

**REFORM OF AUSTRALIAN  
GOVERNMENT ADMINISTRATION**

**SUBMISSION OF THE VICTORIAN GOVERNMENT**

## INTRODUCTION

1. The Victorian Government welcomes the opportunity to provide a submission to the *Reform of Australian Government Administration*. The reform of Australia's public administration is of direct interest to the Victorian Government given the Australian Public Service (APS) delivers many vital services to Victorians and also collaborates with the Victorian Public Service (VPS) to deliver other essential services to the community.
2. Resolving many of today's policy challenges such as climate change, water, workforce participation and social cohesion also requires both policy innovation and cooperation at the Commonwealth and State levels.
3. Collaboration and partnerships will become more important in the future given the increasing complexity of Australia's social, economic and environmental challenges and the interdependencies between the jurisdictions. A high performing public service is needed at all levels with strategic policy capability and the ability to deliver well designed citizen-centred responses.
4. Many of today's public policy challenges are common across jurisdictions as are the drivers of change shaping the public service. This submission:
  - highlights the enduring role of the public service in this environment of challenge and change;
  - presents five drivers of change common to both the APS and the VPS;
  - outlines four public service imperatives; and
  - proposes a number of cooperative measures between the Commonwealth and State public services to strengthen the public service's capacity and its ability to contribute to Australia's economic, social and environmental wellbeing.

## THE ENDURING ROLE OF THE PUBLIC SERVICE

5. The Victorian Government recognises the pivotal role of the public service in providing the government of the day with robust and independent policy advice as well as delivering high quality services and programs to the community.
6. The ethos of an apolitical and merit based public service has remain unchanged since the 1854 Northcote-Trevelyan Report which reformed the British civil service. These reforms introduced the core values of integrity, impartiality and objectivity which remain central to best practice public administration.
7. In Victoria, the public sector values of responsiveness, integrity, impartiality, accountability, respect, leadership and human rights have been enshrined in legislation through the *Public Administration Act 2004*. These values underpin and reflect the behaviours essential to the relationship between the Victorian public sector and the Government, the public sector and the community, and between those who work in the public sector.
8. Although the public service ethos has endured since the 1850s, the landscape in which the public service operates has significantly changed. While change itself is not new, the speed of change has accelerated resulting in a more complex operating environment. This acceleration has been influenced by globalisation and the corresponding flows of people, capital and information. New technology has also accelerated the speed of change.

## DRIVERS OF CHANGE

9. Both the APS and VPS are being impacted by demographic change, new approaches to policy development, and new technology. Unpredictable and exogenous shocks are likely to remain ever present risks.

## **Demographic change**

10. Australia's ageing population presents numerous policy challenges including labour market participation, demands on the healthcare system, adequacy of retirement savings, and workplace recruitment and retention.
11. It will also have a significant impact on levels of workforce participation. As older workers retire, skill shortages are forecast across a range of industries and this will affect Australia's competitiveness and economic growth.
12. Population growth is an emerging challenge. Advance projections from the third *Intergenerational Report* indicate that Australia's population will reach over 35 million in 2049, a substantial increase from our current population of 22 million people. The same estimates indicate that Melbourne's population will jump from 4 million to almost 7 million.
13. The growing population presents distinctive policy challenges including maintaining liveability, preserving natural resources, and managing the expansion in physical infrastructure. There will also be a need to continue delivering quality services in transport, health, childcare, education and other community services that meet the demands of an increased population.
14. Policy challenges arising from demographic change will need to be addressed by both the APS and the VPS in order to deliver sustainable solutions and advance our nation's prosperity.

## **New approaches to policy**

15. Tackling the increasing complexity of policy problems requires using new approaches to policy design including prevention and economic design.
16. The increasing prevalence of chronic diseases such as obesity, diabetes, stroke and heart disease has placed a premium on prevention. These diseases have significant consequences for families, communities, the healthcare system and workforce productivity.
17. Increased investment in prevention is a key driver behind the Victorian Government's WorkHealth initiative which offers workers a free and confidential health check to help them understand their risk of heart disease and type 2 diabetes. Prevention and behaviour change programs have a broad range of applications beyond chronic disease including crime, anti-social behaviour, and environmental sustainability.
18. New ideas and techniques are also emerging from the field of economics that will affect the way public policies are designed, tested and evaluated. This field of economic design enables policy economists to design policy instruments that mimic the properties of markets and to test these mechanisms in an economics laboratory.
19. Economic design opens up the prospect of using new instruments to address previously intractable policy problems through techniques such as specialised auctions, incentive structures in contracts, smart markets, and information markets.
20. Victoria has championed economic design through initiatives such as a capacity building program to upgrade the experimental economics laboratory at the University of Melbourne, provide access to the laboratory for Victorian policy analysts, and to build policy design skills in the VPS.
21. A number of innovative Victorian policy initiatives have used these new instruments including the design and implementation of large scale market-based instruments for biodiversity management; specialised auctions to allocate aquaculture licences; and allocating gaming machine licences. A program is currently being developed to expand this economic design capacity to a broader set of policy problems including congestion, procurement and energy market design.

22. These new policy development approaches highlight the importance of continuous skill development for public servants. At the same time, there is still a role for traditional policy instruments such as regulation and legislation and ensuring they remain relevant and fit for purpose.

### **New technology**

23. New technology and in particular, Web 2.0 is redefining how we communicate. People are using the internet to connect and collaborate in new and different ways. With Web 2.0, users are not just consumers of content but also creators and producers, resulting in an environment of co-production.
24. This extends to the public service where new technology can deepen democratic processes through participation, support evidenced based policy through robust consultation, and tailor the delivery of services to meet citizens' needs for personalisation and choice. Access to comparative information about services can empower citizens to make informed decisions about choices that meet their needs.
25. Technology can also democratise public information by opening it up to the public. As other jurisdictions such as the District of Columbia in the US have found, opening up public service information can improve its quality and usefulness as well as creating value for the community and government
26. For the public service, the new media environment means utilising the opportunities available through the reach and immediacy of Web 2.0 to improve policy and service delivery outcomes. It also means harnessing the power of new technology to collaborate and gather the best ideas to address increasingly complex issues.
27. Consideration needs to be given as to how the public service engages in an online environment as this may involve publicly articulating and presenting professional views. This could require the development of online participation protocols or guidelines that align with public service values.

### **Public service workforce**

28. As with the APS, the VPS will also be affected by the impact of an ageing workforce. There has been a steady increase in the proportion of the VPS workforce aged over 45 and there is a need to prepare for generational change, especially at the senior levels.
29. At the same time, the public service has to deal with the dual challenge of the changing attitudes and expectations of a highly collaborative, younger generation entering and advancing within the workforce.
30. These concurrent challenges have implications for attraction, recruitment and retention. The public service needs to position itself as a contemporary employer of choice and as an attractive career.
31. To address the workforce challenges in the VPS, the Victorian Government has endorsed six strategic goals which include improving attraction and recruitment strategies, improving agility in employment practices, improving retention in high risk work categories, and strengthening workforce planning capability.

### **The wild card**

32. Events such as major pandemics, natural disasters and acts of terrorism will continue to test the capacity and responsiveness of the public service.
33. For example during this year alone, Victoria has dealt with an extreme heatwave resulting in major power blackouts; the devastation of the Black Saturday bushfires; the fall-out from the global financial crisis; and the outbreak of the H1N1 virus. These events have presented enormous challenges for the VPS, and necessitated flexible and adaptive ways of working.

## **PUBLIC SERVICE IMPERATIVES**

34. The public service faces four imperatives if it is to maintain its capacity to drive policy reform and provide high quality services that meet the needs of citizens. These are: productivity, agility, innovation and renewal.

### **Productivity**

35. Productivity growth is a major driver of economic growth and Australia's long term prosperity. Continuous productivity gains remain a vital issue for the public service where productivity improvements can deliver improved performance, cost efficiencies and increased effectiveness in service delivery.
36. Current challenges in measuring public service productivity are now being addressed by other jurisdictions including Ireland, Finland and New Zealand. Similar work should be a priority for Australia's public sector.

### **Agility**

37. As the Discussion Paper acknowledges, the uncertainty of the future and changing demands requires an agile public sector. The concept of agility was the subject of an international collaboration between the State Services Authority in Victoria and Demos, the UK think tank in 2007.
38. The project found that agility means understanding and meeting the needs of citizens in the short term, adapting structures and services to address medium term trends, and shaping needs in the long term.
39. The establishment of Victorian Bushfire Reconstruction and Recovery Authority (VBRRA) exemplifies public service agility. VBRRA was established three days after the Black Saturday bushfires. In setting up VBRRA, key staff were appointed quickly including senior executives with extensive experience in operations management and track records of delivering results.
40. Staff were seconded from a range of state government departments resulting in a collaborative environment and a common purpose where the focus was delivery. Establishing VBRRA has also entailed collaboration between sectors as private sector staff have been seconded to VBRRA.
41. The ability to rapidly redeploy Victorian public sector staff was recognised as so important during a crisis that it has been enshrined in legislation. Earlier this year, the *Public Administration Act 2004* was amended to facilitate the movement of staff within and between departments in the event of another major disaster.
42. The public service needs to foster agility in its people, systems and processes. Central to this is a strong focus on achieving results that make a difference to the community.

### **Innovation**

43. Governments around the world are increasingly seeking innovative approaches to the challenges they face. New ideas and approaches are needed in an environment of fiscal constraint, rising citizen expectations and complex policy challenges.
44. Cultivating innovation and implementing new ideas can be a challenge. To foster innovation, organisations need incentives to pursue new ideas; sufficient resources and capacity to try new approaches; and an enabling culture and leadership. A public service that drives innovation can create significant value for the community. It can lead to better policy design, more effective regulation, and improvements in service delivery.
45. Innovation has been identified as a high priority for the future of the VPS. A VPS Innovation Action Plan has been launched which seeks to embed a culture of innovation in the public service.

46. Developed through extensive consultations with Departments and practitioners, the Plan is endorsed by all Departmental Secretaries and the Chief Commissioner of Police.
47. The Action Plan focuses on creating the connections, and developing the skills and culture, that will support and encourage greater innovation in the VPS. The Plan has four action areas:
  - creating connections between people, ideas and opportunities
  - building innovation capability
  - generating ideas and rewarding good practice
  - sharing information and data.
48. There are 11 initiatives in the Plan including the development of a new web 2.0 platform that will provide the on-line space to collaborate across the VPS. The platform will leverage new media technology so that VPS staff can use wikis, blogs and other rich media to generate and test ideas, as well as form communities of practice. The platform will also include an on-line toolbox of practical innovation resources including creativity tools and the latest thinking in innovation.
49. A secondment program is also being developed for VPS staff to work on innovation challenges in the private and community sectors. This will broaden their perspectives and experience which they can apply on their return to the public service.
50. In diffusing innovation in the public service, risk is a major challenge that needs to be considered. By its very nature, any innovation will involve a level of risk. In the public service, risk can be amplified due to a number of factors. These include the scrutiny under which the public service operates, the need to be prudent in expending public money and the potential for failure in achieving policy or service delivery outcomes.
51. This can lead to an overly risk adverse public service culture that stymies innovation. What is needed is a sensible approach to risk where innovation risks are assessed and mitigated so that innovation can proceed with an appropriate degree of managed risk.

## **Renewal**

52. Renewal of the public service is integral to maintaining the public service's capacity to deliver quality services and forward looking policy advice. The need for renewal is not confined to Victoria or indeed Australia. It has become an issue for many public services around the world.
53. People are at the core of the public service. The ongoing viability of the public service is contingent on recruiting and retaining high quality staff. This means developing effective attraction strategies, streamlining recruitment approaches, targeting investment in learning and development, and focusing on retention and succession planning.
54. The establishment of the Victorian Leadership Development Centre (VLDC) is a major Victorian initiative to develop best practice approaches to leadership development and succession management in the VPS. VLDC programs are building leadership capacity across the VPS, identifying and developing high potential public service leaders, and creating a broad and diverse pool of talented leaders.
55. Renewal of public perceptions about the public service is also needed. For example, international research shows that there are varying levels of trust in the public service. Trust is a cornerstone for the public service as citizens expect the efficient and effective delivery of public services and the prudent management of resources.

## **PUBLIC SERVICES WORKING TOGETHER**

56. The Discussion Paper considers the following issues: a values driven culture that retains public trust; high quality, forward looking and creative policy advice; high quality, effective programs focussed on the needs of citizens; flexibility and agility; and efficiency in all aspects of government operations. These issues are not unique to the APS as they are issues faced by public services across all jurisdictions.
57. Additionally, both the Commonwealth and the States need to work collaboratively to maximise the benefits to Australia of Australia's federal system and deliver outcomes of national significance. This necessitates a respectful understanding of the State's roles and responsibilities.
58. The Federation is crucially important to the national interest and our future prosperity. It is therefore critical to maintain its strengths. Any reform of Australian government administration and capacity building needs to address the skills needed to collaborate with the States to achieve shared goals and outcomes.
59. There are benefits to be gained by public services and governments working together to strengthen public service capacity and capability. The establishment of the Australia and New Zealand School of Government (ANZSOG) is a case in point. Governments from across Australia and New Zealand recognised the need for a leading educational institution that would provide tailored learning opportunities and strengthen the management and policy capacity of the public sector.
60. Public services have also worked collaboratively to exchange ideas and practice through forums such as the COAG Workshops series. This explored COAG-related subjects from different perspectives and with a broad range of senior stakeholders. The workshops enabled the sharing of knowledge and took a longer-term view of policy challenges.
61. This knowledge sharing and exchange is also occurring at an international level given many of the public service challenges are global in outlook. Examples include the collaboration between the State Services Authority and Demos on agility and the new synthesis in public administration project which is currently underway.
62. Led by the Canada School of Public Service, the new synthesis project is bringing together Australia (represented by ANZSOG, the Australian Public Service Commission and the State Services Authority), Brazil, Canada, the Netherlands, Singapore and the United Kingdom.
63. The project is examining what is needed to align a contemporary view of public administration with the challenges of serving the public good in the 21st century. The different economic, social and cultural contexts of the international partners provides a rich and fertile environment for the exchange of ideas and perspectives.
64. There is an opportunity for Commonwealth and State public services to build on these measures and work collaboratively to address mutual challenges. This submission presents the following proposals.

### **SUBMISSION PROPOSALS**

**Proposal 1:** an annual public administration round table involving senior government practitioners from each jurisdiction's public service. The objective of the round table is to facilitate collaboration between jurisdictions and the exchange of ideas, practice, research and outcomes of public administration initiatives.

**Proposal 2:** secondments between the APS and the VPS to broaden the perspectives of officers from each jurisdiction and provide a better understanding of the issues faced by the respective tiers of public service.

**Proposal 3:** identification and delivery of collaborative learning and development across jurisdictions on contemporary public policy skills such as social marketing, behavioural change and economic design.

**Proposal 4:** joint projects between jurisdictions that investigate future challenges in public administration. One suggested research topic is measuring public service productivity. The development of a public service productivity framework could draw from international experience and take a multilevel approach that would enable comparative analysis within and between jurisdictions.