deregulation in Australia has been that the Government will keep its balance sheet small so that households do not have to (or at least not as much). This contract has been especially important for a country with an economy that chronically relies on foreign saving and has highly variable terms of trade.

But the ground under that compact is shifting.

Government debt in Australia is now around 40 per cent of GDP on the BIS measure, well below the developed country average of around 110 per cent but well up from under 10 per cent of GDP a decade ago. The gap between the sum of government and household debt relative to GDP in Australia and other developed countries has fallen from 40 percentage points in the early 2000s to 20 percentage points now, with most of the narrowing of the gap occurring in the past half decade.

We are losing our insurance.

Based on Budget figures, it will take a couple of decades of surpluses to bring Commonwealth debt back to where it was before the global financial crisis, which means that it is most likely we will face the next crisis with a lot less ballast in the tank. Debt amplifies a negative shock. The unambiguous consequence of that is that the impact of a hit to our income and jobs will be deeper and the recovery from slowdown or recession will take longer.

I go through this argument because crises do happen fairly regularly in the world, about once a decade. The trigger could be anything from a sharp slowdown in China, jump in protectionism or trade war across the Pacific or the Atlantic, bank breakdown in Europe or China, conflict in north Asia or the Middle East.

Tackling our debt problem will help reduce our vulnerability. We have shown in the past that we can come to grips with economic problems, and we need to show the same foresight and action now.