

Address to the Senior Women in  
Management (SWIM) 2000 Group,  
PSMPC, Canberra

**Implementation of Public Sector  
Reforms – Where you sit is what  
you see**

10 March 2000

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# **IMPLEMENTATION OF PUBLIC SECTOR REFORMS - WHERE YOU SIT IS WHAT YOU SEE**

Notes for Address to the Senior Women in Management (SWIM) 2000  
Group, PSMPC, Canberra, 10 March

*(copies of the overheads used for this presentation are available from  
Kay Gordon)*

## **1. Participants' Questions O/H 1**

- What is working well
- What needs further work
- What needs to be amended
- How is implementation of reforms affecting APS management practices

## **2. Respond under three headings O/H 2**

- People
- Systems
- Organisation

## **3. Could address from either a glass half-full or half empty viewpoint**

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- Depends on your perception (eg. proponent/critic)
  - Perceptions
    - : addressing negative image of a 'bloated' indulgent bureaucracy, inward looking, intrusive, uncaring and with 'snouts in the trough'.
    - : promoting positive view of an APS showing leadership, integrity and high levels of performance and which is caring, responsive, trusted and accountable.
- Mixed scorecard (varying experience)
  - also Parliament's view
  - a 'tempered' response  
**O/H 3**

## 4. Introductory Remarks - The Impetus for Reform

The Australian Public Service (the APS) reform agenda has spanned almost two decades. As with many other democracies, Australian governments have been under increasing pressure to achieve a better performing public service and less costly, more tailored - or better focussed - and higher quality services for their communities. Accordingly, the Australian Public Service has been steadily evolving towards a more private sector orientation with a particular emphasis now on:

- the contestability of services;
- the outsourcing of functions which the private sector can undertake more efficiently;
- ensuring a greater orientation towards outputs and outcomes, rather than just on process;

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- adopting a more business-like approach with a particular focus on cost minimisation; and
- an accent on continuous improvement to achieve better performance in an environment of devolved authority and greater management flexibility.

These developments have given rise to a focus by many politicians, public servants and academics on what constitutes 'core' public sector activities as opposed to 'non-core' ones. The Minister Assisting the Prime Minister for the Public Service has stated that the Government's objective:

*'has been to focus the APS on its core activities of policy development, legislative implementation and the contracting and oversight of service delivery'.*

That is, what are those functions which can, and should, only be performed and delivered by government. Clearly, the size of the core is shrinking as evidenced by outsourcing and privatising in areas which, hitherto, were considered traditional public sector activities. Just how small the core can become is very much open to debate. But even areas where the public sector has traditionally held a monopoly, such as the provision of policy advice, are becoming increasingly open to competition from the private sector. This action can involve the creation of a market for **O/H 4** public sector service delivery, such as employment services, where there is greater choice and more competition with adverse consequences, more recently, for the sole public sector provider. In a less dramatic fashion, we are witnessing the increased outsourcing of corporate support functions including the provision of information technology services.

A major impetus for the changes we have witnessed to date has been the fundamental questioning of what government does, or should do, allied with a perception of inefficient (costly) and ineffective (lacking client focus) delivery of public services due to its monopoly provision and/or other constraints of public sector administration. Reform efforts have focused on core government activities, as indicated above in the Minister's statement, that is: policy development; legislative implementation and the contracting and oversight of service delivery. The implementation of the reform agenda has involved organisational restructuring, business re-engineering, outsourcing, commercialisation, privatisation and/or the transfer or abandonment of functions and services.

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Put simply, the prevailing rationale is that public services would be provided more efficiently and effectively, with greater client satisfaction, in a more market-oriented environment which provides greater flexibility for management decision-making and the discipline of competition. Indeed, history shows varying support for such a view but with reservations, for example, about market imperfections and public goods arguments (to use economic terminology). Concerns have been expressed about the maintenance of public service values and ethics, as well as issues such as probity, privacy, security, equity and transparency. More about these issues later.

Prime Minister's view about minimum public service functions.

**O/H 5**

## **5. People are our most valuable resource**

- Earning and exhibiting trust and confidence
  
- Blame culture
  
- Importance of communication constantly reinforced (silos within and outside an organisation do not help)
  
- Leadership
  
- Letting/making managers manage
  - personal responsibility/accountability (legislative requirement)
  
- Flexible (principles-based) legislation
  - *Workplace Relations Act 1996*
  - *Public Service Act 1999*
  
- Different kind of career service

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- a range of job experiences within and outside the public sector
- more scope to attract/retain valuable staff in terms of workplace arrangements, including remuneration
- lack of collegiality and limited Whole-of-Service approach
- Increased emphasis on contract employment
- Politicisation of the public service
  - frank and fearless advice
- Mixed signals about the Senior Executive Service (SES)
- PSMPC initiatives to improve performance
- Downsizing the public service
- loss of corporate memory, uncertainty and instability

[See also ANAO Report No.49 1998-99 '*Staff Reductions in the Australian Public Service*', Canberra, 29 June]

As at 30 June 1999, the APS had 113,268 permanent and temporary staff, **O/H 6** 6.7% fewer than at the same time a year earlier. In part, this decrease results from coverage changes and outsourcing of functions such as information technology and human resource management services to the private sector. The changing size of the APS is discussed in more detail in the PSMPC's *State of the Service Report 1997-98* (pp.8-9).

- different kind of 'public service'  
**O/H 7**
- growing proportion of women (more than 50 per cent in the ANAO) **O/H 8**

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Over the last ten years, the percentage of women among total APS staff (permanent + temporary) has risen from 44% in June 1989 to effectively half the total number of APS staff in June 1998 – a figure which remained unchanged at 49.5% in June 1999. Over the same period, women have increased significantly in the temporary employment category.

- growing percentage of women in higher classifications  
**O/H 9**

Despite the increasing proportion of women as a percentage of total staff, women continue to be concentrated in the ASO streams although at a gradually decreasing level. In June 1999, 78% of female staff were employed permanently at the ASO classification level compared with 82% in June 1990. Despite this, as a proportion of total staff in this category, female representation has remained steady at nearly 60% of total ASO staff for nearly a decade.

As women have increased as a proportion of total APS staff, there have been some changes in the more senior classification levels. As illustrated, women have increased as a proportion of senior officers (from 22% in June 1990 to 33% in June 1999) and SES (from 11% in June 1990 to 24% in June 1999). See the PSMPC's *Workplace Diversity Report 1998-99* (pp.17-19) for more information.

Data included in the State of the Service Report 1998-99 (page 14) indicates that there has been no significant gender difference in the age at which officers are promoted to the SES over the last five years.

- higher percentage of separations (52%) were women in 1998-99.

The ANAO's audit of staff Reductions in the APS found that the rate of retrenchment was higher for men than women in the two of the last three years (until 1997-98), despite the representation of women in retrenchments increasing from 36 per cent in 1995-96 to 46 per cent in 1997-98.

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EEO Group	Retrenchment rate (%)		
	1995-96	1996-97	1997-98/1998-99
<b>Gender</b>			
Women	1.97	77.97	<b>8</b>
Men	<b>2.97</b>	<b>78.66</b>	<b>8</b>
<b>APS-wide retrenchment rate</b>	2.47	78.27	<b>3</b>

Note: Retrenchment rate calculated as retrenchments in the 12 month period divided

(30 June).  
by total staff in each category at the beginning of the period

Rates in bold type if larger than the APS total rate

1998-99 indicative figures only

However, the number of women being retrenched has increased since that time. The State of the Service Report 1998-99 (page 10) indicates that 1998-99 was the first year when the number of women separating from the APS exceeded the number of men. In 1998-99, women made up 53% of retrenchments. This change was mainly due to the number of women being retrenched - the number of women retrenched fell by 3.7% from the previous year compared with a decrease of 27.7% for men. Females accounted for over two-thirds of retrenchments from Centrelink and over one-third of retrenchments from the Department of Defence. In both these agencies, the proportion of women being retrenched is higher than the female representation in those agencies' overall staff numbers.

- One would hope this is an unintended effect of the Reforms which, in the past, have focussed on increasing, as well as retaining, not just the number but also the experience and contributions of women in the APS.

- Aging of the public service **O/H 10**

- As reported in *Staff Reductions in the APS*, the APS is continuing to age, having fewer younger people and proportionally more older staff. The proportion of staff aged 40 and over increased from 36% in June 1989 to 54% in June 1999 while the under-40 group declined correspondingly. The State of the Service Report 1998-99



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includes a more detailed discussion of the age profiles for men and women as well as an estimate of the median age of the APS in 2009 using a linear projection model (pp.11-13)

- Issues of Workforce Planning
  - recruitment/retention
  - personal development
  - performance management/pay
    - : links to outputs/outcomes
  - productivity vs market pricing vs non-price factors in productivity and market pricing
  - ability to pay (policy vs operational, large vs small agencies)
  - agency orientation with little or no whole-of-service involvement
- Public Service Values/Code of Conduct
  - importance of *Public Service Act 1999* (Values section 10, Code of Conduct section 13 and Breaches section 15)
  - ethical conduct - a definition **O/H 11**
  - ethical behaviour and accountability **O/H 12**
  - Code of Conduct and managerialism **O/H 13**
- Passing on a better public service to the future
  - Prime Minister's Garran Oration observation **O/H 14**

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- Obligation on public servants, particularly Chief Executive Officers
  - : making the APS attractive particularly to young Australians
  - : leaders of tomorrow
  
- Challenge to make APS experience attractive to private sector employees.

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## 6. Dependence on Systems

- Information technology and communication advances

Throughout the move to globalisation, new technology has been revolutionising the telecommunications sector dramatically increasing the speed of communication. As well, new and innovative networks have been developed for the rapid transfer of all types of information. These changes have made distances between buyers and sellers virtually irrelevant.

- Top level involvement and commitment
- Facilitating management and service delivery
- In-house vs outsourced provision
- Global environment
- Strategic management including business applications
- Skills gaps - capacity to develop/manage
- Privacy/security concerns
- Access for clients/customers
- Management
  - Knowledge-based systems (shared data bases)
  - Decision support systems

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- : focussing skills more productively vs de-skilling
- HRMIS/FMIS integration
  - : New systems (accrual based)
  - : SAP/R3, patches/integration difficulties
  - : Year 2000 problem
  - : GST implementation
  - : Compatibility with DOFA's 'AIMS' (Budget system)
  - : Short timeframes for multi-implementations
- Ø Risks
- Ø Security
- Ø Reliability
  - Activity based costing
  - Life cycle costing
  - Time recording
  - Total cost/pricing regimes
    - : Competitive Neutrality
    - : Commercial Tendering and Contracting (CTC)
  - Accounting/budgeting on an accrual accounting basis

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- : management issues (outputs and relevant benchmarks)
- : pricing basis (quality and other non-price factors)
- : degree of certainty for strategic planning
- Process benchmarking
- Electronic Commerce (business to business)
  - : early adoptees (Customs, ATO, Health, AGIS)
  - : banking/accounts processing (partial)
  - : purchasing/procurement (never ending story)
- Project management
- Contract management
  - : legal complexities
  - : risk transfer

Ø *'... In practice, on IT projects in particular, we have seen considerable naivety of government departments as to the extent to which they can actually transfer risk'. [Comment by Deputy Auditor-General, UK National Audit Office]*

Ø Similar problem in the Commonwealth Public Sector while recognising that it is a central issue to the Private Financing Initiative, both in the UK and in Australia.

- : commercial-in-confidence
- : freedom of information

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- : milestones
- : delivered value
- : monitoring/review
- : performance information
- : accountability for service delivery and program outcomes
- Service delivery
  - E-Commerce connexion with clients (2001)
    - : Prime Minister's 'Investing for Growth Statement' (December 1997) included making the APS a leading edge user of technology as well as a commitment for appropriate services being internet deliverable
    - : ASIC's New Code of Conduct (Australian Financial Review 8/3/00 – page 10)
  - Internet
    - : exploiting the potential for more responsive public service
    - : security concerns ('Public Key' technology, physical separation and software based 'firewalls').
  - Website (a small initial step)
  - More demanding clients/customers
    - : Privacy concerns

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## 7. Organisation

- Governance (core/non core Government) **O/H 15**
  
- A well managed Public Organisation **O/H 16**
  - Robert Black, Auditor-General (Scotland)
  
- Corporate Governance
  - Generally refers to process by which organisations are directed, controlled and lead. It encompasses authority, accountability, stewardship, leadership, direction and control exercised within organisations.
  
  - A framework for coping with devolution of authority
    - : with lessening of central controls and involvement of central agencies in corporate governance
  
    - : with contracted service providers (DFACS/Centrelink)

Not surprisingly, the increased emphasis on personal responsibilities and accountabilities has focussed attention on personal sign-offs to the CEO, and so on to other organisation levels often as part of the normal hierarchical delegations for particular areas of responsibility by particular individuals, including for financial performance. But, I would like to point out, it is not the action of personal sign-off that creates the assurance. It is what underlines (or what underpins) the sign-off that is important, including endorsement of that framework and its acceptance by those who rely on it. Instructions (such as Chief Executive Instructions), operational guidance and user-friendly information systems are essential in this respect and part of good corporate governance. Therefore the exercise of responsibility and associated sign-offs, in relation to an organisation's stakeholders, are seen as central to good corporate governance with its agreed objectives, strategies and performance measures.

Devolution of authority has also increased the emphasis on the individual organisation (whether this is a government agency, an authority or a company) with less central control being provided by

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central agencies. This means that a variety of tasks with traditional corporate governance attributes which were previously undertaken by central agencies and specialist groups, are now the responsibility of individual entities.

I would suggest that devolution of authority and accountability to agency heads, together with contracting out and contestability, has significantly increased the risk profile of agencies. As agencies increasingly have recourse to contractors, some of whom in turn employ sub-contractors, to perform what were once considered core public sector activities, the 'golden thread' of accountability that binds the Australian Public Service does become strained. At the very least it engenders a higher level of uncertainty as the line of responsibility is extended. The public sector must manage the risks inherent in this new environment if it is to achieve the levels of performance required and satisfy whatever accountability requirements have been determined.

The absence of these central controls and direction has also undoubtedly reinforced the need for good corporate governance in individual agencies and entities. Corporate governance provides the vehicle to integrate conformance and performance imperatives. Organisations are now responsible for their own oversight and need to develop and implement appropriate accountability and performance structures to assist them measure their achievement against strategic objectives. Any coordination of activities or sharing of experiences are matters for individual agencies to arrange between themselves. Further reduced central oversight and coordination is problematical as agencies recognise that some interrelationships, such as 'shared outcomes' are indicative of the need for broader corporate governance arrangements across agencies. Realistically, the latter will obviously take some time to accomplish. This is something I address later in relation to the suggestion that we may be moving from market-based bureaucracies to network bureaucracies.

- Corporate planning and program (output/outcome) management **O/H 17**
  
- Necessity for good financial information - a driver **O/H 18**
  
- Policy vs administration in purchaser/provider arrangements **O/H 19**
  
- Accountable for what to whom **O/H 20**



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- Means vs ends  
**O/H 21**
  
- A pragmatic view on the values in service provision  
**O/H 22**
  
- Focus on clients/customers  
**O/H 23**
  
- One-stop shop arrangements (eg. AusIndustry)
  
- The contractual nature of Service Charters  
**O/H 24**
  
- Tailoring contracts for services to local conditions  
**O/H 25**
  
- Accountability rights of citizens  
**O/H 26**
  
- Transferring accountability - not Parliament's view  
**O/H 27**
  
- The ability to manage post out-sourcing  
**O/H 28**
  
- Maintenance of skills and knowledge of the business  
**O/H 29**
  
- Key messages for use of contracts  
**O/H 30**
  
- Third party alienation in contract arrangements  
**O/H 31**
  
- Commercial-in-Confidence issues  
**O/H 32**

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- Freedom of Information
- Reversal of onus of proof
- Operating in a political environment  
**O/H 33**
- Supporting the public service ethic?  
**O/H 34**
- The New Zealand model and accountability  
**O/H 35**
- Making organisational change effective  
**O/H 36**
- A riskier public sector

Periods during which any revised accountability arrangements and changed organisational structures are having to be bedded down present the greatest risk to effective decision-making. In my view, such risk is accentuated as a result of:

- greater involvement of the private sector in contractual arrangements which have to be actively managed;
- loss of corporate memory in agencies with downsizing of the public sector;
- the greater use of computing technology with attendant control and fraud related issues (particularly when outsourced);
- a lack of project and contract management skills in the public sector; and
- insufficient experience generally in managing on an accrual accounting and full costing basis.

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- There is a need to strike a balance between the appropriate nature, and level, of accountability and the imperative to achieve cost-effective (value-for-money) outputs and outcomes.
  
- Public/private relationships - internal or external competitiveness (benchmarking) in an increasingly global environment
  - The development of partnerships **O/H 37**
  
  - Moving from a 'market' to a 'network' bureaucracy
    - Shared outputs/outcomes (within and outside the public sector)
      - : intermediate outcomes
  
      - : treatment of community service obligations

In an increasingly global environment, the question of competitiveness and/or contestability of the public sector against similar elements in the private sector, including benchmarking of performance, would seem to be likely to be more outwardly than inwardly focused in the future at least. External pressures may require the development of 'real' partnerships between the public and private sectors in the interests of maintaining national sovereignty and global competitiveness. The imperative would then be to develop a highly performing public sector to complement the private sector rather than just compete with it. In this respect, it is interesting to consider the United Kingdom (UK) 'Modernising Government' approach which stresses 'partnership delivery' by all parts of government as well as with the private sector. The UK National Audit Office subsequently reported on its response (and strategies) to that policy, including the notion of 'joined-up' government.

In a similar context, a recent article by Professor Mark Considine and an associate noted the emerging image of 'network bureaucracy' stressing co-production of results as against 'market bureaucracy' with its emphasis on contracting-in and introduction of quasi-markets. The move to an output/outcomes framework for managing resources and measuring performance at the Federal Government level has engendered discussion about 'shared outcomes' and the strategic and other relationships between outputs that contribute to those outcomes and those organisations

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responsible for both. Nevertheless, while recognising there are debates, for example, about transactions costs issues associated with contracts and markets, academic writers have also pointed out the limitations of trust-based relationships, longer-term instability of inter-organisational networks, unintended consequences such as fraud and corruption and resistance to innovation and protection for under-performing organisations. The issues are not simple and require wide-ranging debate but many might support the view that:

*'...the choice between markets, hierarchies and networks should be a matter of 'practicality' instead of 'ideological' conviction.*

[Seddon Nicholas, 1999. *'Government Contract - Federal, State and Local'*. The Federation Press, 2nd Edition (page 28).]

- UK 'Joined-up' Government

Interestingly, the UK 'cross-cutting approach', which refers to any policy or service where there is, or should be, joint working between government departments and agencies, as part of 'joined-up' government, not only encourages auditors to support and encourage sensible risk taking but also wants them to minimise any barriers or disincentives to the approach due to audit.

- Some downsides to networking but not in consultation  
**O/H 38**

## **8. The future public sector**

- One view  
**O/H 39**
- Working in the reality of a political environment  
**O/H 40**
- A strong public service is essential to good governance

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- APS is well regarded nationally and, probably more so internationally
- A question for you - Do we have a highly performing, well motivated, accountable and proficient APS?