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## **HOW INDEPENDENT SHOULD ADMINISTRATION BE FROM POLITICS?**

Theory and practice in public sector  
institutional design in Australia<sup>1</sup>

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### **Introduction**

Government administration in Australia is separate from politics, but the degree of independence varies. Broadly, the main functions of Australian government administration, such as policy advising, service delivery, industry regulation and oversight of government, can be mapped to its main organisational structures: ministerial departments, service delivery agencies, statutory authorities and government business enterprises (GBEs). Over recent decades, particularly as governments have focused on performance – including by using market-type mechanisms to improve efficiency and networks across and beyond government to

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<sup>1</sup> This article builds upon presentations made by the author to a United Nations Development Programme workshop held in Beijing in 2013 (not published), and earlier to a 2011 workshop at The Australian National University hosted by the HC Coombs Policy Forum on 'Accountability structures for citizen-centred public services' (Podger 2011). In 2019, the author drew on the material in this article in major submissions to the Independent Review of the Australian Public Service (Thodey Review).

improve effectiveness – the mix of structures has changed and their accountability frameworks have adjusted. The mapping of functions to structures remains complex – rather like ‘signposting the zoo’, as a former New Zealand colleague suggested – in part because of continuing debates over the appropriate degree of the administration’s independence from politics for different government activities.

This chapter proposes a framework of formal and informal structures and processes that might guide future governance arrangements for different functions in the Australian public sector, with a view both to promote organisational performance and to ensure appropriate accountability to the public.

First, the chapter provides some background on institutional theory as well as political and organisational theory and practice, and their relevance to public sector organisational structures in Australia. This suggests that, while there is no single or static optimal governance structure, generally, ‘form follows function’ and public sector structures are shaped by judgements about the balance between political control and organisational independence appropriate for the functions involved.

The main organisational structures now used in Australia for different types of functions – and their governance arrangements – are then described, including how the legal framework has evolved over the last three decades in response to new public management (NPM), new public governance (NPG) and subsequent reforms. Examples are given of developments in structural arrangements for the different types of organisations as these reforms have been introduced and reviewed. This highlights some of the contemporary challenges Australia faces, including to develop a consistent approach towards balancing political control and bureaucratic autonomy, and to identify structures most appropriate to providing citizen-centred services.

The chapter finishes with a possible framework of both formal rules and informal processes that would support greater consistency and coherence, and that might enhance the performance of organisations with different functions and ensure their appropriate public accountability. The framework draws on both the theoretical discussion and the history of Australian practice, as well as the contemporary challenge to provide services that are responsive to the needs and preferences of citizens and their families and communities.

## Theoretical considerations

### Institutions<sup>2</sup>

Institutions set the ‘rules of the game’; that is, the way in which people organise regular interactions (Ostrom 2005). There are often multiple layers of institutions and each layer is shaped by and, in turn, influences the others (for example, in the public sector, the layers comprise constitutions, laws, policies and policy processes, and administration). They may involve formal rules, laws and structures, and also informal processes, conventions and practices. Preferably these are self-reinforcing and mirror beliefs and cultures, but they may sometimes be in conflict with them.

Institutions help to reduce uncertainty, setting constraints and coordinating the views and actions of those involved. Accordingly, they can foster efficiency. At the same time, however, there may be costs involved with institutional weaknesses and failures.

Institutions change and evolve, affected by social, environmental and technological developments. They themselves also affect societies and politics: they are political actors in their own right (March & Olsen 1984). An ‘agency perspective’ focuses on how individuals shape the system; while a ‘structuralist perspective’ focuses on how institutions react to exogenous changes and, in turn, establish a new cohesive social structure that shapes people’s behaviours.

### Political institutions

Institutions are particularly important to the study of politics and public administration as they have an impact that goes beyond how people interact to the way they make choices (Ostrom 2005). They shape the opportunities that people have, as citizens, to be heard, to participate in decision-making and to access public services (Lowndes & Roberts 2013). Informal institutional rules can be as powerful as the formal ones, for example, in setting a professional public service ethos.

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<sup>2</sup> This brief summary draws heavily on the literature review in Talbot-Jones (2018).

McIntyre argues that the ‘power concentration paradox’ creates dangers in political frameworks that disperse control of decision-making too far, as well as those that unify decision-making too firmly at the centre (McIntyre 2003). A balance is required to ensure that the political system can respond flexibly, decisively and in a timely way to changing circumstances, while also limiting the scope for capricious or arbitrary behaviour.

Advanced democracies have ‘a thick web of social and economic regulatory institutions’ (to use McIntyre’s phrase), which generally avoid the extremities of centralised and fragmented power. This web includes the judiciary, the legislature (often bicameral), a free press, a multi-level government structure, multiple parties, a range of semi-independent authorities (separate from the political executive), and non-state actors that monitor and contest policy and performance.

The question explored here is whether, within this ‘thick web’, and particularly within the bureaucratic arm of the executive, there is sufficiently explicit understanding of the *degree of independence* appropriate to different functions in order to achieve the optimal balance.

## Australia’s political institutions

Australia’s public sector organisational structures operate in the context of a market economy and a strong civil society, and within a parliamentary democracy and a federal intergovernmental framework.

- **Market economy:** government activity is generally limited to addressing market failures or delivering public goods, ensuring a fair distribution of income and material wellbeing, and setting a stable social and economic framework within which individuals and businesses can go about their daily lives and business with confidence.
- **Civil society:** government activity complements a strong civil society by supporting extensive networks of non-government organisations (NGOs) providing community services and representing and advocating for various society interests.
- **Parliamentary democracy:** the executive government comprises the party with majority command over the elected parliament (or at least the lower house), is accountable to the parliament and is subject to the law. The judiciary is independent of the executive and the legislature. There is a clear separation between politics and administration

within the executive, in which services are managed by professional, non-partisan public servants in line with the policies and programs set by the elected government.

- **Federalism:** Australia's provincial governments (states and territories) are sovereign or semi-sovereign authorities and are responsible for the delivery of most public services (schools, public transport, hospitals, police).

Within this essentially liberal-democratic framework, public sector organisations within the executive arm of government are:

- *accountable to* the parliament (and hence to the public) through the system of ministerial accountability, with each organisation reporting to a minister and each minister being held accountable to the parliament
- *accountable for* their performance in utilising public resources efficiently, effectively, economically and ethically in accordance with the law and the organisation's purposes as set by the elected government and/or the parliament.

The ways in which this accountability operates vary with the functions involved and the requirements set by the parliament. The separation of politics from administration gives administrators a degree of independence to ensure that their decisions are impartial, non-partisan and according to the law while remaining in line with the lawful directions of ministers and the policies of the elected government. This degree of independence varies, with some organisations having statutory powers provided by the legislature that constrain ministerial directions. The nature of the 'performance' for which agencies are held accountable also varies depending on the functions being performed.

The balance between political control and organisational independence is also affected by informal conventions and practices. The degree of bureaucratic autonomy, regulated through formal rules and structures or informal conventions and practices, may be affected by such factors as the importance that the legislature or the public place on impartiality, the reputation of the organisation for its expertise or pursuit of the national good, and the strength of its relationships with the public or with powerful stakeholders (Carpenter 2001). These factors or considerations demonstrate that the organisational structures within government are determined not only by the formal frameworks but also by the behaviours

of the organisations themselves and associated informal arrangements, and that the formal frameworks set by the legislature may be fashioned by the past and expected future behaviour of the bureaucrats involved.

In line with NPM reforms, accountability arrangements over the last four decades have shifted from an emphasis on conformance with rules and processes to an emphasis on performance for results. Organisations' governance arrangements have also evolved with a shift to devolution of management authority, the use of markets for the delivery of services and an associated change in functions within government to purchasing and regulating rather than delivering services (Keating 2004). There has also been a 'thickening' of the relationship between politics and administration in recent decades (Light 1998) with increased resources for partisan support of ministers and a more general 'professionalisation' of politics.

More recent NPG and post-NPG reforms have modified NPM's emphasis on vertical accountability to promote horizontal or whole-of-government coordination and wider networking with civil society (e.g. Rhodes 1997; Osborne 2010; Pollitt & Bouckaert 2011), and take advantage of new technology. The use of third parties to deliver public services has been extended to encourage greater collaboration focused on 'citizen-centred' services that are responsive to individual needs and preferences. Associated with these developments is more 'downwards and outwards' accountability direct to citizens complementing the formal 'upwards' accountability through ministers to the parliament, with administrators and their non-government partners expected to achieve 'public value' (O'Flynn 2007). This idea of 'public value' is not without its critics, who are uneasy about constraining the role of elected politicians in Australia's parliamentary system of government (Rhodes & Wanna 2007).

These developments, as indicated further below, have affected governance arrangements for organisations with different functions, in some cases allowing greater independence within defined performance expectations, and in others imposing closer political control. Similarly, there are instances in which structures have been merged to achieve greater coordination and other instances where organisations have placed greater reliance on data linkages and other more informal networking processes. A key question is whether these developments warrant some adjustment to either the formal rules or the informal conventions and practices that give effect to the degree of independence of different administrative functions.

## Organisational theory and practice

Organisational theory has evolved over the last century from Frederick Taylor's 'scientific management' (Taylor 1947), emphasising formal structures with clear authority, firm rules and distinct jobs based on skills; Max Weber's 'bureaucracy' (Weber 1978), delivering products and services efficiently and consistently on a large scale; to the identification of 'organic' as distinct from 'mechanistic' functions (Gulick & Urwick 1937), and the importance of behavioural factors (e.g. Maslow 1954; Simon 1957; McGregor 1960; Likert 1961; Herzberg 1968) and informal, non-hierarchical arrangements that support individual performance, productivity and innovation.

Australian practice in government broadly followed these theoretical developments, first with the use of semi-independent authorities to develop and manage the railways and various utilities and the emphasis in the public service on merit-based appointments, firm establishments and defined jobs (Public Service and Merit Protection Commission 2001; Australian Public Service Commission (APSC) 2003); and then, much later, the increasing employment of economists and other social science graduates and the shift away from detailed job classifications in the 1980s, when technological development drove radical changes.

More recent organisational theory emphasises both formal and informal structures and processes, the nature and mix varying with different organisational functions and circumstances. Mintzberg, for example, describes five types of structures that are suited to different organisational purposes and situations (Mintzberg 1979). Evidence of continued technological change places further emphasis on 'flexibility' and 'agility' to promote and respond to innovation, though it is not always clear what this specifically requires in terms of formal and informal structures and processes other than the greater use of ad hoc project teams, new start-up organisations and capacity to quickly reorganise and integrate horizontally rather than control vertically. There remain, however, functions that are more suited to stable structures with firm controls, including in professional fields reliant on high levels of training and associated professional regulation as well as businesses with ongoing products and services requiring stable divisions led by middle managers under central oversight.

Current Australian public sector management rhetoric focuses on ‘innovation’ and ‘agility’ (Parkinson 2016; Independent Review of the APS 2019), but the implications for organisational structures are yet to be explained. Moreover, Weberian bureaucratic attributes such as consistency and impartiality remain core values in the public sector notwithstanding the importance of embracing and responding to change (Podger 2016). It may therefore be likely that organisational structures within the public sector will continue to change with the functions being performed, and to involve mixtures of formal and informal rules and processes.

## **Australia’s main public sector organisational structures and their legal framework**

The main public sector functions in Australia are:

- provision of policy advice to ministers
- purchasing of public services
- delivery of public services
- regulation of industries and services
- provision of expert research and statistics
- oversight of various aspects of government activity
- commercial delivery of services where there is market failure, such as where there is a natural monopoly.

Very broadly, these functions can be mapped to Australia’s main organisational structures:

- departments undertaking policy advising and purchasing of services and which work directly to ministers who are elected politicians
- service delivery agencies or executive agencies, operating within the policies set by ministers and funded by government, sometimes on a purchaser/provider basis through ministerial departments, with a focus on effective and efficient management and on meeting the needs of clients

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- statutory authorities the functions of which are set out in legislation and that operate with considerable independence of ministers, often undertaking regulatory functions or specialist research or oversight of government activities (the last group is sometimes referred to as ‘integrity’ organisations)
- GBEs operating primarily commercially with limited reliance on government resources.

These distinctions are not always clear. For example, some service delivery agencies have their own legislation and are therefore statutory authorities, and services are frequently delivered by departments rather than non-departmental organisations; other structures fall between these major types (e.g. museums and specialist service providers that rely mostly on government revenue but operate in a quasi-commercial manner); and organisational arrangements within some larger agencies handle particular functions somewhat differently to the agencies’ primary functions (e.g. independent statutory committees and semi-independent bodies working within ministerial departments responsible for regulatory functions, and bureaus within departments conducting semi-independent research). There are also various types amongst these main structures (e.g. GBEs that are corporations or companies, and companies that are limited by shares or guarantees). Department of Finance reports since the early 2000s have identified this complex array of organisations (e.g. Department of Finance and Administration 2005a; Department of Finance 2020).

At the national government level, public service and financial management law is the primary legislation setting out the formal rules for governance and accountability. Both have been substantially reformed since the early 1980s (APSC 2003) and the most recent changes came into force in 2013 and 2014 (Podger 2018).

## Public service legislation

The new Parliament of the Commonwealth of Australia passed legislation for its public service shortly after federation in 1901. The *Public Service Act 1902* covered all employees of the fledgling Commonwealth Government, with a central employer and a rules-based approach to establishing a firm ‘merit-based’ career public service to implement the decisions of the elected government and its ministers. While the legislation was replaced in 1922, this approach continued until the 1970s (Minns 2004).

Starting in the late 1970s, the central employer (the Public Service Board) began to allow more flexibility by delegating powers to the agencies it oversaw. This began with establishments (internal agency structures and numbers and levels of positions) and moved on to recruitment and promotion and, in the 1980s, aspects of pay and conditions. In 1987, the Public Service Board was abolished and replaced by the smaller and less powerful Australian Public Service Commission, with more employment powers devolving to agencies. Much of the oversight of agencies shifted to the finance department through its budget processes, which reinforced the move to performance management based on outputs and outcomes.

The *Public Service Act 1999* (PS Act) confirmed agency heads as the employers of staff. All employees must uphold legislated public service values including impartiality and being 'apolitical' (non-partisan) and accountable, and the merit principle. These attributes imply a degree of independence from ministers notwithstanding the requirement to be responsive to the elected government and subject to lawful directions by ministers. The PS Act also strengthened the accountability of agency heads for agency management and performance.

Most publicly funded government organisations are now subject to the PS Act. Those outside its regulation include GBEs, bodies with military-style employment (police and defence force) and bodies with distinct workforces and significant independence of government (e.g. the Australian Broadcasting Corporation and the Commonwealth Scientific and Industrial Research Organisation). Just over half of all Commonwealth public sector employees are currently covered by the PS Act and the rest are employed under their organisations' authority or other legislation.

The legislation was reviewed following the Moran Review (Review of Australian Government Administration 2010), and an amended PS Act came into force in July 2013. The amendments addressed some problems arising from the degree of devolution introduced during the reforms (which had gone further than devolution in any other country) and promoted more collaboration across government. They also strengthened the role of the public service commissioner and made departmental secretaries responsible for the 'stewardship' of their agencies, addressing ongoing capability as well as current performance.

Importantly, these changes strengthened the formal distinction in Australia between politics and administration, increasing the degree of independence of the public service in terms of its apolitical, impartial and professional character, whether the public servants work in ministerial departments or service delivery agencies or statutory authorities. This shift is partly in response to strong trends in the opposite direction in recent years via informal practices through, for example, the growing number and influence of political advisers outside the public service working for ministers (Podger 2013a); those informal practices remain significant.

## Financial management legislation

Until 1997, financial management and accountability was governed by the *Audit Act 1901*, which was also passed by the new Commonwealth Parliament shortly after federation. The legislation and its associated regulations and directions set out detailed processes for authorising expenditure of public moneys appropriated by parliament, giving the Treasury (and, after 1977 when Treasury was split, the Department of Finance) considerable powers over the financial management of all government agencies.

Throughout the 1980s in particular, Finance increasingly delegated its powers, especially in the case of agencies that were not so dependent on government revenues (by allowing these to retain and spend the moneys they raised), as it shifted its attention to performance in terms of results rather than proper use of inputs (Management Advisory Board and Management Improvement Advisory Committee 1992). Separate controls over allocations for salaries, consultancies, travel, training and office consumables were replaced by controls over aggregate 'running costs' and performance measures and targets were introduced. Those not reliant on government revenues were relieved of all detailed controls and required to report only on such measures as returns on assets and the delivery of community service obligations (see below regarding GBEs).

This devolutionary process and the distinction between types of agencies culminated in new legislation passed in 1997, the *Financial Management and Accountability Act* (FMA Act) and the *Commonwealth Authorities and Companies Act* (CAC Act). Broadly, the FMA Act applied to agencies that were financially dependent on general revenue and came under direct control by ministers: it gave their chief executives considerable authority

for financial management of appropriated moneys so long as this was done efficiently, effectively and ethically, and there was open accountability for performance of the agency through the chief executive to the minister and the parliament. The CAC Act applied to agencies operating on a more commercial basis and those with some statutory independence from ministers: it provided further devolution of authority and, for commercial bodies, accountability arrangements akin to those applying to private firms under corporations law.

Both Acts were principles-based rather than prescriptive and, for the most part, proved successful in giving effect to NPM's emphasis on devolved authority in exchange for much tighter accountability for results.

The legislation's bifurcation led, however, to some problems due to inconsistency in the allocation of agencies to one Act or the other, and difficulties arising from the application of commercial rules to non-commercial statutory authorities; there was also concern about the lack of a single set of principles applying to all agencies. A 2003 review of statutory offices and officeholders (Uhrig 2003) attempted to convey firmer guidance on when agencies should have boards or just chief executives but did not address the legislation. The Department of Finance subsequently issued guidance on the appropriate structures for different government functions, drawing on the Uhrig Report and advising on the suitability of financial management law to individual organisations and whether they should be under the PS Act or not. The guidance clearly favoured ministerial departments as the default option (Department of Finance and Administration 2005b).

Criticism of the Uhrig Report (and to a lesser extent the Finance guidance) was widespread (Wettenhall 2004–05; Gourlay 2004; Halligan & Horrigan 2005), mainly for its failure to appreciate the complexity of public sector management and the range of structures that are appropriate for different functions, and for imposing a firmly private sector approach.

Commencing around 2010, the Department of Finance conducted the Commonwealth Financial Accountability Review (CFAR) (Department of Finance and Deregulation 2012). This broader review was the trigger for new legislation, the *Public Governance, Performance and Accountability Act 2013*, which replaced both the FMA and CAC Acts. It provides a more coherent whole-of-government approach to

performance management and accountability and expands the previous legislation's principles approach while simultaneously recognising the appropriateness of a wider range of agency types. It uses a more practical bifurcation of agencies, essentially on the basis of the extent of reliance on government revenues, with 'Commonwealth entities' being those more reliant and 'Commonwealth companies' being those operating commercially (and subject to corporations law). The classification of different Commonwealth organisations remains complex, however, as is evident in the Department of Finance's *Australian Government Organisations Register* (Department of Finance 2016a) and its most recent 'flipchart' (Department of Finance 2020).

The Department of Finance has updated its 2005 advice on the most appropriate structure for different government activities. The assessment template (Department of Finance 2016b) guides reviews of existing organisations as well as proposed new organisations through a series of 'gateways':

1. whether the Commonwealth has the constitutional power to undertake the activity
2. whether the government is best placed to undertake the activity, in whole or part, compared to an external body
3. whether the activity can be conducted by an existing Commonwealth body, in whole or in part.

The guidance seeks information to substantiate whether the activity requires statutory independence or should operate commercially, and also requires cost–benefit analysis of viable options for a body's governance structure. This seems likely to continue the 2005 guidance that favoured ministerial departments or, at least, large organisations with economies of scale (or the use of shared corporate services with other organisations). The template does not, however, include specific views on the appropriateness of certain structures for certain functions, but simply requires reviews to present arguments. The Department of Finance nonetheless presumably assesses the arguments presented and advises ministers, and the chances are that it gives more weight in its decision-making to the cost–benefit analysis and ministerial control than to other factors.

## Examples of structural developments and reforms

### Ministerial departments

Departments provide the closest support to ministers through policy advice, assisting with the preparation of legislation required to implement government policy and ensuring that the government's policies and programs are properly managed. In many cases, particularly at provincial government level where the emphasis is more on service delivery than high-level policy, departments often directly manage the government's programs. As indicated below, Australia has not moved as far as some other countries down the NPM path of separating policy advice (in departments) from service delivery (in executive agencies), though it has always had some services managed in non-departmental organisations.

The prime minister has the authority to determine the allocation of responsibilities between ministers and departments via the Administrative Arrangements Orders. This power to change departmental responsibilities and structures is exercised frequently in Australia and presents considerable flexibility in the overall structure of government, with the corollary of administrative disruption. Factors in the allocation of functions include not only promoting improvements in performance via better linking of related functions and adjusting to new priorities and circumstances, but also political considerations such as balancing the governing party's geographic and factional interests.

A significant development in Australia was the introduction of 'super departments' overseen by a portfolio minister with support from assistant ministers. This approach began at the Commonwealth level in 1987 and has been replicated by most provincial governments. The two main advantages have been to give departments sufficient breadth of responsibility to manage effectively their public service and financial powers and to support better policy coordination by having every portfolio (and its department) represented in the cabinet by its senior portfolio minister without allowing cabinet to become unmanageably large, and by each portfolio minister having one or more junior ministers to ensure sufficient political attention to the range of issues for which he or she had responsibility. A further advantage claimed at the time was that the new

arrangement would ensure more stability over departmental structures and responsibilities through the combinations of functions with strong long-term connections.

Key respects of the 1987 restructuring have been sustained for the last 30 years. The concept of portfolio ministers and portfolio secretaries (the public service heads of the portfolio ministers' departments) has continued and to a degree strengthened. On the other hand, after a few years of greater stability, the precise responsibilities of portfolios began again to change frequently, particularly following changes in prime ministers. While key long-term linkages were mostly retained, on occasion they were not and, in some cases, the arrangements were not consistent with the original portfolio structure principles (particularly the December 2019 arrangements, which blurred lines of accountability to the ministry and cabinet (Podger 2019)). Nonetheless, the Australian Government continues to have no more than 20 departments (currently 13), though there are currently 23 ministers in the cabinet. Some provincial governments operate with fewer departments and portfolio ministers.

The Health portfolio provides an example. The Minister for Health is currently assisted by three junior ministers with specific responsibilities for aged care, senior Australians, youth, sport and regional health (one of the junior ministers also has responsibilities in a different portfolio). Their responsibilities are set in part by the prime minister and in part at the discretion of the portfolio minister. The Australian Department of Health is responsible for advising these ministers and the government on all aspects of national policy on health, aged care and sport – this includes health financing issues and intergovernmental agreements and detailed matters such as the listing of medicines for the Pharmaceutical Benefits Scheme and of medical services for the Medical Benefits Schedule.

The department also manages significant regulation functions such as the safety and efficacy of therapeutic goods, and manages some service delivery programs including residential and home-based aged care services programs (purchasing these services from non-government providers), Indigenous health programs (again mainly purchased from non-government providers) and public health programs. These various functions of the department often utilise external expertise through statutory committees, and sometimes have their own organisation within the department (such as the Therapeutic Goods Administration).

While the department has retained responsibility for managing many regulations and service delivery programs, the portfolio includes a number of separate agencies undertaking various regulatory, research and service delivery functions. The departmental secretary is also known as the ‘portfolio secretary’ and has responsibility, for example, for budget coordination across the portfolio, policy advice across the portfolio and advising on appointments to the other portfolio agencies.

## **Non-departmental service delivery agencies**

There is provision in the PS Act for ‘executive agencies’ to be established separate from departments but without their own legislation. In practice, Australia has generally made little use of this structural option, though it was for a time promoted in other countries pursuing NPM reforms (e.g. New Zealand and the United Kingdom via Prime Minister Margaret Thatcher’s ‘next steps’), separating policy from administration under purchaser–provider arrangements that imposed firm performance regimes on the executive agencies. More frequently, Australia has used agencies with their own statutes to deliver certain government-funded services independently of ministerial departments. Longstanding arrangements include the Australian Taxation Office, for which independence from politics is seen to be particularly important. There are in fact more than 100 statutory authorities at the Commonwealth level, and similarly large numbers at the provincial level. This subsection considers those whose main function is to deliver government-funded services while those with a regulatory, integrity or research role are included in the following two subsections, and those that are primarily commercial are discussed in the subsection on GBEs.

As mentioned above, many service delivery programs continue to be managed by ministerial departments. Nonetheless, a reform trajectory can be identified in a number of areas of service delivery: from wholly departmental management of policy and service delivery to their separation between departments and non-departmental agencies, to a further separation of purchasing, usually by a ministerial department; from providing by non-departmental agencies, to competitive tender with government providers (now commercialised) and non-government providers, which some cases has evolved into ongoing collaborative partnerships with NGOs; and, finally, to privatisation of government providers. This trajectory was by no means the standard approach, but it

can still be seen as an undercurrent in many contemporary political and academic debates about the future of such human services as health, schools and disability support.

Perhaps the most radical example of this trajectory is employment services. Unemployment benefits were paid by the Commonwealth Department of Social Services (DSS) from the 1940s and were managed, along with other pensions, benefits and allowances, via a network of DSS offices. In the late 1940s, the government sought to more actively assist jobseekers and introduced employment services to link unemployed people to employers seeking workers. This was managed by a new legislated corporation, the Commonwealth Employment Service (CES), working under the Minister for Labour and National Service and in conjunction with his department. The nationwide network of CES offices registered job vacancies and drew them to the attention of jobseekers, even arranging job interviews and advising on selections in some cases. Responses by jobseekers in receipt of benefits were used for the purposes of the benefit work test managed by DSS. CES offices were often located close to the DSS offices.

In 1997, DSS was split and its service delivery role transferred to a new statutory authority, later named Centrelink (Halligan & Wills 2008). Centrelink was also given the responsibilities of the former CES along with responsibility for the delivery of some other human services (e.g. housing assistance). DSS and the Department of Education, Employment, Training and Youth Affairs (DEETYA) each retained policy responsibility for their respective functions, as did other departments affected by the split (e.g. housing). The initiative reflected the NPM interest in improving efficiency by separating policy from administration, but with the added element of establishing a 'one-stop-shop' and allowing rationalisation of offices across the country.

Around this time, DEETYA experimented with contracting private sector organisations to help longer term unemployed people gain sustained employment, through training and rehabilitation services. This involved not just separating policy from administration but also separating purchasing from providing. In 1998 this experiment was translated into a much wider tender process for employment services with payments based on successful employment outcomes. Initially, the Job Network involved both private sector providers (including for-profit and not-for-profit organisations) and an in-house provider, Employment National,

created out of the former CES component of Centrelink. In a later tender process, however, the government provider was not successful and was subsequently wound up. Job Network (now called Job Services Australia) remains today a system of non-government providers paid by the Department of Employment via competitive tender with payments based on successful outcomes (Jarvie & Mercer 2017).

While this is an example of a classic NPM trajectory, more recent developments with other human services demonstrate some reversal of direction. The creation of Centrelink in 1997 proved to be highly successful (Halligan & Wills 2008) and, in 2004, the then government decided to press further the idea of integrated human services by establishing a small Department of Human Services (DHS) overseeing Centrelink and several other service delivery agencies (including the Health Insurance Commission responsible for most Medicare entitlements and the Child Support Agency responsible for ensuring maintenance payments for children in families whose parents have separated). DHS was given responsibility for service delivery policy as distinct from service delivery (which remained with Centrelink and the other service delivery agencies) while the development of functional policies on social security and Medicare remained with the respective line departments and their ministers. DHS's responsibility involved ensuring information systems were linked and further rationalisation of offices, and encouraging experimentation with greater collaboration with clients and external organisations (the 'citizen-centred services' agenda, see Bridge 2012).

In 2008, the then Labor government took this approach in a new direction by incorporating the separate agencies within the ministerial department (DHS) and forcing much greater integration and stronger ministerial involvement. Legislation to formalise this arrangement was passed in 2011. Critics feared this would in time reduce the focus on clients and professional service delivery as the department spent more time 'looking upwards' rather than 'downwards and outwards', and might dilute the vital links between functional policies and their administration (Podger 2013b). Recent criticism of the department's handling of clients provides evidence in support of these concerns (Parliament of Australia Community Services Reference Committee 2017).

In December 2019, the government announced the abolition of DHS and the intention to replace it with a new executive agency attached to the Department of Social Services, a partial move back towards having service delivery separate from a ministerial department (Prime Minister 2019).

Another example of changing directions concerns Indigenous programs. In the 1980s, a statutory authority, the Aboriginal and Torres Strait Islanders Commission (ATSIC), was established with a unique governance structure including a board of elected representatives of Indigenous communities. Continuing problems with this governance arrangement, including over the chief executive's dual accountability to the board and the minister, led to its abolition in 2005, with responsibility for its programs being transferred to a ministerial department (initially the Department of Immigration and Multicultural and Indigenous Affairs). In 2013, this responsibility was transferred to the Department of Prime Minister and Cabinet (PM&C), ostensibly to demonstrate the priority being given to Indigenous wellbeing. Critics, however, have expressed concern that the department has no service delivery experience and that a separate agency would ensure a stronger focus on clients and communities (National Congress of Australia's First Peoples 2016).

Notwithstanding the partial reversal of the trend towards separating policy from administration, interest in greater autonomy in other service delivery fields including health, education and disability services has increased. The state of Victoria introduced a purchaser–provider split for hospital services in 1995 using a system of ‘casemix’ funding related to hospital outputs based on episodes of care (developed previously by the national Department of Health). Public hospitals were no longer part of the department but operated as independent corporations with their own executive boards. While other states have been slow to follow this example (which delivered substantial efficiency gains as hospitals, working with professional independence from their parent departments, focused more carefully on costs and the management of their patients), national governments have increasingly pressured them to do so.

In 2010, a new intergovernmental agreement (Council of Australian Governments (COAG) 2010) imposed a nationwide purchaser–provider split based on casemix funding that has given all public hospitals (or networks of hospitals) greater autonomy in exchange for more disciplined funding and performance reporting. Regional primary health organisations were also established (Department of Health and Ageing 2010) with autonomy based on community and professional governance arrangements, with their role being to help with the planning and coordination of primary care services (which are mostly provided by doctors working in private practice but funded via Medicare). Under the Liberal governments of Tony Abbott and Malcolm Turnbull, these

organisations have been reorganised as primary health networks with even greater independence from the Health Department but subject to performance oversight (Dutton 2014).

A report on school education (Gonski 2011) was largely endorsed by both sides of politics, particularly in regard to needs-based funding and proposals for greater school autonomy subject to community participation and improved performance management.

The National Disability Insurance Agency (NDIA) is a statutory authority sitting within the Social Services portfolio but separate from the relevant ministerial department (the DSS). It is currently introducing a new disability insurance scheme across Australia involving decentralised service delivery tailored to the needs and preferences of individuals and their families, and with most service provision by NGOs. The NDIA has a board that includes people with strong professional and community experience in the field.

These examples demonstrate that, notwithstanding the reforms of the last 30 years, there remains a range of different approaches to service delivery structures in Australia. Arguably, separate and more independent government or non-government service delivery organisations are better positioned to be responsive to citizens' needs and preferences than ministerial departments, though they need to share information to promote good policies and deliver coordinated services.

## **Statutory regulatory organisations**

Australia frequently utilises statutory authorities to manage regulations that are sensitive and require an emphasis on procedural fairness without political consideration and/or require specialist expertise. Ministerial departments may also manage regulations (as mentioned above) and, when they do, they must act impartially and properly under public service and administrative law. The perception of independence is, however, generally greater when a separate statutory authority manages the regulation or other activity. Such independence is often reinforced by greater security of tenure for the agency head.

In most cases, these organisations are funded by government revenues (and/or levies on the industries involved) and they are subject to the same financial management regime as departments; their staff are also usually

employed under the PS Act and are therefore required to uphold public service values and obey the code of conduct. They are also subject to administrative laws that require open and fair decision-making.

The NPM reforms that have reduced the government's role in direct service provision and increased its role in purchasing have also led to an increase in the extent of regulation and to some increase in the number of statutory authorities. In the health area, for example, the new system of casemix purchasing of hospital services led to the establishment of a new authority (the Independent Hospital Pricing Authority) to set the 'efficient price' for these services and also to a new performance monitoring authority (the National Health Performance Authority). Subsequent concerns about the number of new regulatory agencies and their cost led to the abolition of some and the transfer of their responsibilities to other existing organisations in line with the Department of Finance's assessment template (most often the transfer has been back into ministerial departments).

Another field where regulation activity has undergone significant change is in ensuring the efficient operation of the market. On the one hand, this has involved a degree of 'deregulation' as government intervention in the market (such as promoting cooperatives of producers or protecting small producers) has been reduced, and on the other hand it has involved new regulatory activity to promote competition and stop collusion or other anti-competitive practices, and to ensure transparency and proper governance of private companies. This regulation is conducted mostly by new or strengthened statutory authorities such as the Australian Competition and Consumer Commission and the Australian Securities and Investment Commission, which operate in the Treasury portfolio but independently of the department and the minister (the Treasurer).

## **Integrity organisations**

The statutory authority model is also standard for 'integrity organisations' such as the auditor-general's office (Australian National Audit Office), the electoral commissioner, independent commissions against corruption, ombudsman's offices, public service commissions and the bureau of statistics. In some cases the integrity officer heading the agency is referred to as an 'officer of the parliament' to convey his or her independence from the executive arm of government and the organisation's closer attachment to the legislature; some have close links with the judiciary.

The strengthening of administrative law and emphasis on human rights over recent decades has resulted in an increase to the number of these authorities. They include such bodies as the Office of the Australian Information Commissioner and the Australian Human Rights Commission.

Their independence from ministers is based on their role in overseeing aspects of executive government, protecting the integrity of the democratic process or providing authoritative data for the operations of government and the market. The degree of independence is set out in their respective legislation. There is some debate as to which organisations sit within this category as some must operate within the executive and independently of it (e.g. public service commissions).

## **Government business enterprises**

A broad trajectory of reform of the governance of public enterprises is identifiable over the last 40 years or more, from management within departments to separate agencies or statutory authorities to commercialised businesses and, in some cases, to privatised businesses. That said, Australia has long used government-owned authorities and companies to undertake some activities, such as infrastructure or utilities services, reflecting in part Australia's limited private capital and the historical lack of capacity for competition for such services (Wettenhall 1996, 1998).

These organisations interacted with ministers before reform, though not generally in regard to the professional delivery of services, and, in their case, the reform trajectory has been truncated so that social objectives ('community service objectives') have been more clearly identified and funded directly from the budget or via transparent discounts from profit targets and dividend payments; ministerial oversight has increasingly been limited to these and to broad direction akin to that of major shareholders; and, subsequently, consideration has been given to partial or full privatisation with community service obligations funded directly through government programs.

Postal and telecommunications services perhaps present the most significant example of Australia's GBE reforms. For most of the last century, the biggest national government organisation was the Postmaster-General's Department (PMG). Established from former

provincial organisations shortly after federation in 1901, it employed well over half of all Commonwealth public servants from 1901 until 1975. While structurally a ministerial department, the PMG was responsible for administering the *Post and Telegraph Act 1901*, which set out the powers and responsibilities of the minister (the postmaster-general) and the head of the department (the director-general). It required substantial government-funded infrastructure to provide postal and telegraphic services that were seen to be natural monopolies and that should be available to all Australians (an important social objective). Employees were public servants under the PS Act, and the department was subject to standard, centralised financial management controls.

In 1975, the PMG was split with the establishment of two statutory corporations (Australian Postal Corporation – later known as Australia Post – and the Australian Telecommunications Corporation – later known as Telecom) separate from the ministerial department (initially still called the PMG but later the Department of Communications). Policy remained with the minister and policy advice with the department, but administration was left to the two statutory corporations, which were expected to operate in a more commercial way while still reporting to the minister. The corporations were each governed by a board appointed by the government and with a chief executive officer (CEO) (initially also appointed by the government but later by the board). Staff were no longer employed under the PS Act but directly by the corporations. The corporations were still subject to the Audit Act but with considerable delegation of authority from the Treasury. The extent of ministerial and Treasury oversight was, however, the cause of ongoing tension for the next decade.

In the 1980s, as the NPM agenda emerged more clearly, a new set of guidelines for statutory authorities and GBEs was issued by the then Minister for Finance (Walsh 1987). The ‘Walsh guidelines’ articulated more clearly the respective roles of ministers and the GBE’s boards and management. Ministers would not only appoint the board but also set each GBE’s commercial performance target (e.g. its rate of return on assets), approve the board’s strategic plan, agree on the disbursement of profits (usually requiring dividend payments to government) and major new investments or divestments, and identify ‘community service obligations’ (e.g. a standard price for all domestic letters, access to a telephone line at a capped price).

The board and management would have responsibility for operational matters, including employment, allocation of resources and contracting, but would report publicly to ministers and the parliament on their commercial performance and in respect of community service obligations. These guidelines broadly reflected corporations law requirements in the private sector, with the role of ministers being akin to that of shareholders and the role of the board akin to that of a private sector board. They were given effect through the delegations and oversight approach of the Department of Finance. Australia Post and Telecom were amongst the first to be subject to these Walsh guidelines.

The 1997 financial management legislation, with its distinction between FMA Act bodies and CAC Act bodies, consolidated existing practice for Australia Post and Telecom as set out in the Walsh guidelines, placing them under the new CAC Act.

The late 1980s and early 1990s saw a transfer of Telecom's regulatory role to an independent regulator and the opening of the telecommunications market to competition. Following a review of structural arrangements in 1990 among the then three carriers (the Overseas Telecommunications Corporation Limited (OTC) and a government-owned satellite company, Aussat, having also been established), Telecom was merged with the OTC to form the Australian and Overseas Telecommunications Corporation Limited (AOTC), which was subsequently renamed Telstra Corporation Limited (Telstra) in 1993. Aussat was sold along with the right to operate a second fixed-line carrier in competition with Telstra.

It was against this background – and the prospect of the opening of Australia's telecommunications market to full competition in July 1997 – that the then Labor government decided to partly privatise Telstra while retaining majority public ownership. Almost half (49.6%) of the shares in Telstra were subsequently issued to the public in two tranches: the first in 1997 (33%) and the second in 1999 (16.6%). The partial privatisation was criticised by advocates of public ownership and those of a more market-based approach, the latter arguing either for full privatisation or the separation of the copper wire network (arguably still a natural monopoly at the time) from the provision of services over the network, which might be fully privatised and open to competition.

A new conservative government subsequently decided on full privatisation. Additional shares in the company were issued to the public in 2006 with the residual 17 per cent government shareholding transferred to a government investment company (the Future Fund) that was established to fund liabilities accumulated by unfunded government employee superannuation funds.

The reform trajectory was more recently interrupted by the Labor government's decision in 2008 to create a national broadband network (NBN). The government's policy was for 93 per cent of premises to have access to the NBN through fibre optic cable and the remaining 7 per cent of premises to be connected to the NBN through fixed wireless and satellite technologies. The government established NBN Co Ltd, a wholly government-owned company, to roll out this network. This company's role is restricted to infrastructure provision and the supply of wholesale services; it is not allowed to offer retail services over the network.

NBN Co Ltd has subsequently entered into a multi-billion-dollar contract with Telstra to participate in the rollout. These developments have been accompanied by new regulatory arrangements that limit competition developing in the broadband market, a move designed to enhance the financial viability of NBN Co Ltd. The Labor government's stated intention nonetheless was to eventually fully privatise NBN Co Ltd.

The Abbott (conservative) government, elected in 2013, revisited these arrangements with a view to reducing construction costs and the rollout timetable through the use of fibre-to-the-node technologies rather than fibre-to-the-premises connections. Its policy includes removal of regulatory impediments to the construction and operation of non-NBN access networks, though it is locked in for now to the existing contractual arrangements between Telstra and NBN. The commitment to the full privatisation of NBN Co Ltd once construction of the NBN is completed remains.

Australia Post remains a fully government-owned corporation. In responding to market forces and new technology, however, it has moved far from its origins. Most of its physical service outlets are now franchised through local supermarkets and newsagents; its offices offer a wide range of services beyond traditional postal services (including as one-stop-shop access points for government services in many rural areas); it is responding to the emergence of a private delivery industry as internet purchasing has expanded; and it does much of its business online.

Despite this transformation, it still has community service obligations to meet, particularly with regard to the price of stamps for domestic letters and ensuring access to postal services around the country. The advance of the internet and increasing competition from private parcel delivery companies raises the serious possibility of privatising Australia Post, although neither side of politics has agreed to take that step.

This general trajectory, in full or in part, can be seen in other national commercial-type services such as Qantas (originally a private company, but nationalised in the 1940s for national development purposes, commercialised, partially privatised and finally fully privatised) and in many provincial government utilities such as power companies (some fully privatised, others only commercialised). The approach was made more systematic after 1995 when COAG established an intergovernmental agreement on competition policy (COAG 1995) requiring all jurisdictions to review systematically where government action, whether by regulation or government provision, might restrict competition.

## **Internal government services**

In parallel with the GBE reform trajectory, Australia has experienced an interesting sequence of reforms to its management of internal government services such as government property and asset services, government cars, construction and employees' and welfare recipients' health tests.

Many of these services were owned and managed by a ministerial department (mostly the Department of Administrative Services (DAS) at the Commonwealth level). During the 1980s and 1990s these arrangements went through amendments to improve efficiency (Tanzer 1992). Broadly, these steps were:

- First, agencies using the services were required to pay user charges (rents for property, hire charges for cars, etc). Agencies received partial supplementation to their budgets in recognition of these additional charges and budgetary funding to the DAS was withdrawn. The imposition of the charges encouraged agencies to review how much of each service they really needed.
- Second, agencies were allowed to negotiate better deals with alternative providers of services. Many shifted to private rental properties, for example, or contracted with private hire car firms and used private publishing services.

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- Third, the DAS was permitted, within limits, to offer its services beyond its government agency clients.
- Fourth, as a consequence of the second and third developments, DAS conducted an internal restructuring, establishing each of its service delivery functions as a ‘business’ with an advisory board to help set its commercial strategy and with accrual accounting introduced to help assess its commercial performance. These ‘businesses’ were legally under the control of the department’s secretary and his minister, but an effort was made to change the culture from a bureaucratic one to a customer-focused one.
- Fifth, some of the businesses were incorporated as government-owned companies (e.g. the car business became AusFleet), and some others were wound up (e.g. Australian Construction Services). Assets were sold (e.g. inner city properties) during this process, to the considerable advantage of the government, which was seeking to reduce its debts at the time.
- Finally, a number of the businesses were privatised (e.g. AusFleet) and remaining policy oversight was shifted to the Department of Finance.

The overall effect was to achieve efficiencies and budget savings, while also ensuring that government agencies could tailor required services to support their business rather than be forced to accept a one-size-fits-all arrangement.

## **Intergovernmental bodies**

Australia’s federal system of government has led to the creation of some intergovernmental organisations aimed at supporting cooperation and coordination amongst governments and allowing, in some cases, shared responsibility for particular functions.

Key intergovernmental forums were informal for many years and functioned without dedicated staff operating in a separate organisational structure. These included the Premiers’ Conference (regular meetings of first ministers) and the Loan Council (meetings of treasurers that set ceilings on each government’s borrowings). Both these forums were chaired by the Commonwealth and, as its revenue-raising capacity surpassed that of provincial governments, the Commonwealth was increasingly able to control agendas and influence decisions.

The Commonwealth's dominant role in revenue raising also facilitated what became an important principle in the federation: horizontal fiscal equalisation (HFE). This involves ensuring provincial governments have equal capacity to deliver services to their populations, with a distribution of Commonwealth revenues to make up for variations in revenue-raising capacity and costs of delivery. The intergovernmental Commonwealth Grants Commission (CGC) was established in the 1930s to advise governments on the distribution of revenues needed to give effect to HFE, with decisions then taken by the Premiers' Conference. The CGC is legally a Commonwealth statutory authority, but it is led by a board of commissioners with members nominated by the Commonwealth and the states. As a highly professional, technocratic organisation, its advice is rarely ignored.

Over the last 40 years or more, the Commonwealth has broadened its policy interests and used its financial powers to influence many provincial government programs including in such service delivery areas as hospitals, schools, housing and community services. This increased sharing of responsibilities has required the development of greater capacity for coordination and cooperation. COAG replaced the Premiers' Conference from the early 1990s and brought a wide range of supporting ministerial councils that had emerged over previous decades within its general purview. Some of these ministerial councils developed small full-time secretariats attached to a relevant state or Commonwealth department that supported both the ministerial council and the advisory committee of relevant departmental secretaries.

COAG itself is supported by staff in PM&C. An intergovernmental agreement was reached in 2008 to clarify roles and responsibilities within a new financial framework aimed at improving performance across jurisdictions in areas of national importance. The agreement included the establishment of an independent COAG Reform Council with dedicated staff resources to monitor and evaluate jurisdictional performance (O'Loughlin 2013). Under the Abbott government, however, this council was abolished as a budget savings measure, leaving PM&C solely responsible once again for supporting COAG.<sup>3</sup>

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3 As this book was in production, the Prime Minister announced that the 'National Cabinet', which had operated to oversee the cross-jurisdictional response to the COVID-19 pandemic, would continue into the future replacing COAG as the central forum for inter-governmental relations.

Other bodies have emerged over the last 30 years to support or manage shared responsibilities. For example, the Australian Institute of Health and Welfare (AIHW) was established in 1987 as a Commonwealth statutory authority but with a board that includes state nominees and people with experience in nominated fields such as health, housing and community welfare. The AIHW is a statistical and research body that uses administrative data from all jurisdictions to report publicly on the state of Australia's overall health and welfare and on the activities of all governments in these fields. The Great Barrier Reef Marine Park Authority is also a Commonwealth statutory authority but managed through shared powers with the State of Queensland. In managing this World Heritage park it has been given some powers over environmental management of the neighbouring Queensland coastal area. The shared approach began in 1975 with initial Commonwealth legislation and was subsequently reinforced through an intergovernmental agreement and the establishment of the Authority, which has a board including representatives of Queensland.

In some areas, the intergovernmental arrangements involve New Zealand as well as Australian jurisdictions. New Zealand is an active observer at COAG and all its ministerial councils and, in some cases, it has agreed to be bound by decisions taken. A particular example is in the field of food safety. Food Standards Australia New Zealand (FSANZ) is formally a statutory authority under the Commonwealth of Australia but the legislation sets out a joint governance arrangement across the two countries. FSANZ is responsible for the food standards code for both countries and this is enforced in each country by regulations managed locally (in Australia, mainly by provincial and local governments). Policies that guide the food standards set by FSANZ are determined through the Legislative and Governance Forum on Food Regulation, which is effectively a ministerial council comprising health and agriculture ministers from the Commonwealth of Australia, New Zealand and the Australian state and territory governments.

## **A possible, more coherent framework of formal and informal governance rules and processes for Australian Government organisations**

Despite NPM and related reforms over the last 30 years, and more recent attempts to provide a coherent legislative framework for the governance of public sector activities in Australia that promotes organisational performance and ensures public accountability, Australia still has an eclectic mix of structures and governance arrangements and, notwithstanding the Department of Finance's assessment template, lacks firm policy on optimal future arrangements. Australia is hardly alone in this respect: the colourful term 'signposting the zoo' to describe attempts at coherence about when to use which structure originated in New Zealand.

As indicated by institutional, political and organisational theory, governance arrangements are always likely to involve a mix of formal rules and informal conventions and practices, and the degree of bureaucratic autonomy is determined as much by political judgements as by the particular functions to be performed.

That said, there are a number of factors that should influence those political judgements and the formal governance structures imposed to promote performance and ensure public accountability. These reflect the fact that there are several and, at times, competing principles behind the management of public sector activities, whether in Australia or elsewhere, such as:

- 'The public interest': public policies and programs should reflect the collective interests and preferences of the people, whether they be determined through formal democratic processes (such as Australia's parliamentary system and the role of elected ministers in determining policies in the public interest) or other forms of public engagement and consultation.
- Fairness and justice in decision-making: within the policy frameworks set by the government in the public interest, administrative decisions should be made impartially and professionally, strictly according to the law, and without influence from personal connections or political or social affiliations.

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- Performance: public resources utilised for the delivery of government services should be applied effectively to meet the government's policy objectives, and used as efficiently as possible.
- Public accountability: decisions should be made transparently and decision-makers should be held accountable to the public whether through democratic processes or other public review arrangements.

While all these principles are important, the balance between them may vary with the function being performed. Judgements about the appropriate formal structure in the Australian political context might be influenced primarily by:

- the degree to which the function relies upon government revenues rather than user charges
- the importance of responsiveness to the government's political direction in the public interest as compared to the importance of independent decision-making for reasons of fairness or justice or professional expertise
- the importance of a focus on meeting the needs of clients compared to the importance of responsiveness to the government's political direction.

NPM, NPG and more recent developments, which are driven in part by technological changes and associated changes in community expectations, have added to the array of structural options (including the use of third parties) as well as further dimensions (or principles) of good public sector management. The latter include in particular:

- the ability of citizens and communities to directly influence services
- the capacity for collaboration across public services to meet the needs and preferences of citizens and communities.

The lack of coherence in current Australian structural arrangements is not just a theoretical concern. It may also contribute to weaknesses in public sector capabilities and performance, as revealed in recent reviews and debates (e.g. APSC 2014; Shergold 2015; Banks 2008 and 2018; Independent Review of the APS 2019), such as in longer term strategic policy advising, implementation of new policy measures and management of risk.

Table 3.1 sets out guidance on how well different formal structures in the Australian framework address competing principles, and hence their suitability for different functions.

**Table 3.1. Possible mapping of formal structures to different key principles**

COMPETING PRINCIPLES	STRUCTURAL OPTIONS									
	Ministerial department		Executive agency	Statutory authority	Government company	Specially created non-government company	Third party under contract	Third party in partnership	Ministerial department	
	Fully part of department	Separate office in department							Fully part of department	Separate office in department
Importance of democratic/ministerial oversight and control	S	S	M/S	W/M	W	W	W/M	W		W
Independence of administration	W	W/M	M	S	S	S	M	M		S
Ability of citizens/communities to influence services	W	W/M	M	M	M/S	M/S	M	M		S
Capacity for collaboration	M/S	W	M/S	M/S	W	M	W/M	M		M/S
Importance of specialty/niche service	W	M	M/S	S	S	S	S	S		S
Linking policy and administration	S	S	M	W/M	W	W	W/M	W		W/M
Relevance of commercial principles for efficiency	W	W/M	W/M	W/M	S	M/S	M/S	M/S		M/S

W = weak support for the principle; M = medium support for the principle; S = strong support

Source. Author's presentation

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Informal processes and arrangements may be used to complement the formal structure chosen to address perceived weaknesses and to reinforce strengths. Table 3.2 illustrates the sorts of (mostly) informal arrangements that may be used.

**Table 3.2. Possible complementary and more informal processes**

<p>1. Democratic/ministerial oversight and control may be strengthened by:</p> <ul style="list-style-type: none"> <li>a. ministerial approval of strategic directions</li> <li>b. ministerial 'statements of expectations' about the way in which an independent agency should administer its responsibilities</li> <li>c. agreements between ministerial departments and agencies</li> </ul>
<p>2. Administration may be made more independent by:</p> <ul style="list-style-type: none"> <li>a. statutory obligations including in-program legislation</li> <li>b. delegated authority</li> <li>c. decision-making and reporting frameworks and processes (including public reporting and the use of advisory committees and boards)</li> </ul>
<p>3. Citizens/communities' capacity to influence may be strengthened by:</p> <ul style="list-style-type: none"> <li>a. advisory committees and other consultative arrangements</li> <li>b. reduced legislative prescriptions</li> <li>c. delegated authority</li> <li>d. budget flexibility, funds pooling</li> <li>e. appropriate agency culture, 'public service motivation', staff continuity, career paths</li> </ul>
<p>4. Capacity for collaboration may be strengthened by:</p> <ul style="list-style-type: none"> <li>a. shared information and shared corporate services</li> <li>b. linked data</li> <li>c. inter-agency committees with appropriate political authority</li> <li>d. regional or local cross-agency forums</li> <li>e. pooled budgets</li> </ul>
<p>5. Expertise in particular fields may be strengthened by:</p> <ul style="list-style-type: none"> <li>a. identified specialist units and advisers in departments</li> <li>b. public reporting</li> <li>c. staff continuity, particular career paths</li> <li>d. partnerships and staff interchange with external specialist organisations</li> </ul>
<p>6. Links between policy and administration may be strengthened by:</p> <ul style="list-style-type: none"> <li>a. regular committee processes, joint task forces</li> <li>b. protocols about reporting experience and initiating policy proposals</li> <li>c. purchaser/provider agreements with the policy departments</li> </ul>
<p>7. More 'commercial' approaches to program management may be strengthened by:</p> <ul style="list-style-type: none"> <li>a. separate decision-making and reporting processes for identified programs</li> <li>b. appropriate financial incentives and budgetary flexibility.</li> </ul>

Source. Author's presentation

Some inconsistency is apparent in the current complex Australian approach, which favours greater use of NGOs to deliver public services (these are sometimes also purchased by an independent statutory authority (e.g. NDIA)) and the greater use of purchaser–provider arrangements (e.g. in health), and simultaneously to favour returning service delivery functions to ministerial departments (e.g. Centrelink, Indigenous affairs). Greater consistency might be gained, along with improved client services, if Australia returned to making more use of non-departmental agencies to deliver a range of services.<sup>4</sup> As with the contracted non-government service delivery arrangements, care is needed to ensure that complementary formal and informal processes provide adequate linkages between policy and administration.

In part, the apparent inconsistency may be related to wider changes that are underway in Australian public administration. Firmer political control over administration has been evident now for some time, including through ministerial appointments of partisan support staff, and the desire for such control may sometimes override other considerations. At the same time, governments that need to negotiate with other parties to have legislation passed may agree to demands for more independent administration of certain functions despite the appearance of inconsistency.

## Conclusion

Australia has long used a wide range of organisational structures for different government functions. The structures and processes in tables 3.1 and 3.2 are relevant to Australia's particular context of parliamentary democracy, market economy and a federal government framework. They involve a mix of formal rules and informal processes and practices, drawing on organisational as well as political theories. The appropriate mix of formal structure and informal processes reflects political judgements, the reputation of the agencies involved and public attitudes to the functions being performed.

The story of gradual reform over the last 30 or 40 years reveals a process designed to improve government efficiency and effectiveness in a world of increasing global competition driven by new technology. Structural reform has been a significant component of Australia's reform experience.

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4 Perhaps the 2020 replacement of DHS with Services Australia represents a step in this direction.

Recent action has attempted to present a more coherent financial and personnel framework that could help to identify the appropriate structures for different functions and their accountability processes. There remain, however, significant inconsistencies in current practices and more could be done to clarify which structures are most suited to which functions, and what informal arrangements might best complement the formal rules. This is most evident with respect to service delivery.

It seems likely that the next stage of reform will focus on further increasing the responsiveness of government-funded services to the needs and preferences of individuals and different communities. Support for the use of non-government agencies to deliver services is based on their independence and flexibility to respond to individual circumstances, yet there are simultaneous moves to bring some government service delivery back under closer political control within ministerial departments. The challenge is to find the structures and processes most suited to responsive service delivery while also ensuring appropriate accountability to the government and the wider Australian community.

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