

15

Australian Public Service capability

Andrew Podger and John Halligan

Abstract

Despite repeated concerns expressed by major reviews about the capability of the Australian Public Service (APS), little action has so far been taken to strengthen capability or to rebuild its standing. Broad trends in APS employment over the last four decades may suggest a strengthening of the education and diversity of APS employees, but overall capability has been adversely affected by some of the themes of public sector development in Anglosphere countries over the last 40 years, particularly politicisation and externalisation. Evidence from reviews point to weaknesses from ‘hollowing out’ in areas such as strategic policy advising, human resource management capability and financial, performance and risk management, and also to the need for more effort to improve digital capacity.

While some action has been taken to address these concerns, more fundamental reform is needed to address system-level capability and the standing of the APS as an institution. Recent governments have rejected the need for such reform but early signs suggest that the Albanese Government, elected in May 2022, may finally consider such reform seriously.

Keywords: Australian Public Service; policy and management capabilities; politicisation; externalisation; system level capability; public service as an institution.

Introduction

Concerns about the capability of the Australian Public Service (APS) go back more than a decade. They were highlighted, for example, in the 2009 Moran Review (AGRAGA 2010) which, while concluding that the APS was ‘not broken’, identified weaknesses in particular capabilities including strategic policy advising and human resources management, highlighted the importance of strengthening capacity to deliver integrated citizens-centred services and recommended governance changes to strengthen the APS as an institution and to promote systematic reviews of capability.

This assessment reflected concerns expressed by some academic observers over the previous two decades about the risk of a ‘hollowing out’ of public sector expertise as a result of the public sector reforms of the 1980s and 1990s (e.g. Head 2015). There was no suggestion by Moran, however, of the need for any fundamental shift in reform directions: rather, the message was of the need for some modification and reinvestment, and also for some rebalancing to strengthen the public service as an institution and its degree of independence corresponding to its values of political neutrality, impartiality and professionalism, as well as for increased investment in specific capabilities.

The 2019 Thodey Review (IRAPS 2019) addressed similar themes, including concern about underinvestment in people and digital capacity, the importance of a whole-of-APS approach and its strategic leadership, and of more citizens-centred and integrated services. It also highlighted the need to promote understanding of the constitutional role of the APS alongside the executive and the parliament. The then government’s response to the Thodey Review (Commonwealth of Australia 2019) endorsed much of the suggested approach but rejected measures that might increase the standing and independence of the APS as an institution by constraining control by the political executive or that would reduce its dependence on external consultants and contractors (Podger 2019b).

Australia’s experience in handling the COVID-19 pandemic has highlighted the importance of public service expertise and of effective coordination across the APS and across jurisdictions. There was an increase in public trust in the public service and much more positive attitudes towards the APS by the then political executive, including deference to its professional (independent) expertise (Morrison 2020; Goldfinch et al. 2021). Subsequent actions suggested, however, that this was not a ‘new normal’ and that more

sustained effort to enhance APS capability and standing as an institution was still needed. The new Albanese Government, elected in May 2022, has promised action to do so (Burton 2022; Gallagher 2022) but a clear reform agenda has yet to be identified and acted upon.

Background

Looking over the whole period from the early 1980s, it is evident that the public sector in Australia has undergone quite radical restructuring. The APS has been particularly affected. The changes reflect in part the reforms of the 1980s and 1990s, but also the impact of technology. Public sector employment as a whole fell in the period to 2000, and Commonwealth Government employment fell even further and for longer, while overall employment in Australia grew steadily (Figure 15.1). There has been growth in public sector employment outside of the Commonwealth over the last two decades but not as fast as overall employment; Commonwealth Government employment has not increased much at all.

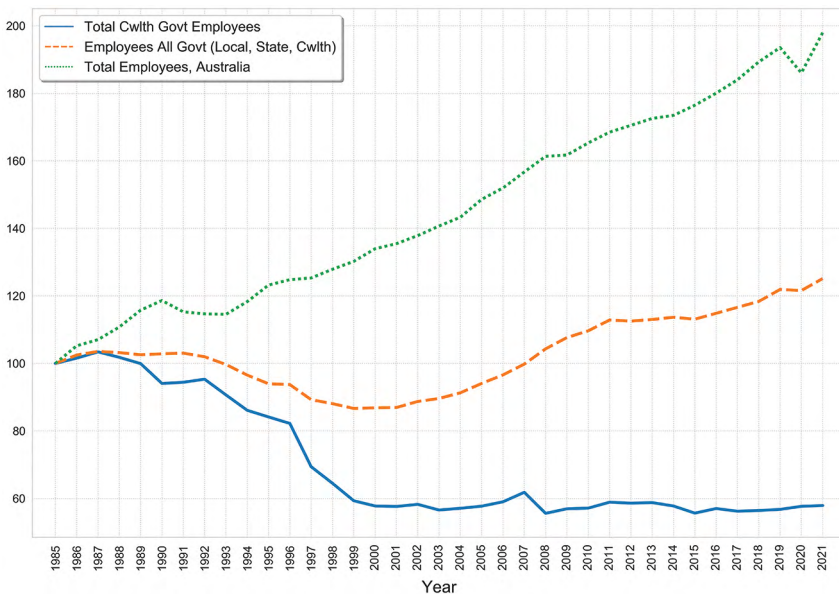


Figure 15.1: Australian employment trends.

Source: ABS (2020).

These reductions in the public sector’s share of employment do not reflect any contraction in the overall role of government in Australia, as government spending (leaving aside the COVID-affected 2020) remains around 35 per cent of GDP; Commonwealth Government spending remains around 25 per cent of GDP. But far greater use has been made of the private sector and the community sector to deliver public services and provide advice, and many previously commercial-type services run by government have been privatised and/or subject to market competition.

The capabilities within the public sector have changed significantly, driven by technology as much as by the contracting out of many support functions. This is illustrated by the dramatic changes in the classification profile of the APS (Table 15.1). The lowest levels now comprise around 5 per cent of the service whereas in 1982 they comprised over 50 per cent. The APS is now an essentially graduate workforce and the bulk of the employees are in upper middle levels. There has also been some growth at more senior levels.

Table 15.1: APS classification profiles, 1980–2020.

Classification level	1982	1992	2002	2012	2022
APS 1–2 (or below)	54.9%	38.1%	12%	6.2%	5.1%
APS 3–4	18.4%	24.6%	39%	32.5%	27.7%
APS 5–6	18.9%	23.2%	29.7%	33.7%	36.7%
Executive levels	6.8%	12.7%	18%	25.8%	28.6%
Senior executives	1%	1.4%	1.4%	1.7%	1.9%

Note: Due to rounding, columns may not sum to 100%.

Source: APSC (2022) and author calculations.¹

The social profile of the APS has also changed significantly (Figure 15.2). In part, this reflects the success of equal opportunity efforts that have almost certainly improved the use of talent in the APS. Women now comprise a majority of the APS, and their share of even the most senior positions is now over 50 per cent (Figure 15.3). There have also been improvements in Indigenous employment and employment of people from non-English speaking backgrounds (though employment of people with disabilities remains a particular challenge).

¹ The author (Andrew Podger) used more careful mapping of historic classifications than previously (Podger 2017). Assistance from David Judge from the Australian Public Service Commission is greatly appreciated.

15. AUSTRALIAN PUBLIC SERVICE CAPABILITY

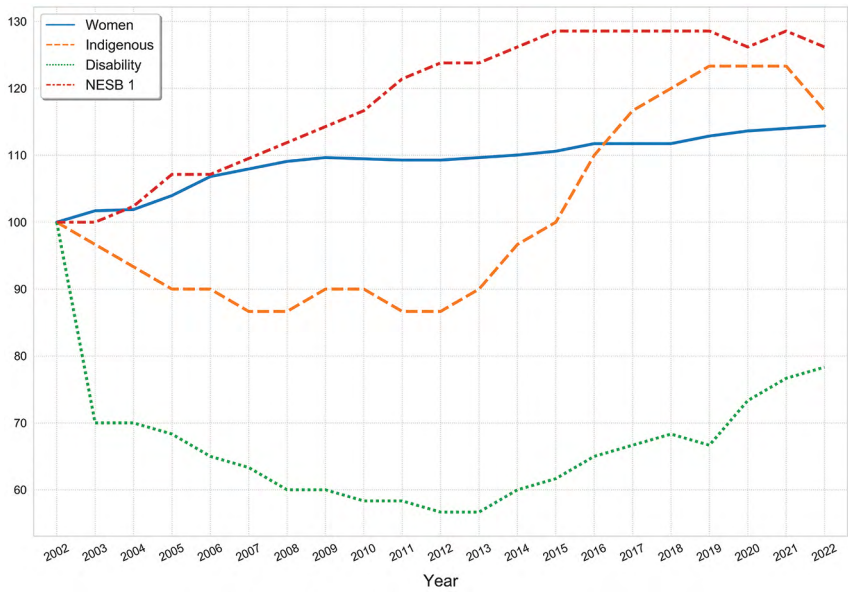


Figure 15.2: APS diversity trends, 2001–22.

Source: APSC (2022).

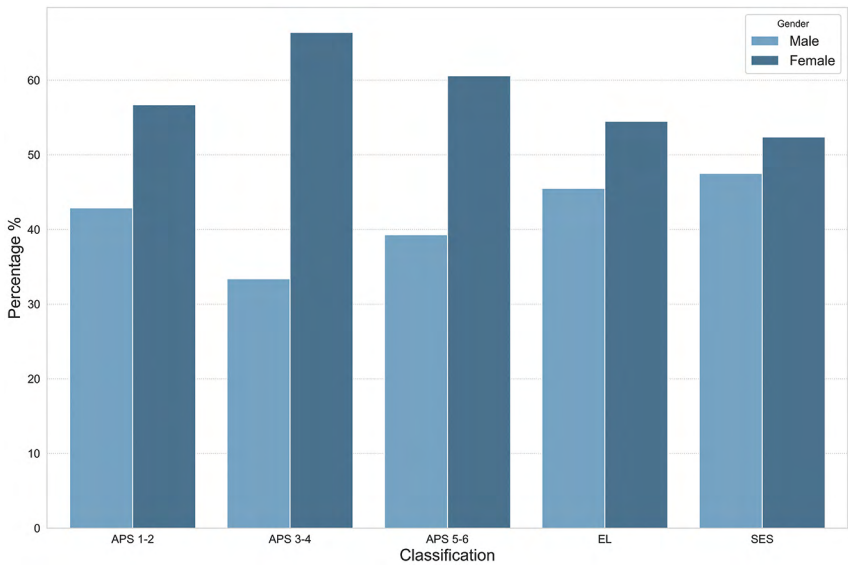


Figure 15.3: APS classification profile by gender, 2022.

Source: APSC (2022).

At face value, these trends may suggest improved capability: improvements in the average skill level of APS employees, better use of technology, greater willingness to draw on external expertise and increased efficiency by opening up APS activities to competition. Indeed, international comparisons reported by both the Moran and Thodey reviews (IRAPS 2019:48) concluded that the APS remained among the best civil services internationally.

More careful analysis, however, suggests a more restrained view, in particular questioning whether some major reform themes of the last four decades have been taken too far, undermining the role and capability of the APS as an institution and reducing its capacity in key areas of responsibility.

Major themes in Australian public sector development from the 1980s

Three major themes in the development of the public service in Australia and other Anglophone countries (UK, Canada and New Zealand) over the last four decades have been: politicisation, managerialism and externalisation (Craft and Halligan 2020; Halligan 2020). They all have significant implications for the capability of the public service.

Politicisation may be defined as the expansion of the political sphere within the executive branch. Political oversight of the public service is a critical aspect of democratic government, but Westminster principles (a merit-based, professional and neutral public service) require a degree of independence in order to serve the public impartially and efficiently. Underlying politicisation is the assertion of increased political authority to drive implementation of government policies and to ensure politically desirable results. Five components are apparent: redefining the political–bureaucratic relationship and roles, the appointment process for senior public servants, reasserting the centre and executive authority, the extensive use of political advisers, and driving political control for results and performance. The extent of politicisation is evident in many respects, although much is informal and opaque. The result has been that political actors have permeated much more of the public management system than in the past.

The impact of politicisation is reflected in many dimensions of the public management system: for example, coordination is more political, communications are more closely controlled, and performance objectives and targets are determined by ministers. With the political executive taking

much more direct control in the 2010s even ‘government on demand’ has emerged. Under the traditional system, senior public servants could usually constrain more extreme and purely partisan government proposals; under twenty-first century governments to date, public service policy advice is more likely not to be sought (or to be ignored). Such policy advice may be discouraged by ministers, and senior public servants may withhold advice with public interest implications in view of possible career repercussions.

The hallmark of public management reform has been the strong commitment to the *managerialist approach* that largely supplanted the traditional bureaucratic model. The components of managerialism included: decentralisation to departments and managers, improved management processes and associated capabilities, an emphasis on performance and results, continuous management of change and promoting flexibility in management.

The managerialist agenda has gone through various stages: the so-called new public management reforms of the 1980s and 1990s which emphasised devolution, ‘management for results’ and the use of market-type approaches including contracting out and privatisation; the shift towards the so-called new public governance in the 2000s which modified devolution to give more weight to whole-of-government responses to complex issues and to promote more integrated services, emphasising collaboration as well as competition; and more recent developments which have highlighted the importance of new technology to deliver services and to provide advice with increased emphasis on ‘innovation’, ‘agility’ and change management.

Several consequences of managerialism are of relevance here: first the erosion of internal policy capability over time. The second is that the flexibilities introduced led to new constraints (internal barriers, centralisation, multilayered control, and regulation). The new forms of regulation often expanded rather than reduced controls. The third is how risk-averse politicians generate excessive regulation and more generally bureaucratisation despite the rhetoric of managerialism: heightened politicisation begets bureaucratisation.

Externalisation is the third trend. There is a greater array of available external alternatives to the public service in policy advising and service delivery that governments can utilise; governments can also exercise their own preferences over the types of externals they use. Australia has chosen more regular and pronounced use of consultants while others have increased the role of think tanks. A comparatively active think tank and consultancy community

has further heightened externalisation, not only providing contestability and advisory sources from outside of government, but also establishing linkages to parties as well as to specific policy issues, now influencing public administration in ways not seen before. Australia's think tank community has evolved to become more competitive, but it is Australia's enduring reliance on private sector consultants for policy work and managerial advice that is most striking (Craft and Halligan 2020).

Of the Anglophone countries, Australia arguably has had the heaviest reliance on consultants for advisory work. The evolving state of Australian public administration suggests that consultants have become entrenched features and that a strong consultancy presence is linked to the challenges of public service capability. One detailed empirical analysis found that spending on consultants in 2017 was 5.5 times higher than it was during the 1995–96 period (van den Berg et al. 2019).

There is evidence of improvements in efficiency over the early reform period (Productivity Commission 2005, 2006) and there remains wide political and bureaucratic support to maintain the broad management framework introduced. But aspects of the reform agenda began to be questioned two decades ago and increasingly in more recent years.

Recent assessments of APS capability

As discussed further below, there are several conceptions of capability depending on whether the focus is at the macro level—the public service as a whole and as an institution—or on specific dimensions of capability such as policy advising and program management, or different aspects of these such as financial or human resources management, or particular specialist functions or areas of expertise such as health or defence.

Over the last decade there have been a number of different reviews of varying quality that have addressed APS capability either directly or indirectly, including:

- The (Moran) Review of Australian Government Administration led by the secretary of the Department of Prime Minister and Cabinet (AGRAGA 2010);
- The Commonwealth Financial Accountability Review (CFAR) conducted by the Department of Finance between 2011 and 2013 (DFD 2012a, 2012b);

- Capability reviews of individual departments and major agencies, coordinated by the APS Commission between 2011 and 2015 (APSC 2014);
- The (Alexander/Thodey) Review of the Implementation of the Public Governance, Performance and Accountability (PGPA) Act (Alexander and Thodey 2018);
- The (Thodey) Independent Review of the Australian Public Service (IRAPS 2019);
- The Senate Inquiry into APS capability (Senate Finance and Public Administration References Committee 2021).

As mentioned, the Moran Review concluded that the APS was ‘not broken’ but identified weaknesses in both specific fields and at the macro level. The specific capabilities identified as requiring more attention include strategic policy advising and human resource management (HRM). Moran also recommended a program of more detailed capability reviews of individual departments and agencies assessing each one’s specific capabilities. It also called for the strengthening of APS governance arrangements with a view to reaffirming its professional, nonpartisan and impartial role and associated degree of independence from the political executive.

Subsequently, capability reviews were conducted between 2011 and 2015 of all departments and most major agencies. These drew on a methodology developed in the UK and were in the form of learning exercises rather than independent audits (Harmer and Podger 2013). They revealed differences in capabilities across the APS including some strengths, while also confirming common weaknesses in strategic policy advising and HRM, including leadership and workforce planning (APSC 2014).

CFAR identified problems with having different financial management legislation for different organisations and continued weaknesses in performance management, evaluation and performance reporting and in risk management; it also revealed mixed efforts in corporate planning and capability development. Subsequently the *Public Governance, Performance and Accountability Act 2013* (Cth) (the PGPA Act) was passed to address the concerns identified by CFAR.

The Alexander/Thodey Review (2018) revealed continued mixed quality of corporate planning and performance reporting against both performance targets and corporate plan strategies, and also the widespread existence of risk-averse cultures and failure to apply firm risk management.

The Thodey Review (IRAPS 2019) concluded that, while the APS remains among the best civil services in the world, it continues to experience weaknesses in capabilities including strategic policy advising and HRM, and it needs to invest much more heavily in technology and to adapt to a rapidly changing environment to ensure better and more efficient delivery of public services. The review also raised concerns about the capability of the APS as an institution, calling for further strengthening of APS governance including measures that would help to clarify its role and relationship with the executive and the parliament by giving more weight, for example, to merit-based senior appointments.

The Senate Committee Inquiry's report lent weight to the Thodey Review's call for strengthening of the capability of the APS as an institution and a reduction in reliance on external consultants, contractors and labour hire.

In summary, the various reviews over the last decade reveal continuing weaknesses in a number of specific capabilities as well as at the macro level, despite confirming that its high reputation internationally is generally deserved. These concerns are summarised below.

Strategic policy advising capability

Policy capability has been identified in the twenty-first century as an ailing field in Anglophone countries (Halligan 2020). While public service policy advising continued to play a major role in Australia in the 1980s and 1990s, it seems subsequently to have been relegated, not just because of the priority given to management and implementation, but also because of increased externalisation and politicisation (Craft and Halligan 2020). Senior executives and department heads were pushed to manage more and their near monopoly role within the advisory system was disbanded as political executives became more assertive.

The most telling result from the capability reviews was the passive approach to policy overall, which was reflected in the relative lack of policy advocacy and leadership (Halligan 2020). Departments' policy capability ranged from well-developed to *laissez faire*, but departments were generally weak on six dimensions: policy development, strategy, research and analysis, policy implementation, stakeholder engagement and evaluation. Departments were reactive and disinclined to be forward-looking, which was attributed to day-to-day pressures and issues, a culture of problem-solving and a prevalence of tactical considerations. There were substantial variations

in departments' ability to offer choices, ground advice in evidence, draw on effective consultation internally and externally, and be forward-looking (Halligan 2020).

In summary, most departments either lacked a strategic focus or made inadequate provision for it or simply neglected it in practice. Strategic policy was often ad hoc and siloed.

More recent evidence (Tilley 2019; Bray et al. 2020), including from the then prime minister's statements (Morrison 2019), suggest that ministerial demand for policy advice had become secondary to the requirement to implement—quickly, efficiently and effectively—the policies developed by the political executive and that there has been little ministerial support for evaluation (Commonwealth of Australia 2019). The reduction in demand for policy advice also contributed to the apparent decline in policy capability.

Indeed, a new fashion for policy first and development of evidence later ('policy-based evidence' rather than 'evidence-based policy') had become more prevalent (Banks 2018).

HRM capability

Human resource management has long been a poor cousin to other forms of management and a loser under budgetary cutbacks.

Common concerns about HRM capacity relate to the lack of adequate APS-wide workforce planning and professional and skills development and training, as well as to the limited capacity in most APS agencies to pursue workforce planning and staff development. The capability reviews also found that, while 76 per cent of agencies were 'well placed' (or better) in terms of motivating people, 71 per cent were ranked as a 'development area' (or worse) for developing people. 'Staff performance management' also ranked poorly in the assessments with three-quarters of reviews rating agencies below the required level (APSC 2013:215). Surveys of employees indicated low satisfaction with senior leaders as a continuing trend.

These APS-wide weaknesses have been exacerbated by devolution of pay and conditions leading to wide variations in remuneration, which is inhibiting mobility and causing serious problems whenever agencies are restructured and staff from different organisations with different pay regimes are merged together. Investment in training and development is lower than in comparable areas of the private sector, and insufficient attention is being

paid to mentoring, systematic career development and succession planning. The Thodey Report in particular called for more APS-wide initiatives to build professional expertise in priority areas including HRM itself, digital capability, data and policy.

Financial, performance and risk management

Improving financial management was a key focus of the new public management reforms in the 1980s and 1990s, with risk management also gaining increasing attention from the 1990s. The shift in focus from inputs and processes to program outputs and outcomes was at the core of the new managerialism, and was regarded as relatively successful in changing culture and practice to a focus on ‘results’. Fast forward 30 years, however, and the achievements of the 1980s and 1990s were dissipated through neglect of the basics across the Australian Public Service (Senior executive, Finance Department, quoted in Halligan 2020:98). The position was described in a review of financial accountability as follows: ‘some of the clarity provided by this simple conception has been lost over time. Moreover, the financial framework does not currently draw links to planning, budgeting or evaluation activities’ (DFD 2012b:14).

As discussed further below, the subsequent passing of the PGPA Act provided a firmer framework for linking budgeting, corporate planning and performance reporting, but questions remain as to the extent to which this has affected practice. Australia has been committed to performance management for over three decades, during which the measurement and performance frameworks have been refined and the capacity to monitor performance has increased. However, practice has fallen short of aspirations with persistent issues with the quality and use of performance information, internal decision-making and external reporting, and the variable engagement of departments and limited interest by parliamentary committees (Alexander and Thodey 2018; Smith et al. 2021).

Risk management received new momentum during the 2000s, particularly where risk was perceived to be increasing, and as a focus on innovation became fashionable. However, work for CFAR found that implementing risk management has been hard work (see DFD 2012a, 2012b). The APS grappled with making risk management work effectively and, while some progress occurred, it remained variable across the APS and a culture of risk management remained elusive (DFD 2012a:57). In the agency capability reviews, risk management ranked poorly: two-thirds of the agencies ranked

below the required level (APSC 2013). According to ‘external and self-assessments of APS practice ... too often risk management is a compliance exercise rather than a way of working’ (APSC 2014:11–12). There are indications that agencies have pursued risk management more seriously under the PGPA legislation but progress by the majority of agencies has been uneven. Given the rather tortuous engagement with risk management (in a risk-averse environment), this could either be interpreted as a continuing problem or alternatively as representing some progress from a low base. Risk practice has remained relatively immature. A more effective risk culture is unlikely without support from political leaders (Alexander and Thodey 2018).

Digital capability

Concern about insufficient digital capability is not based so much on any loss of past capability (though the extent of contracting out IT is a factor) but on the importance today of digital capability in all areas of the APS including service delivery, policy advising, regulation and research, and the failure to invest sufficiently. The Thodey Review suggested the need to invest perhaps between AUD400 and AUD900 million a year more than at present in IT capital, and to both deepen professional expertise in the field and broaden digital skills across the APS and appreciation of its potential to improve outcomes. The review also suggested that optimal use of technology is likely to require significant changes not only to employee skills and expertise but also to the way people work together and their organisational structures.

APS capability as an institution

In general, trends indicate a decline in broad capability as an institution. This reflects both excessive use of external suppliers of services and advice and politicisation leading to a loss of appreciation of the (implied) constitutional role of the APS.

Australia has yet to properly confront the issue of using external providers versus public service capacity. There has been a strong push to take advantage of external providers, using competition to maximise efficiency, but this push has now gone further with a public service staffing cap put in place in 2015, fixing average staffing to 2006–07 levels, requiring agencies to draw on external support whether this represents value for money or not. The result is that, while APS staffing has remained static, a very large workforce

of consultants, contractors and labour hire has emerged undertaking public service functions at taxpayers' expense. According to Thodey inquiry figures, contracting out more than doubled over four years to 2016–17, while expenditure on consultants increased by over 40 per cent (Rollins 2019).

Questions have been raised in particular about the trend to increased consultant use at the expense of a hollowed-out public service, including the auditor-general's broader review of procurement practices of government (ANAO 2020a). The ANAO reported an increase in spending on consultants over a decade from under AUD400 million to over AUD1.1 billion in 2018–19 (ANAO 2020a:45). A former secretary of the Department of the Prime Minister and Cabinet, Martin Parkinson, summed up the position: 'a number of departments, a number of agencies, abrogated their core responsibility and have become over reliant on consultants' and, while acknowledging that there were appropriate situations that warranted consultant use, he went on to say: 'if you get to the space where you basically hand over thinking about policy development, policy prioritisation, to consultants, then you've actually given away your core business. And then you should ask yourself, what are you doing here?' (quoted in Easton 2018).

As discussed further below, both the Moran and Thodey reviews expressed concerns about APS capability at the macro level, calling for a strengthening of the APS as an institution serving the government, the parliament and the Australian public. They call for a more unified approach and also for strengthening of its merit-based, neutral professionalism, by implication winding back aspects of the politicisation and externalisation trends of previous decades and, to an extent, re-establishing the importance of the APS's policy advising role as well as its managerial role.

Recent developments to improve capability and the current state of play

While each review undertaken led to a flurry of activity, the gains each time have to date proven to be disappointing or short-lived and underlying concerns have not been adequately addressed. Following the Moran Report, the *Public Service Act 1999* (Cth) was amended in 2013 strengthening the role of the APS commissioner including 'to strengthen the professionalism of the APS and to facilitate continuous improvement in workforce management in the APS' and to 'monitor, review and report on APS capabilities within and between Agencies to promote high standards

of accountability, effectiveness and performance’ (s 41(1)(c)). The former Management Advisory Board was replaced by the Secretaries Board with explicit responsibility for ‘stewardship’ of the APS (s 64(3)(a)); secretaries were also made responsible for ‘stewardship’ of their departments and across the APS (s 57(1)(c)). The amended Act gave the APS commissioner a role, with the secretary of the Department of the Prime Minister and Cabinet, in advising on top appointments with the aim of reinforcing merit, and also lent more support to merit-based arrangements by limiting the use of short-term appointments (under five years) and involving the Governor-General, not just the prime minister.

However, additional resources for the APS Commission to implement the Moran recommendations were withdrawn by the Gillard Government during the 2010 election campaign. Moreover, while the recommended series of agency capability reviews were conducted between 2011 and 2015, and agency plans developed to address identified weaknesses, no action was taken to achieve a more consistent and centralised remuneration system, and the emphasis on merit and capability quickly dissipated on the election of the Abbott Government in 2013. Several secretaries were summarily dismissed by the new government, staff ceilings were imposed and the agency-based remuneration system was firmly reinforced. Subsequently a new APS commissioner was appointed who had political connections with the government, was opposed to APS-wide remuneration and uninterested in continuing with capability reviews.

Following CFAR, the PGPA Act replaced the previous financial management and accountability legislation, providing a single, principles-based framework for all Commonwealth Government organisations. The legislation mandates corporate plans which focus on each agency’s capability to deliver the performance targets set out in the annual portfolio budget statements (PBSs), which have long been central to Australia’s performance management system, setting out the government’s policy objectives and performance targets alongside the resources made available in the budget. The legislation also strengthened the existing requirement for agencies to report on performance against the PBS objectives and targets in their annual reports and added a requirement for the annual reports to also identify performance against corporate plan strategies. The legislation introduced explicit statutory requirements for risk management, going beyond previous Department of Finance guidelines, with a detailed Rule issued by the minister for finance.

While the new legislation provided the opportunity for ‘making “accountability for results” really work’ (Podger 2018), along with improved risk management and more attention to agencies’ capability, the Alexander/Thodey Review (2018) revealed limited action.

The 2019 Thodey Review also concluded that much more needed to be done, including through a firmer whole-of-APS approach coordinated by the Secretaries Board, though it acknowledged some efforts were already being made to address weaknesses. For example, a Digital Transformation Agency had been established and the APS Commission was already introducing its ‘professions model’ to promote APS-wide professional development in key areas, drawing on recent UK initiatives (Bartlett 2020). ‘Professions’ identified include digital, HRM and data; other ‘professions’ being considered include policy advising and procurement (the Department of Finance had already established a centre of excellence in procurement to promote improvements across the APS in value-for-money procurement).

The Morrison Government agreed to a number of the Thodey Review’s recommendations aimed to enhance APS capability including:

- A firmer focus on investment and utilisation of technology across the APS;
- The delivery of seamless government services, integrated across the Commonwealth and with the states and territories and other providers (and had already established Services Australia six months earlier as an executive agency responsible for delivering social security and Medicare benefits and other human services);
- The development of an APS-wide workforce strategy and associated enhancements to HRM including the ‘professions model’ and improved APS-wide learning and development (which led to the establishment of a new APS Academy within the APS Commission in mid-2021);
- The reintroduction of agency capability reviews to assess organisational capability and advise on strategies for improvement; and
- Measures aimed to streamline management, reduce hierarchies and develop ‘optimal management structures’.

The Secretaries Board was charged with overseeing implementation of the government’s response to the Thodey Review, presented in the form of its own APS reform agenda, *Delivering for all Australians* (Commonwealth of Australia 2019).

It is still early days in the implementation of the recommendations agreed by the Morrison Government, and some delays have been unavoidable given COVID-19. Nonetheless, in responding to COVID-19, the APS has successfully adopted a number of the approaches set out in the Thodey Review and the government's response. These include firmer coordination by the Secretaries Board, drawing also on external support and expertise, APS-wide mobilisation of staff to address particular pressures, such as high demand for income support, and clear APS-wide policies for safe, effective and efficient work practices utilising new technology.

As discussed further below, the Albanese Government elected in May 2022 has indicated a desire to revisit the Thodey Review, including those recommendations rejected by the Morrison Government.

System-level capability

While the most recent measures indicate substantial system-wide effort to reverse the decline in capability identified by Thodey and the earlier reviews, and to enhance capability by better use of technology, the Morrison Government's failure to act on other key Thodey recommendations means that important forces contributing to the observed loss of capability have so far continued unabated.

In particular, the politicisation trend has continued because the government rejected recommendations to enhance the merit basis for senior appointments and the status of the APS commissioner, and to impose firmer accountability requirements on ministerial advisers. Indeed, prior to responding to the Thodey Review, Prime Minister Morrison announced the termination of four more secretaries for reasons other than merit (DPMC 2019). While the government was relying more heavily on the Secretaries Board for whole-of-APS and whole-of-government coordination, including to promote capability and performance, as encouraged by Thodey, this was subject to firm controls by the prime minister who appointed a long-term political adviser as secretary of the Department of the Prime Minister and Cabinet and chair of the Secretaries Board (effectively the head of the APS).

The rejection of the recommendation for a more systematic approach to evaluations via Cabinet and budget processes, and the decision that research and evaluation only be published 'as appropriate', also confirmed the then government's insistence on political control. Other indicators of

continued politicisation include the incidence of political appointments to boards and tribunals—for example, this has been raised as a contributor to problems at Australia Post (Senate Environment and Communications References Committee 2021) and as undermining the independence of the Administrative Appeals Tribunal (Bedford 2019; Whiteford 2021; Curtis 2022)—and the degree to which political considerations are outweighing the public interest in the administration of government grants programs (e.g. ANAO 2020b, 2021). Politicisation is also emerging as a significant factor in the ‘Robodebt’ case with senior public servants unwilling to provide frank advice on the unlawfulness of actions agreed by the Government to address claimed ‘overpayments’ (Podger 2023).

‘Externalisation’ also continued with the Morrison Government’s rejection of the recommendation to remove APS staff ceilings. These have forced agencies to rely increasingly heavily on consultants, contractors and labour hire even when this is clearly inconsistent with value for money. It has also increased the risk of fraud and the use of labour that is not subject to such core public sector values as merit.

The current agency-based approach to setting pay and conditions has continued, following the then government’s rejection of the recommendation to move towards common core conditions and pay scales. As a result, remuneration continues not to reflect market reality or ensure the APS can attract, develop and retain the skills it needs. The wide variations in pay caused by the current devolved approach is also inhibiting mobility across the APS and making any structural changes desired by government more difficult to manage.

Continued failure to act on these matters would limit any enhancement of APS capabilities including with regard to digital capability; it would also reinforce the risk-averse culture that recent reviews have highlighted and undermine the professionalism of the APS and its capacity to serve the parliament and the Australian public as well as the government.

The strong impression is that the APS has generally been trying hard to maintain and enhance its capability and performance and to foster appreciation of its core values, but its efforts have been constantly undermined by politicisation and externalisation pressures. APS leadership has increasingly been caught by the pressures to be responsive to the elected government while legally obliged to promote as well as uphold the APS values: the resulting behaviour has not always provided a good model for their staff.

The good news is that the new Albanese Government has indicated an intention to revisit the Thodey Report's recommendations for a more system-level enhancement of capability. While the government is yet to specify the actions it will take other than to reduce expenditure on consultants, contractors and labour hire and to remove public service staffing caps, there is reason to believe it is serious. The Senate Committee Inquiry Report (2021) was prepared primarily by its Labor Party members (who are now in government): it lent considerable support to the deeper reforms proposed by Thodey. More significantly, the new prime minister's appointment of two of the Thodey Review's members as departmental secretaries (Professor Glyn Davis, as head of his own department and Gordon de Brouwer, to a new role of secretary for public sector reform) confirms the government's determination to pursue major reform (Albanese 2022).

Revisiting the definition of capability

Defining and measuring civil service capability depends firstly on the institutional structure within which the civil service operates and the associated responsibilities of the civil service, and secondly on whether an agency-by-agency (or organisational unit) perspective is involved or a whole-of-public-service perspective pursued.

In the first round of capability reviews undertaken in Australia, the UK experience was followed closely, given the broad similarities of the two Westminster institutional arrangements where there is considerable separation of politics from administration within the executive, with the elected politicians setting policy and the civil service being responsible for both advising on policy and the administration of policies and programs. The UK approach also focused primarily on each agency's capabilities; to the extent it measured the capability of the civil service as a whole it did so through consideration of the set of agency reviews and identification of common strengths or weaknesses.

New Zealand developed its own version, the performance improvement framework, which was designed to identify gaps and opportunities in current and future agency capability and performance (Halligan 2020). A future strategy was incorporated in a capability review of the APS Commission, the first of a new round of Australian reviews (APSC 2019).

The UK methodology used in Australia involved assessing the agency’s collective expertise and its processes and systems. It did so across three ‘domains’:

- Leadership, including setting directions and developing and motivating people;
- Strategy, including building a common purpose through collaboration and drawing on evidence to make choices and focus on outcomes; and
- Delivery, including planning and resources management, performance management and sound delivery and innovation (Harmer and Podger 2013).

This framework is being reviewed for the new program of APS capability reviews.

A recent study by the Australia and New Zealand School of Government (ANZSOG) (Speagle et al. 2021) conducted for the Western Australian Government has suggested modifications to previous approaches in light of experience in New Zealand and Canada as well as the UK and Australia. As shown in Figure 15.4, the study suggests five domains for both assessment and future capability enhancement:

Leadership, Culture, and Direction	Delivery for Citizens	Relationships	People Development	Resource and Risk Management
<ul style="list-style-type: none">• Purpose, vision and strategy• Values, culture and behaviour• Organisational governance• Review and evaluation	<ul style="list-style-type: none">• Citizen focus• Policy and Planning• Service delivery• Managing for results and value for money	<ul style="list-style-type: none">• Engagement with Ministers• Public sector contribution (pursuing whole-of-Government or cross-cutting outcomes)• Engagement outside the public sector	<ul style="list-style-type: none">• Strategic workforce development• Management and development of people performance• Engagement with staff	<ul style="list-style-type: none">• Asset management• Information and technology management• Financial management• Procurement and project management• Integrity and risk management

Figure 15.4: Agency capability domains.

Source: Speagle et al. (2021:33).

The ANZSOG study suggests this framework is more practical and comprehensive than the earlier ones. It also suggests some modifications to the way the capability reviews should be conducted to ensure a more standard approach, while endorsing the earlier emphasis on shared learning. The ANZSOG approach might assist with identifying APS-wide capability strengths and weaknesses from the emerging set of agency capability reviews, and whether APS-wide policies and procedures are enhancing or exacerbating capability. The coordinating capability of the APS has become more important with the trend of ‘externalisation’ and the reliance on non-governmental actors

(Wegrich and Štimac 2014). But the capability of the APS as a whole involves additional issues, including its governance as an institution and its relationship with the government, the parliament and the Australian public. In turn, these additional issues are affected by broader institutional arrangements across the executive, the legislature and the judiciary.

Conclusion

The reform era in Australia and other Anglophone countries began in part because the civil service was considered to be too independent and insufficiently responsive to the elected politicians, but this has morphed into one of insufficient constraints on politicians' involvement in administration. The civil service was also considered to be too insular, not sufficiently engaged with the public and not subject to the pressures for efficiency that occur in the private sector; but to an extent this has morphed into excessive reliance on the private sector and its management practices and insufficient appreciation of the unique role of the civil service and the 'craft' of public administration.

The extended period of reform has, despite its many successes, provided salutary reminders of how much the changing context matters and how, at the same time, underlying institutional arrangements need to be preserved and fostered.

Under the Westminster model, relations between politicians and public servants traditionally centred on the coexistence of the neutral public service and responsible government. The embedded tension between the two elements was kept in balance by applying well-established principles and norms: a neutral public service that served the political executive regardless of party, and a political executive that respected the integrity of the civil service by maintaining its apolitical and professional character. Specific features were the career public servant, a permanent official who survived successive governments; senior appointments drawn from the ranks of professional careerists; and the ministerial department as a repository of policy knowledge and primary adviser to government (Halligan 2020). The relationship was one of a trusted partnership rather than of principal-agent control.

While some adjustments to these arrangements were inevitable with increased demands on government and a more complex environment both domestically and internationally, Australia has been both managerialised

and politicised to an extent that has undermined the trusted partnership of the past. Indeed, politicisation and externalisation generally exceeds that in other Anglophone countries; New Zealand may be equally or more managerialist, but politicians' influence there is far more contained (Craft and Halligan 2020).

Political advisers are numerous (second only to Canada) and influential at the departmental level and in the Prime Minister's Office. The appointment and displacement of department heads is more politicised: they have seemingly been dismissed at the whim of ministers, behaviour unprecedented in its frequency and public character. A high level of political control has occurred under specific regimes with heavy use of partisan instruments (Halligan 2020). Concerns have been raised as to whether the public service can perform its constitutional responsibilities because 'the thickening of the interaction between the APS and ministers, coupled with professionalisation of politics, has changed the relationship ... to one often more akin to "master-servant"' (Podger 2019a:5).

The Moran and Thodey reviews pointed to the need to reverse some of the politicisation shift of recent decades. The Morrison Government's rejection of relevant Thodey recommendations, however, confirmed the politicisation trend. A powerful indicator was the explicit consignment of the public service to implementing policy directions, and the emphasis on a Policy Implementation Committee of Cabinet (Morrison 2019, 2020).

Those two major reviews nonetheless concluded that the APS remained among the best civil services internationally. In many respects that can be confirmed through consideration of particular public administration functions such as tax administration, national statistics, regulation of competition, the payment of social security and Medicare benefits, macro-economic advising and budget processes. For the most part, Australia's COVID-19 response also confirms the capability of the APS (and state public services).

The key message from this overview, however, is that these successes and the capability behind them are at risk if the capability of the APS as an institution is under threat, which it has been from excessive politicisation and externalisation in particular. The new Albanese Government has promised to address these concerns: its initial statements and actions suggest it is serious but sustained effort will be required to halt and reverse the trends of recent decades.

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