

CHALLENGES IN PUBLIC ADMINISTRATION*

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Sir Robert Garran was the first public servant of the Commonwealth of Australia and, in the period immediately after Federation, he was briefly our only public servant. In the succeeding decades Garran played a leading role in establishing the foundations of the public service as we know it today. At his retirement in 1932 he had been a permanent head for thirty-one years — a record period of service that, as the *Australian Dictionary of Biography* notes (Parker 1981, p.623), is unlikely ever to be broken.

Billy Hughes is supposed to have once said that "the best way to govern Australia was to have Sir Robert Garran at his elbow, with a fountain pen and a blank sheet of paper, and the War Precautions Act" (Parker, p.623). This judgement by Hughes goes to the heart of Garran's unique skills. Anyone reviewing this extraordinary career and assessing his immense contribution to the Commonwealth of Australia cannot but be impressed by two outstanding elements.

First, Garran was the paragon of professionalism. He served eleven different Attorneys-General and sixteen Governments, covering the spectrum of political affiliations in that initial period of quite rapid political change. He served them all with absolute loyalty, and received their confidence and trust, setting a fine example of one of the most fundamental values of our Westminster-derived system of government.

Second, as Garran responded to all the diverse challenges of administration he faced — initially as an advocate and agent of Federation, then as the trailblazing public servant and parliamentary draftsman, then in the

international field during and after the First World War — he proved an unquenchably creative force. In a time of change, his creativity in building new institutions, developing practical solutions and creating workable machinery still stands as an admirable model for his successors today.

On the basis of my own experience of five and half years as Prime Minister, I can say that the Government I have the honour of leading has been well served by a public service which has sought, largely successfully, to emulate Garran's professionalism and his creativity.

Indeed, I argue that today's public administrators — those elected to parliament as well as those appointed to the bureaucracy — face even greater challenges than those presented to Garran by Federation, Depression and World War.

As tough as it would have been to establish a Commonwealth Government where none had been before, it is perhaps even tougher to manage and to reform machinery of government which is inherited. In the era of nuclear missiles, optical fibres, instant news and 24-hour money markets, it is anomalous that we face these challenges with a Constitution inherited from the days of the penny farthing bicycle.

In the economic sphere, we face the challenge to restructure the Australian economy so as to guarantee the future prosperity of our people. And we must do this in an era when we can no longer assume, as those of Garran's and succeeding generations of Australians assumed, that greater prosperity results simply from shearing more sheep, harvesting more wheat and finding fabulous new veins of minerals and

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metals.

This restructuring process has been the principal activity of our Government over the past five and a half years. It has demanded a fundamental rethinking of the economic assumptions that we inherited from the past. At the same time it requires vigilant attention to ensuring our political arrangements remain relevant to the task we face — without of course modifying the democratic and parliamentary character of our political system.

To a large extent, meeting this challenge of restructuring has relied on improving the performance of the private sector, through for example practising the hard discipline of becoming more productive and competitive, making our manufacturing industry more efficient, boosting our research effort, and building new industries in the service and high tech areas.

These have been areas of special priority for this Government and, thanks to the tremendous contribution we have received from the entire community, we are starting to see the fruits of our efforts: a more diverse and efficient economy capable of competing and winning on world markets.

But it would have been senseless to have believed that restructuring was a task solely for the private sector and that the public sector was immune from a similar need to improve its performance.

The public sector is a substantial employer and producer in its own right, and its functions in regard to the private sector, such as taxation, regulation, economic analysis and policy advice, have assumed critical importance in determining the overall efficiency of our economy.

Further, the tendency over many years, and with increasing frequency since the Second World War, to see the answer to emerging community needs lying almost automatically in an expanded role for government has in fact created a number of problem areas, both potential and real. These include:

- inefficiencies of excessive regulation;
- the expensive spiral of government assistance, be it by direct payment to welfare recipients or indirectly to inefficient industries;
- the distortion of the taxation system by the

creation of rorts for the privileged few;

- the inefficiencies of overlapping local, state and federal jurisdictions;
- the pervasive role of statutory authorities; and
- the drain and danger caused by excessive federal budget deficits.

In declaring my pride in my Government's record of achievement in minimising these danger areas, I hasten to point out that we have by no means accepted the simplistic analysis that small government is necessarily better government or that deregulation is a desirable end in itself. That is a misconception to which our conservative opponents fall victim with amazing regularity — in the same way as, for that matter, some on the Left find themselves making the too-easy assumption of the desirability of government intervention. Deregulation and intervention are not ends in themselves; they may simply be means to the real goal which must be the creation of a fairer and a more efficient Australia.

As a Labor Prime Minister I am proud of the way in which we have met our responsibilities as a Government, protecting the needy, helping the battlers, and making Australia a fairer society. And as a Prime Minister committed to reform, I am proud of Labor's proven capacity to improve the efficiency and competitiveness of our economy which is helping to guarantee the prosperity of all Australians.

My point is that, in today's circumstances, unless there is constant vigilance by an elected government alert to the demands of the international economy, and unless organisational and attitudinal change becomes a constant part of the government's management of the bureaucracy, the public service may succumb to the almost overwhelming temptation to look inwards; to become absorbed in its own process rather than its output; to grow inexorably; in short, to serve its own ends. If that were to happen, our overall economic performance would suffer and the community would be the poorer.

The business of government must be the provision of the greatest public good at the least private cost — and the public service must achieve those ends without losing its professional capacity to serve governments of differing

political views and with different policy priorities. Indeed, that capacity should be always enhanced.

In today's environment, when the economy as a whole must overcome its entrenched inflexibilities and inefficiencies, that prescription poses a massive management challenge.

The aim of government must be not only to ensure that the public service does its own job professionally and efficiently. The aim must also be to ensure that the public service is not a stumbling block for broader, economy-wide change; indeed, that the public service becomes where possible an effective instrument for the achievement of that change.

Having established this broad context, I want to describe the efforts my Government has made to achieve those goals, and to spell out our consistent set of principles which has underpinned those efforts. You will be broadly familiar with the extent of our reforms — the new legislation in 1984, the budget reforms, the streamlining of personnel administration in 1986 and our continuing reforms of statutory authorities. I have briefly outlined these changes in an appendix to this Oration. I will address in more detail here the important structural changes I announced in July last year and the associated changes in cabinet arrangements I announced the following month.

Most commentators on the machinery changes have, perhaps not surprisingly, tended to concentrate on whether or not the two-level ministerial structure is working effectively. From my perspective it *is* working well — a point I will return to shortly.

It follows, however, that the commentators have put too little weight on the very substantial changes that have been wrought in the public service itself, and the improvements they have made to the quality of policy development work, to the capacity for co-operation and co-ordination within the public service, and to the degree of accountability and flexibility for managers.

The likely benefit of these changes in improving the quality of management and decision-making was more important to the Government than the achievement of savings through the elimination of overlap and

duplication.

Commentators have similarly overlooked the importance of the changes in the cabinet committee system we introduced, and in particular our decision to establish three policy development committees:

- the *Structural Adjustment Committee* which co-ordinates reform of the micro-economy to achieve medium-term growth in our economy;
- the *Social and Family Policy Committee* which focuses on the development and implementation of our social justice strategy to ensure the fair distribution of the proceeds of economic growth throughout the community; and
- the *Public Service Reform Committee* which is concerned with further improvements in management in the public sector.

Cabinet, of course, remains the supreme organ of the decision-making processes of the Government, and any major matters which might have their genesis in the committees will in the end be determined by the cabinet itself.

But these new committees, like the Expenditure Review Committee in relation to the budget, have become the engine rooms of our decision-making processes. They are the forums in which ministers most directly concerned with the policy area can collectively and in detail consider the subject matter and develop policy proposals or positions for consideration by the full cabinet. Through these committees, we are generating a much greater ability for ministers collectively to engage in policy development, which had been essentially the preserve of one minister and most often one department.

Moreover, the new policy development committees are supported in their work by groups or task forces of officials who are interacting more closely with the collective policy development role of the ministers.

The new two-tier structure of government has undoubtedly facilitated this approach. Fewer departments need to be drawn into any particular policy development exercise and the barriers which used to exist between departments have been substantially reduced — perhaps because each department now brings a broader area of responsibility and broader perspectives to bear

on any given matter.

A very good illustration of the benefits of this new approach was contained in this year's May Statement, in which we unveiled a major program of structural reform, substantial developments to advance our social justice objectives, and significant returns from the Efficiency Scrutiny program (Keating 1988). These measures had been largely developed through the processes of the three policy development committees I referred to earlier, and by a great deal of hard work on the part of both the ministers on those committees and the officials supporting them. The new machinery has also, as I expected, further improved our budget processes.

This Government's period of office has been characterised by an unprecedented period of sustained expenditure restraint.

The last three budgets have actually seen Commonwealth outlays fall in real terms, and outlays as a share of GDP are now the lowest since 1973-74. This fiscal achievement — so essential to the Government's overall economic strategy — has required five years of hard slog by Expenditure Review Committee ministers.

The sustainability of this process of expenditure restraint has required us to concentrate on improving financial management — especially through the progressive introduction of program budgeting — and on streamlining budget processes.

Our innovations have proven successful. Rather than wait until just before the August budget to sift through all the bids ministers may make for new spending, ERC is now provided early in the year with a list of ministers' new policy proposals. Sifting through those bids, ERC identifies a range of high priority or unavoidable proposals which are then scrutinised more closely prior to delivery of the budget in August.

Streamlining the budget process has also involved eliminating the need for ERC ministers to decide on the trivial detail of budget-making, in particular the minor savings options and minor new policy proposals costing \$2 million or less. This desire on the part of ERC to extricate itself from the detail of budget-making complements the trend towards letting ministers take greater responsibility for their portfolios.

These twin goals have been pursued in the most recent budget period through the use of portfolio targets.

Thus, in the run-up to the August budget, ERC can now concentrate on significant new policy proposals and wrap up remaining budget matters within portfolio expenditure targets. Subject to their reporting to ERC on achievement of those targets, portfolio ministers are now free to pursue minor policy proposals and minor savings options without the previous detailed involvement of ERC ministers.

Another important change I made last year was to replace the former Public Service Board with a much smaller Public Service Commission — reflecting and enhancing our clear preference for devolving responsibilities for personnel management to portfolios instead of concentrating on outdated central agency roles. A part-time Management Advisory Board was established to advise the Government on significant management issues and to be a forum for considering major management activities affecting the service as a whole.

As well as these changes, the Department of Finance has progressively become less involved in detail and changed its financial management controls to promote greater responsibility for operating departments and greater incentives for managers. The Department of the Prime Minister and Cabinet is also now substantially less interventionist, with greater concentration on its fundamental role as a co-ordinating agency — this reflects a change both in concept and in the character of the chief political office holder!

The savings that I foreshadowed could arise from these major machinery changes will be achieved. But I repeat that they were not the primary purpose of the changes. Indeed we recognised at the time that there would be substantial costs associated with the changes and substantial dislocation and disturbance both for agencies and many individuals.

It was my expectation that adjustments would be necessary over some two years to accommodate changes of this scale. No certain assessment of the success of the changes would be possible before then.

I can say, however, that although they are difficult to quantify, significant benefits are already evident to me in the areas of policy

development and decision-making processes, and in the area of delegation to, and incentives for, managers.

I return now to the issue of the two-level ministry and to the associated issues of accountability.

I do not need to remind an audience such as this of the relentless pressures on ministerial time in modern government. Among these pressures are:

- responsibilities in relation to the minister's electorate and constituents;
- unavoidable party political duties inside the parliament and in the broader party organisation;
- legislative and parliamentary obligations;
- overriding responsibility as a member of the executive government, and associated responsibilities to cabinet and cabinet committees;
- and finally, responsibility, derived from the Constitution, to administer his or her department.

The immensity of these competing pressures under the Government of Malcolm Fraser prompted an investigation by political scientist Patrick Weller and journalist Michelle Grattan into the chilling question *Can Ministers Cope?* (1981).

I do not pretend that ministers of my Government face no problems in reconciling competing demands on their time. But I do point out that the two-tier ministerial structure was designed to make, and I am convinced is making, it easier for my ministers to do so.

In introducing these new arrangements we addressed head-on the legal question which had bedevilled so much previous consideration of the rational allocation of functions to departments. The question whether section 64 of the Constitution permitted more than one minister to administer a department had long been the subject of learned consideration by the lawyers. Most, including Sir Robert Garran, have been of the opinion that it was possible — the most notable exception being a narrow interpretation in 1958 by Mr Barwick, as he then was, as counsel. I am pleased to note that there has been subsequent judicial endorsement of the broad interpretation of section 64 (see Griffith 1987).

The positive view however has always been

tempered by caution because of the potential consequence of disqualification of a member or senator if the negative view were held to be correct. This was an important factor leading to frequent, costly and inefficient machinery of government changes.

The revised arrangements we have put in place provide the flexibility necessary to accommodate changing political priorities and circumstances, including new ministerial appointments, without the need to change the machinery of government with all the upheaval that entails. Indeed, one of the virtues of the new machinery is that there is great flexibility within portfolios in allocating responsibility to ministers and re-drawing lines of operation for officials — flexibilities which also assist departments and ministers to cope with changing pressure points.

Under the new system, non-cabinet ministers are undertaking many functions on behalf of their portfolio ministers — such as parliamentary duties, correspondence, day-to-day administration of specific areas within the portfolio — enabling senior ministers to devote precious time to broad strategic issues of government. Not insignificantly, non-cabinet ministers are also enabled to focus much more closely on the nitty-gritty issues that are often vital to the welfare of the individual clients of government.

As I envisaged at the time, it has been necessary occasionally to refine the arrangements. This will, no doubt, continue to be necessary. Overall, however, I believe the two-level ministry arrangements have worked remarkably well. As you would be aware, the Leader of the Opposition, Mr Howard, has publicly welcomed many aspects of these new arrangements, including the two-level ministerial structure, and I welcome his support.

For my part, I regard the new machinery as setting the basic pattern of Australian government administration for many years ahead. Major changes of this kind are disruptive and, while minor adjustments must be made where necessary, no major changes at the departmental level should now be necessary as far ahead as I can see.

In the lead-up to my visit last year to the Soviet Union, I had drawn to my attention a

comment of Lenin's. It was a comment of great relevance to the reforms sought by Mr Gorbachev, and has been quoted approvingly by an influential Soviet economist, close to Gorbachev, seeking to condemn the rigidities and inefficiencies of the Soviet system bequeathed by Brezhnev. Lenin's comment has unexpected relevance today, less because of his definition of the problem than his articulation of the solution. If you will forgive Lenin's unfortunately scatological language, I will read it to you:

In our country everything is swamped in a foul bureaucratic morass of "departments". Great authority, intelligence, and strength are needed for the day-to-day struggle against this. Departments are shit; decrees are shit. Seeking out people and entrusting the work to them — that is all that matters (cited in Shmelev 1987).

And in many ways, seeking out people and entrusting the work to them is all that matters to reformers of the public service, and indeed of the private sector, in Australia today. In our pursuit of greater efficiency and effectiveness in the public service, we have followed a consistent set of principles. With rather less brevity than Lenin, let me outline the principles underpinning our reforms. They have been aimed at:

- clarifying the lines of accountability at all levels of government, including through greater delegation of responsibility to line managers;
- retaining and where possible enhancing the professional character of the public service and its ability to serve the elected government of the day;
- pursuing greater equity in public administration including in the delivery of services; and
- providing maximum scope for our greatest resource, our people in the workforce, through greater individual initiative, innovation and job satisfaction.

Let me now discuss how these principles have been advanced.

As to the first, accountability is a pervasive principle, that at one end of the spectrum ensures voters can endorse or reject a government in the ballot box, and that at the other gives force to the claim of a pensioner seeking assistance over the

counter of a Social Security office.

It has been in pursuit of this principle that we have:

- redefined, in legislation, the relative responsibilities of ministers and departmental secretaries for the administration of departments;
- enhanced ministerial responsibility through the new two-level ministry system;
- introduced a range of measures designed to reduce central agency controls and put responsibility more clearly in portfolios — and complementary measures to reduce central controls *within* portfolios; and
- improved budget processes and financial controls.

Within these differing levels of accountability, one layer seems particularly problematical: the accountability of the executive to the parliament.

The parliament, through question time, parliamentary committees, and detailed scrutiny of legislation, provides the means by which government is called to account during its term of office. It has been my Government's desire, particularly through its budgetary reforms and the manner in which financial information is made available to the parliament, to do all it can to make the processes of government as transparent and amenable to parliamentary scrutiny as possible.

Given this subtle and multifaceted process of accountability, it is depressing that, at least in some quarters, the whole concept of accountability gets reduced to a barren quest for ministerial resignations. Opposition parties today — and, I suppose, of earlier periods — seem to believe they are engaged in a game of cricket. They are too eager to cry LBW, and tend to do so for all the wrong reasons.

The true measure of ministerial accountability, here and in Britain, has never been the tally of ministerial resignations. Even in the slower and simpler formative period of our system of government, the strict theory that ministers were fully accountable for every act or omission of their departmental officers was, simply, far-fetched. In today's environment the traditional hypothesis just cannot be reconciled

with political and administrative realities. The relationship between ministers and officials is far more complex than the hypothesis, with its all-too-neat dichotomy between policy and administration, permits.

Clearly there are many areas where the detailed development of policy proposals is, within a broad framework of ministerial direction, entrusted to officials; similarly, there are many matters of administration in which ministers take a close interest.

In other words, ministers must, of course, continue to be answerable to the parliament and to take any necessary corrective action. But the truth is that there is no requirement for them to resign except where a significant act or omission was theirs, or was taken at their personal direction, or was a matter about which they obviously should have known and done something.

Ministerial responsibility of course is but one strand in the web of accountability that pervades our whole political and administrative structure. It is a principle to which, as all our public service reforms show, we attach very great importance. It is not, let me stress, in any way contradictory to the second principle we have pursued: maintaining and enhancing a highly professional public service.

Some critics of the changes made to appointment and tenure provisions for departmental secretaries argued they would lead to politicisation. Four years later, no one could reasonably claim that the portfolio secretaries serving my Government are other than highly professional career public servants who have also served previous governments in senior positions. The public service remains, at all levels, a highly professional institution.

The third principle I referred to, which draws out the importance of equity in public sector management and employment, has also been advanced. In terms of government outputs, this is reflected in the advances we have made towards our social justice objectives. In terms of staffing it is best reflected in the legislative advances in 1984 and in the new machinery to follow those changes through and to foster a management culture in the public service which pays proper regard to the merit principle, to industrial democracy and to equal employment

opportunity.

These developments tend to be seen as soft optional extras. This is short-sighted; there are substantial management benefits in all of these measures. I regard the continuing efforts the Government is making to foster EEO as especially important in seeking to harness for the public sector the best available human resources in our multicultural society.

The final principle, enhancing scope for initiative, innovation and job satisfaction, does not lend itself so readily to assessment. Much of our effort has gone into providing a framework within which managers at all levels have clearer lines of responsibility and a greater degree of autonomy.

I recognise we have more to do on these qualitative issues — but we have been necessarily living through a period of stringency and adjustment, and it takes time for a new management culture and environment to be established. I should say, however, that there have been many examples of innovative policy development and innovative changes in program management.

Despite the apparent size and sometimes impersonal face of government there is, I believe, tremendous scope in the public service for individual initiative and sense of satisfaction arising from contribution to the public good. The changes we have made should, over time, lead to greater scope for such innovation and, I believe, greater potential for job satisfaction.

One of the management challenges we face is to ensure that this is the case. Another is how to achieve greater *recognition* for the substantial contribution to this nation made by those in the public sector employment.

Public servants have come a long way since Kafka gave bureaucracy a bad name or since Tom Collins gave a particularly Australian twist to the characterisation. Tom Collins, of course, was the pseudonym adopted by Joseph Furphy in his classic of the Australian bush *Such is Life*. At the outset of Chapter 1 the recently unemployed Collins writes of his days in the public service:

One generally feels a sort of diffidence in introducing one's self; but I may remark that I was at that time a Government official, of the ninth class; paid rather according to my grade than my merit, and not by any means in

proportion to the loafing I had to do (Furphy 1944, p.5).

That was a laconic way of putting Lord Samuel's dictum: that a public service will find a difficulty for every solution.

It's unfortunate that such stereotypes persist in the public mind. I repeat what I said at the outset — that I consider my Government to be very well served by the federal public service. And I take considerable pride in the fact that the reforms my Government has made to the public service have served further to increase its efficiency and professionalism.

As you are well aware, over recent years I have been stressing over and over again to the business community, to the union movement, to our primary producers, and to workers throughout Australia, the overwhelming need for adaptability and readiness to accept change if we are to prosper as a nation. Similar adaptability and readiness to embrace change is absolutely imperative in our public institutions if they are to provide the framework within which our visions of an economically prosperous and socially just Australia are to be realised.

As we approach the end of this century and the centenary of the establishment of the Commonwealth, in which Garran played such a large part, I am confident that our measures to create a management environment and culture which emphasise the ability to promote and adapt to change will be seen as among our most significant achievements.

For those who question the directions we are taking, let me refer you to some remarks of Garran about the constitutional debates of the 1890s:

Looking back over these debates, one is struck by the vanity of human fears and precautions (T)hose fifty of the elect of Australia spent months discussing dangers and difficulties, most of which the experience of half a century has shown to be imaginary. On the other hand, many of the troubles that, as it turned out, have beset the Constitution since its establishment are matters that never occurred to them (Garran 1958, p.112).

For reasons that are obvious enough, I say nothing at this point about constitutional reform and the difficulties thereof. But I do make the point that change is a constant. The last decade in particular has seen so many of the certitudes of the past brought into question, modified or despatched to the dustbins of history. These winds of change have been no respecter of ideological boundaries. In differing degrees they have blasted China, the Soviet Union and the West and in differing degrees the public service has been affected by, in some cases indeed is central to, how these changes are worked out in the society in question.

In the Soviet Union, for example, the success or otherwise of the historically momentous changes enunciated by Secretary-General Gorbachev will be determined by his capacity both to overcome the opposition of so much of the bureaucracy to those changes, and then to harness a leaner public service as a positive element in the processes of change.

In Australia, where the challenge of change is a compelling constant for all of us, I believe we are singularly fortunate in having an Australian Public Service which has, in my judgement, both the character and capacity to enable it fully to meet that responsibility.

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APPENDIX

Against the background of the policy positions developed in opposition as reflected in the document *Labor and Quality of Government*, my Government moved quickly in 1983 to set up the task force chaired by Mr Dawkins, then Minister for Finance and Minister assisting me for public service matters. A wide-ranging discussion paper was published in December 1983. The resultant legislation, the *Public Service Reform Act 1984*, was passed in June 1984.

The Act made it quite clear that the responsibility of departmental secretaries for "the general working, and for all the business" of their departments was subordinate to the fundamental responsibility of ministers, derived from the Constitution, to administer departments. It also provided for more flexible appointment and tenure provisions for secretaries.

We established the Senior Executive Service in place of the former second division, again with more flexible appointment and tenure provisions. All SES vacancies were opened up to people outside the public service. Far greater emphasis was placed on mobility and management development programs. The Public Service Board, and later the Public Service Commission, were given important roles in ensuring the integrity of SES staffing decisions.

We moved to establish separate legislation, the *Members of Parliament (Staff) Act*, for the employment of ministerial consultants and ministerial and electorate staff, to facilitate appointment of people not drawn from the public service, while removing any possible charges of politicisation. The Act also provides an umbrella for career public servants to gain experience in a minister's office.

A significant start was made in what was to be an ongoing process of devolution from central agencies to departmental management. From 1 July 1984, secretaries were given the ability to create and abolish positions and to reclassify them. We also began the process of integrating staff number and financial controls, by moving responsibility for the former from the Board to the Department of Finance.

Significant changes were also made in personnel policies. The merit principle and anti-discrimination provisions were included in the *Public Service Act*. Requirements were introduced for equal employment opportunity programs and industrial democracy plans. Part-time employment was introduced for permanent staff. A new grievance and appeals body — the Merit Protection and Review Agency — was established under its own legislation.

Running parallel to these changes were our reforms to the budget and financial management processes, the most important of which has been the progressive introduction of program budgeting. For the first time this has enabled ministers and the parliament to be given reliable costings of government activities, program by program, rather than the previous unhelpful breakdown by type of expenditure, such as travel, telephones, stationery.

Such information is vital for two reasons. First, it gives individual managers a far greater sense of responsibility for the expenditure of program funds. Secondly, it enables ministers to take far more informed decisions on the competing priorities of various policies and programs. In the present fiscal climate, program budgeting has assisted in the continuing and rigorous search for offsets and trade-offs.

At the same time we adopted a policy of releasing forward estimates of expenditure and, contrary to long-held views in some quarters, this has not had the dire economic consequences predicted.

In 1986 a dramatic turn-around in our terms of trade created economic circumstances which made the processes of reform on the government's agenda much more important and urgent. There needed to be a fundamental restructuring in the private sector of the economy to enable us to compete internationally and enable continued domestic growth. It was necessary to ask the private sector to make sacrifices in this adjustment process and to find means of further increasing its efficiency.

We could hardly do so without considering what adjustments should be made in the public sector to assist the process of change in the private sector, and indeed without seeking to set an example by accelerating the drive for greater efficiency in the public sector.

That is the background to the public sector decisions announced by me in the parliament on 25 September 1986.

An efficiency dividend was required from departments and agencies for the three financial years beginning in 1987-88, initially set at 1% of administrative expenses and subsequently amended to 1.25%.

An Efficiency Scrutiny Unit was established under the leadership of an experienced businessman, Mr David Block. A large number of scrutinies of administrative approaches and practices was conducted under the umbrella of the unit. They were carried out by departmental staff specially selected and trained for the purpose. Some 25% of the savings achieved (\$100 million in a full year) was allowed to be retained by the departments as an incentive, and that incentive remains in place with responsibility for further scrutinies resting clearly with departments.

Other incentives for improved management were also put in place.

For example, there was provision for greater flexibility in financial management, in particular by permitting some carry-over of funds from one financial year to the next and by providing greater freedom to move funds between salaries and administrative expenses votes.

There were, as well, major changes to the arrangements for the redeployment or retirement of public service staff, and many changes streamlining personnel management, including further devolution to departments.

I also foreshadowed, on 25 September 1986, the extensive restructuring of public service job classifications designed to remove obsolete distinctions, to reduce the overall number of personnel transactions, and through multi-skilling to provide greater flexibility in the use of personnel. These changes are now being implemented following Conciliation and Arbitration Commission approval as part of the second-tier wage round in accordance with the government's wages policy.

As well as the substantial reforms in the public service, we have given close attention to statutory authorities. In January 1986, our policy statement Reform of Commonwealth Primary Industry Statutory Marketing Authorities was issued and subsequently legislation has been passed enabling these authorities to adopt a more flexible commercial approach to the marketing of rural products.

A policy information paper *Policy Guidelines for Commonwealth Statutory Authorities and Government Business Enterprises* was tabled by my colleague, Peter Walsh, in October 1987 and since then extensive work has been done, especially in the transport and communications portfolio, on the reshaping of government business enterprises to enable them to operate more competitively, to be freed of many bureaucratic controls, so that they may be held more accountable for their performance.

Details of the changes made in relation to these business enterprises were contained in the May statement this year, and further work is proceeding in relation to other business enterprises and statutory authorities.