

Productivity Commission podcast transcript

Sharon Lee

Welcome to Brotherhood Talks.

Peter Harris AO

Around the world, people are still trying to copy - countries are still trying to copy the Australian Productivity Commission. New Zealand has. Chile has. I've had an approach a couple of years ago from Argentina. I went to the OECD last year to present on our Shifting the Dial Report, and it was well received in the OECD. I ended up with this queue of European ambassadors to the OECD asking could I or someone come and help them design, you know, the equivalent of productivity commission for a couple of European countries.

Sharon Lee

They do say imitation is the highest form of flattery. In this Brotherhood Talk, we deep dive into a major Australian policy institution set up in 1998, the Productivity Commission. Peter Harris served as Commission Chair for five years to 2018. He's in conversation here with Alison McClelland, a former commissioner and a life member of the Brotherhood of St Laurence. Peter Harris says it's a measure of the Commission's value that so many countries are so interested to copy it.

Peter Harris AO

Around the world, people are still trying to copy - countries are still trying to copy the Australian Productivity Commission. New Zealand has. Chile has. I've had an approach a couple of years ago from Argentina after they re-emerged on international markets wanting to do the same thing, having observed the Chilean experience, which is a - it's a little but interesting organisation. I went to the OECD last year to present on our Shifting the Dial Report, our analysis of how to improve productivity in the non-market economy, because the non-market economy is growing faster than the market economy, and is a more serious place for - prospect for significant and influential change that were relevant to individuals, to human beings.

And so it was well received in the OECD, and I ended up with this queue of European ambassadors to the OECD, asking could I or someone come and help them design, you know, the equivalent of a productivity commission for a couple of European countries. So, I have to say, viewed outside this country, the Productivity Commission is viewed as, you know, a very impressive, unusual organisation. So there is some objectivity to that. On the other hand, I've got to tell you, I told most of those people, "I don't think we can help you. I don't think we can help you do this because you can't impost an entity like the Productivity Commission on an institutional structure of government and community without having the appropriate culture, the - if you like, the willingness to welcome, you know, a severely critical eye being cast over public policy."

And, in Australia's case, you might well say we lucked into this. I mean, we had an institution that dates back and almost as long as Commonwealth Government dates in Australia. So it does date back to the original Tariff Board decisions, which were immensely influential if you - and I like economic history. I'm just sort of stuck with this. Rather read economic history than most of classical economics because I think you learn quite a lot from history. You know, you read the debates, and I have,

foolishly, read the debates in the national parliament of the first 10 years of Federation, the Tariff Board was like it, you know, everything.

Now, it rise and falls over all that period, but it's been adapted since the early 1980s to a task which is way beyond the imposition of restrictions on what's imported into this country, and the provision of subsidies for what's exported out of this country. Moved way beyond that through a number of iterations. But, as I say, you could quite possibly argue, and I have, that we lucked into this. We had it. It was influential. It had capabilities. It changed its own mind about providing tariff assistance and subsidy assistance well before the government of the day changed its mind about that. And, as a consequence, for a period, it was a much loathed part of the federal government apparatus, and, yet, it survived that because the time suited it.

We're now talking the 1980s when I first started working on structural reform for then Commonwealth government. And to have an entity which was committed to utilising data to analyse a problem, and could write sufficiently articulately about what it discovered, to provide at least the foundation for an argument that could be taken forward by another part of the bureaucracy where I worked was in the Prime Minister's department, was a very, very useful tool. And it grew from that. So I would say you look at the evidence of history, it says the institution was sufficiently well respected to survive longish periods where it wasn't popular. And, today, other countries still want to replicate it. So I'd say those are two objective sources which say, you know, it does a pretty good job.

Alison McClelland AM

Just as an aside to your comment about it was loathed, one of my personal recollections is in the '90s when it was then the Industry Commission, and Bill Scales took over, and they did their first charities report. And we were all horrified. This organisation didn't have a clue doing a charities report. And it did a very good job of it. And so it started that process of the community set to thinking second, you know, being prepared to give it a go in a different way.

Peter Harris AO

We - in my time, and Gary Banks's time, in Bill Scales's time, go back to, you know, other people who've been in it, Tony Cole, there were regular periods where, as the Productivity Commission expanded to become the Productivity Commission from being, you know, the Tariff Board then the Industry Commission, or the Industry Assistance Commission then the Industry Commission, it expanded its breadth of analysis where the government put it into new fields. Every time, same argument is presented, you know. What could you possibly know about the significance of this area?

And we comfort ourselves by saying, "Well, we know about it as much as we do about, I don't know, something you think we are traditionally experienced in." You know, we've done multiple reports on coastal shipping." Everybody quotes the coastal shipping reform kind of thing. It must've been done a dozen times or, you know, things like that. Well, we're not experts in coastal shipping either, you know. So don't imagine because we've written six reports on it that we're experts in it. We do it for a period, and then we don't do anything. And, five years later, someone might drag us back in but we don't have expertise.

We're not going to claim we have sectoral expertise. What we claim instead is a willingness to listen to those who do, and an application of data, which is very uncomfortable for institutions of both Commonwealth and state government because, even though they collect the stuff, they generally don't use it for the purpose of analysing and evaluating their own programs, and for damn good political reasons. It's quite embarrassing to the minister of the day for a mid-level public servant to trot up there and go, "Oh, I spent the last six months trawling through all our data and, look, this program of yours is a complete dog, you know."

You don't get thanked for that. It's very hard for them to do it. It's much easier for us to do it. But there are many, many places where we could do it. So we don't get to do it everywhere. We get to do it where either governments formally ask us, which is the thing I'm trying to convey to the countries overseas who want to replicate us. I say, culturally, you have to have a government that will ask you to do work. And then it's on the hook for at least considering that because you're going to publish it, right. So there's got to be some willingness to take a bit of punishment from a government. It's an unusual thing for governments to be able to set themselves up for a criticism.

Or you can look at our own motion research, which I've certainly tried to upgrade in my time. And, Alison, you mentioned, you know, towards inequality and entrenched disadvantage kind of reports, those that were research reports from us. But there's a limited amount of resourcing you can put into those reports. And, frankly, there's a limited amount of judgment that you should put into those kinds of reports, because you just become known widely as a complete menace as an agency if you spend all your time doing research that interests you or, you know, motivates you, and not on the things that motivate the government of the day. There's plenty of problems to fix.

It doesn't matter who's in government, you know, Coalition, Labor, any other group you want to put together and say could be some kind of future coalition, all of them know there are plenty of public policy problems that an organisation like the Productivity Commission could help them with.

Alison McClelland AM

And, of course, one way of understanding value is impact. So let's have a think a bit more about impact where the PC has had impact, where it hasn't. I mean, you can think about impact in two ways: immediate impact or short-term impact on decisions, and you - I mean, I can think of reports the PC did that have had that, for example, the parental leave one was one that, you know, had an immediate impact. I mean, there's - and also the NDIS, I guess. And then there's the long-term impact, the changing the thinking, understanding. Can you - do you want to reflect on your thoughts about where it's had the greatest impact in that sense, and where it's been important?

Peter Harris AO

Well, I think its reputation was established really as an organisation via the original tariff cuts, and then ongoing programs to reduce protection, and open up the Australian economy because it was inevitable if we didn't do that, we could only slide backwards. And some people in this room, but not too many of you, are old enough to remember Lee Kuan Yew, the prime minister of Singapore, making the remark that Australia, if it persisted on the path it was in in the 1980s, was going to be the poor white trash of Asia. Now, that's a nice sort of headline inducing kind of remark. Also, Lee Kuan Yew denied he said it, I think. But it didn't matter. Combine that with Paul

Keating's, "We're going to be a banana republic if we don't change public policy," and that is the circumstance in which we found ourselves.

And there was an institution which had preceded both of them by providing advice to government, which was generally ignored, which said, you know, "You're going to have to do something about not just sort of like one-off shifts to tariff protection," as some of you will remember the Whitlam government did make a one-off tariff cut in the 1970s. But it's not one-offs that matter here; it's changing the entire structure of the Australian economy so that it is capable of growing without having these perpetual booms and busts that all they do in the end is give people five to seven years of reasonably stable employment, and then 10% of you are off the tram.

And that's, roughly speaking, what we did through the '60s and '70s. And once you're off the tram in employment, it's damn hard to get back on, because somebody else younger than you and slightly better qualified than you has just graduated from some high school or university, and they can replace you readily. And we've seen this in the Global Financial Crisis in the US. There's a data-driven analysis to track just what happens when people do fall off the tram. So one of the great things that's happened as a consequence, not just to the Productivity Commission's work but as a consequence of a whole bunch of contributors to the structural reforms in the Australian economy, the late '80s through to the late '90s, because I'd include the GST in this under the Howard government, those -

That glorious 10- to 12-year period of structural reform did change the nature of the Australian economy in utter substance, and has, by any decent analysis conducted by anybody at all, contributed very substantially to the 28 years of uninterrupted economic growth. And what's the great value in 28 years of uninterrupted economic growth? Well, not too many people have lost jobs - not - in fact, no time in that period has 10%, roughly speaking, of the workforce had to get off the employment tram, and then find a way back on. Hasn't happened. We don't want it to happen. It's such a waste of human resource, and it's devastating to people's lives. So there you go.

This agency I think was responsible for being in place at the time, and place and with well-thought reviews on international trade barriers, and their role in distorting the Australian economy at a point in time when it became obvious to politicians in the early 1980s that we were simply unable to sustain the kind of protection for all funny structure that we had evolved over the '50s, '60s, and '70s.

Alison McClelland AM

One of the criticisms - we'll deal with some of the critiques of the PC. I want to come back though to context as well.

Peter Harris AO

What? Critiques? What?

Alison McClelland AM

Yeah, critiques. One critique is its focus on economic analysis, and particularly some people would say a particularly narrow understanding of economic analysis. And there's a general critique, and a specific critique there. And I think we've got Terry here in the audience, Terry Moran, and I've heard Terry say that over the past decade or decades, there's been too heavy a focus on economics as an input into policy. I

might have that wrong, and Terry might want to take that up later. So there's a general one, so, and then there's a particular one about the particular economic approach taken by the PC. So how would you respond to that, in a way, is there limits to what economics can contribute? Are there areas where economics should be careful, have added areas? I'm thinking particularly with social policy, because a lot of people in this room will be interested in social policy.

Peter Harris AO

Look, economics should be careful not just when it wanders into an area where not everything is assessable via data-based analysis. But let's first bear in mind what economics is. In my terms, and I'm a sort of - I hate to do this. I'm probably a lapsed economist. I sort of believe in it, but sometimes it's hard to keep faith. And that's particularly as it has moved strongly into econometrics where - and you get this incredibly deep attachment to models where, in my view, the model ends up running the modeller, rather than the other way around. And you've actually been hearing that relatively recently with people's obsession about where the NAIRU should be, where the - effectively where interest rates should be that aren't going to create an inflation situation as a consequence of us running the economy too hard.

And I worry quite a lot about the use of models in those circumstances because the justification from economists tends to be, "But the model tells me so." In other words, if I vary one of those three variables, unemployment, interest rates, inflation, if I vary one of them, the other two have just got to be in line. And so, you know, they've just got to be. And I think to myself, gee, you know, economics is a logic system. It's not a set of mathematical certainties; it's just not. Modelling can help you a great deal to clarify your thinking in the sense that forcing people to create production functions and link them together in a way that creates a coherent outcome that is consistent with the real world is a very, very useful thing to do.

But modellers that think the real world should adjust to their model, and are prepared to alter a variable to help it do so, you know, they need to be a bit more cautious I think with their analysis. It's not to say that they're wrong. It's just to say that's when - and you asked me the question, so when should you be cautious? And, in my view, you should be cautious about not trying to create mathematical certainties out of things that are not necessarily simply a matter of mathematical certainties. But I would defend economics as a pre-eminently effective logic system for understanding the application of public policy, and its ability to move into areas where it's considered to be not traditional for economics to intrude.

The most recent example that I've had of this is when we asked Ian Harper's competition policy review back in 2015 for the right to do some reviews. We wanted Ian to recommend it so the government would endorse those recommendations, and we would get references back in intellectual property and in the use of data. Leave intellectual property to one side, although the two are actually linked, but on the use of data, one of the very first interactions we got when we went out to consult people, which we do at the Productivity Commission - we don't just ask for submissions. We find people who've published on topics, and go out and having meetings with them and things like that.

And a particular group told us we were utterly unsuited to considering the use of data in the current environment. And they were a group who were deeply attached to

privacy law as it runs in this country. And their view basically was, “Ultra-rationalists like you from the Productivity Commission have got no understanding of the fundamental human right that exists in privacy.” Now, we didn’t think we were actually going to have a go at privacy, so it was a bit of a shock to us. And, indeed, if you go through the report, and its subsequent consequences and what’s happened, we’ve actually provided a foundation for privacy to be much better applied in a sound and reliable public policy way in the future, in my view. But we can debate that too.

But that’s an absolute classic really because, you know, the use of data, whilst it’s very relevant to economics, it’s very relevant to everything up to and including privacy. So we think you can apply a logic system like economics to it, but bear in mind the fact the Productivity Commission does do that doesn’t guarantee a particular policy outcome. And so in the answer to your initial question, Alison, I didn’t say, “Well, you know, we have a 30% success rate or something with recommendations.” I mean, that’s my rough mental order of magnitude. I don’t say that because I don’t think it matters terribly.

I mean, you should keep an eye on it, but I don’t think it matters terribly, because the judgment against us shouldn’t be, “Did the government implement all your recommendations?” It should be, “Did you inform the debate in a way in which no one - or in a manner that suggests you’ve actually created value that no one has either seen before or that, whilst they’ve seen it, they’ve ignored it?” That’s the better test for the Productivity Commission. The Brotherhood of St Laurence uses the data published by the Productivity Commission for its own analysis. And, indeed, like when we did the childcare report, there was a lot of controversy.

A lot of groups said, “Gee whiz, we don’t agree with your outcome that not too many more women will go back to work if we vastly increase the cost and the funding obviously to people of childcare.” And we said, “Well, here’s the data, and here’s the way we put it together, and feel free to adapt it.” And people did, both the government department did and some of the intense lobbying groups did too. Well, we consider that a value-add, right. From our perspective, we go, you know, no one has ever tried to do this before in a formalised fashion drawing upon actual real datasets. We did. So even if the government didn’t, and, in that case, they sort of roughly did adopt what we said.

But they certainly went further than we were planning for them to go. But the greater value-add always wasn’t whether the government did or didn’t adopt the recommendations of the Productivity Commission. It was for now and into the future, there is a mechanism by which people can - people who are very interested in this topic can logically and reasonably establish a foundation on which disputation can occur, but it’s not through gypping the numbers. It’s not through claiming something that is not supported by data.

Conny Lenneberg

I’m Conny Lenneberg, executive director of the National Social Justice Group, the Brotherhood of St Laurence. I hope you’re enjoying this episode of Brotherhood Talks. If you’d like to learn more about our work to find solutions to the complex challenges presented by poverty in our prosperous country, have a look at bsl.org.au.

Alison McClelland AM

I think the other general area of critique is about the way that the PC goes about its work, particularly its inquiries. And it has been said that it's a bit too close, lacks transparency. Now, in many ways, you could argue that's a very unfair critique because there is a very sort of rigorous, I suppose, policy process that PC goes through. It releases an issues paper. It takes submissions. It has consultations. Then it has a draft report, and it takes more submissions, and has public hearings, and so on. But, I suppose, the sense is that sometimes that then goes into a black box, and they're not sure about how it's all brought together.

So I just wonder whether it's worth talking a little bit more about how it's brought together. And then maybe thinking about two ways or two concerns really, which is whether it's a sufficient enough understanding of implementation, and the focus on implementation. And the second one that I think we spoke about, you and I spoke about yesterday, was whether it allows enough dialogue to have an expression of views and understandings amongst key people and key players, whether it does that. So would you like to talk about the process, and how you understand the process the PC goes through in coming to its recommendations?

Peter Harris AO

I think the people who criticise the PC, and it's not something that frankly was high on the list of criticisms that I think came my way in my nearly six years doing the job, I did hear it before that. But I think the criers died down a little around that. Could be wrong. Maybe I'm just lacking in self-awareness. But I didn't - don't really hear a lot about that. And, indeed, intellectually, it's a very hard criticism to sustain. We publish everything we do, everything, even including the failed research work, you can find it on the PC website. So by failed, I mean incomplete; didn't meet the hypothesis that we were thinking about, and therefore can't proceed any further with this.

The datasets weren't actually made available to us. You can find everything. You can find, as I said, the modelling that we do use, and we have very good modellers for the purposes of our work, who - where they don't let the models run the modeller. So, you know, you can find everything we do. And, as you've mentioned, Alison, we have each of these steps where our stuff's put out there publicly by us. We receive - we fight very hard against not having confidential submissions. People ask us to make things confidential. We push back really hard on that; my judgment, probably sometimes too hard on people because then we lose a submitter.

But, you know, that's a debate held internally, and the Chairman doesn't always win, and I got told, "Sod off," and, you know, staff win again. So - because I'd rather have the information, frankly. But, no, they're saying transparency - ultra-transparency matters, and so I stick with that. The same sort of thing, we record, for crying out loud, our hearings, and our roundtables, even to the point where, again, in my view, sometimes that actually discourages people from being participants. But we run about as transparently as you could possibly run as an organisation. And if I benchmark it against the government departments I've run, you know, they have consultation processes, and they're not a scintilla of equivalence between like what a government consultation normally is and what a Productivity Commission one is.

So, I think it's just - to the extent it exists today, it's just code for people who don't like the Productivity Commission being involved, and think that's a good label to

stick on it: you're not sufficiently consultative. To the extent that people can't understand a reasoning, that is a decent criticism of us because we write very, very detailed reports. Usually, we get more criticised for the length of the damn report than we ever do anything else. But, you know, we should always be trying to get our conclusions supported by plain English language and simplicity. We do - we put ourselves onto Twitter before most government departments do; not because we want to tweet.

In fact, we don't tweet very often. But what we do do is we use it as a free press release system, and we end up with 4,000, I think today, followers, which I always - I told people when we started doing this, if it was done in my time, "Oh, we'll get five or six hundred because that's about how many journalists and bloggers there are in Australia that are interested in the sort of stuff we do." And we've ended up with much larger than that. So I'm not quite sure why we got 4,000, and maybe we got more than that followers now. But we go out there to be involved so that everybody can get via every mechanism - you run a Facebook page sort of like that, so, you know, people can be aware we're in the game, and contribute via whatever mechanisms they want to.

You know, there's a small comment website - element to our website where if you want to not put in a formal submission on something, you just want to say, "You guys should really look at X or Y," you know, that's available to you now too. So we do keep continuously adapting it to use modern mechanisms as well as traditional mechanisms. But I think that translation of deep analysis to plain English is quite tricky. And part of the reason for it is some of our strongest critics do come from, you know, within the economics profession who, if we don't speak in the language of classical economics, tend to be dismissive.

And I think that affects some of our staff, who would like to be respected by their peers, and therefore they do hanker to hold onto the language which says, you know, "An academic understands me." And I was always of the alternative view. I worry less about what the academics feel about the Productivity Commission. And, again, by objective analysis, you can see that they don't actually care that much because we're rarely cited in academic analysis. So, as you know, for those of you who deal with the academic world, if you're not cited, you're nothing. So, therefore, we must be nothing.

So why should we worry about them? And no one's ever invited me back to some university somewhere to bang on about some topic. So that's another interesting kind of thing, perhaps more a commentary on me, you know; quite possibly. I hope you're not on the institution. But, you know, we're less - we should be less interested in satisfying the academics, and far more interested in satisfying the interested public; not the general public but the interested public. And the interested public is a topic-by-topic thing. So we can be, I think, fairly criticised for doing that. We've done the best we can in my time. We can do better because, regardless of whether I think we did as well as we could, you can always do better.

Sharon Lee

The first question from the audience asks Peter Harris for his thoughts on the debate around the introduction of a universal basic income.

Peter Harris AO

The Productivity Commission has actually made a comment on this, and it's in one of the preliminary research pieces of work we did in the lead up to taking on the data inquiry. And if you think I'm banging on about data a lot, it's because it really, really, really matters. It is probably the largest single sustainable resource discovered this century. It's going to be with us for a long time. We should have a structure that deals with it. We haven't got one. Should get one. And so, in the lead up to that work, we did some preliminary research, which was published on digital disruption. And, in the course of that, we did look at this question, which was being linked to digital disruption, and the possibility of automation, meaning a large proportion of the population sometime in the future may not have the opportunity for full employment.

And would this be one of the support mechanisms that you might want to consider? We didn't do a lot of analysis of it. But I would say we didn't dismiss it out of hand. However, we did say that if you were going to link it to automation, you should think again. And so we were early on in the period - you know, I think this is a conclusion that more people have now reached than might've reached it when we published in 2016, which was primarily work done in 2015, where we're saying just because a job can be automated doesn't mean it will be automated. The entity that determines whether it will be automated, if it's a service, and mostly it is a service, therefore it's about a human being, is the consumer.

And so there was - as you probably know, there's some quite interesting economic analysis published by some researchers in the US, who looked at the question of what kind of jobs could be automated. And they came up with quite a large number: 40% of jobs, you know. Other people commented on these things. But better analysis, including by that same group of researchers, but better analysis subsequently has shown that there's a high degree of improbability about some of these things being automated just because they could, because they're not necessarily going to deliver the service that the person might want.

And recent analysis does indeed focus again on this non-market economy area. It's an absolute classic. It's for aged care and things like that where we will have big employment needs in the future. And the probability of them being delivered by robots, which some people can hypothesise, reasonably unlikely, given the likely response of human beings to that. Am I going to go to the automated aged care facility or am I going to go to the one where a human being will at least listen to me in a manner that I'm used to being listened to for the first 70 years of my life? And the answer is, "Mm, Alexa, you know, lift me out of bed." Maybe not. I don't know.

Hopefully, someone from one of the big automation firms isn't really going to tell me that Alexa can lift you out of bed. But, anyway, you know, so I think we're interested in the question when we did that little bit of work, but we're interested in it primarily about this - linking it to this concept of can disruption create massive shifts in employment? And we think it's unlikely to do so at the moment. And, therefore, we didn't proceed with much further analysis of the idea. I know it's been run as a trial in Scandinavia. I think it was in Finland. You may be aware of that. They ran it for over a year, and, in the end, they shut it down because it wasn't achieving the outcomes that they thought it might.

And that was particularly around, as I recall it - I'm doing this from memory - the probability of people feeling they were more satisfied. So it wasn't a sort of, you know, "have you got a job?" kind of thinking. It was were they were more satisfied with their existence? So, anyway, somebody better and smarter than me should look that up and see. But it's an area where there will be investigation made over time. But I guess it's important that we don't start with a solution that then looks for a problem, which I think was sort of what we were doing with automation, and the idea of a universal minimum income.

Alison McClelland AM

Can I add to -

Peter Harris AO

Yes, you can.

Alison McClelland AM

I'm just wanting to add quickly to that because I was part of a study and a process which related in a book - ended up in a book coming out this year that the Brotherhood's partly sponsored, so. And, look, my sort of view about universal basic income is that the debate has been too polarised about it, either for or against. There are very different versions of it. Insofar as our system has two big flaws that need to be developed, the concept has something to offer, which is our system does not provide a decent basic income. So that is a key problem with it, the level of support provided, particularly to unemployed people.

But also the extensive conditions that have now been put on people, both unemployed people, single parents, people with a disability, that are demeaning and unhelpful, and that need to be reconsidered. They are two big problems with the current system that the debate about the basic income could help us to focus on.

Shaun McMahon

Peter and Alison, it's been insightful to hear from you both today, so thank you. My name's Shaun McMahon, and I'm with the Brotherhood. I have a question, and that is the decline of the capability and perhaps resources within government departments at a state and federal level, and the corresponding and, you know, depending which way the causal mechanism goes here, but consolidation and growth in professional advisory services in Australia. I'd be interested in hearing both of your reflections on this in terms of the potential risks or benefits that may be arising, and also what role, if any, the Productivity Commission or its state equivalents may have in response.

Peter Harris AO

It's a very important question if you're interested in public policy advice, and you have an attachment, as I do, to the success in the future of the interaction between public servants and politicians. I think this government's going to get a review from David Thodey and some colleagues shortly, and I hope it will address this in part. I had my own session with them, and I did, in part, go to this question, because I do think things have changed in my time. They've changed substantially in my time. But being sort of almost part of the problem, I'm not sure I've got the wisdom and the distance to stand away and say, "These are the root causes, sure and certain, and therefore address these and you'll fix it."

But there is little doubt that we have become I think a far more generalised group of advisors, the public sector, with less respect for the specialist, the narrow sectoral expertise with 20 or 30 years' experience behind it. We have less respect for that, and we have far more attachment in the public sector, state and Commonwealth, to the idea of promoting the effective generalist who can establish strong working relationships, regardless of the political environment, and generally run administratively a tight ship. And none of those things are undesirable that I've just described.

However, what has happened I think is less respect for the role of specialist. And what you lose as a consequence of that, and this is deeply valued by the Productivity Commission, I might say, but we're not - this is not really about - this question really isn't about the Productivity Commission, in my view - but deeply valued because, of course, if we're not sectoral specialists but we're going to become one for a year, we got to find the sectoral specialists. And to the extent that they aren't there anymore, that's a problem now, a significant problem for the quality of our analysis. And they are less and less there anymore.

And I think it's because the system doesn't value them. And I can judge that myself. I've run, as you heard in the intro, three state government agencies and departments, one Commonwealth, and I was head of policy development deputy secretary level for the Commonwealth Transport Department for a good part of the 1990s, where we did a lot of the structural reforms. And in all those cases, right, somebody like me is assisted as I've moved. You heard from the descriptor, you know, I've run an environment department, the land management in this state, primary industries. In Commonwealth, it was broadband, but it was transport for most of my career in the 1990s.

I've done national competition policy. Like, I need sectoral experts. And, for me, it was always the first thing you look for when I changed from one job to the other. Who's the guide here? Who's going to tell me where the floor is unstable, and, if I step on it, I'll fall straight through to the sharks below in a darkened water, you know? Like, you need these people. And politicians need them even more than heads of department or deputy secretaries need them. But I don't think we value them in the way we once did, and I don't think we grow them in the way we once did. And the solutions - in fact, there's no silver bullet to this.

But it is, in first part, is a recognition that we need institutional structures which house these people in a fashion where they are held in respect. So when I was in public transport, which was in - when I was brought into here in Victoria, it was in a state where we were immediately anticipating that the privatised public transport entities, the largest of them was about to go into receivership. And you have to look around for your subject matter experts to be able to deal with that. And we didn't have too many of them. The ones that we did have had to be preserved. And so, amongst other things, I created some institutional structures, which made sure we kept people like that.

And that they were available to us even though they were possibly a bit depressed and possibly a bit feeling excluded and all that kind of thing. And you have to restore capability or confidence in their capability, and institutional structures are part of that. So even if that person can't become, you know, deputy secretary of policy for the

Transport Department, they have to be given a role which sees them involved in all of the decision-making, and a level of support via staffing that says that they can maintain their expertise by continuing to do the research and analysis, and the operations in the field that have brought them to this state of capability.

They have to have that. We don't do enough of that, in my view. It's not the only thing we don't do enough of. The other big thing that's really denuded the public service of capability is lack of support for risk-takers. Now, in the public sector, you do not need 100% risk-takers. In fact, it'd be a dreadful organisation if 100% of public servants were risk-takers. You probably need, in my rough judgment, an 80/20 where it's 20% of risk-takers, right. And you need 80% of people who are going to make sure that the stuff that the risk-takers have designed, the novel concept they've come up with, the strategy they've got for implementing it, the resourcing that they've managed to extract from whichever source of resourcing they've got, is then implemented effectively.

Alison mentioned implementation, right. The 80% are there for the implementation, the evaluation, the reconsideration, the general administrative management. The 20% are there for change. But when I went back to Canberra after eight or nine years out of it, in - a little bit in the private sector, and then in the state government, I went back to Canberra. But I left in 2001. I came back in 2009. We had lost most of our risk-takers. I couldn't find them, and I knew this area pretty bloody well because I'd been in Canberra for 20-odd years leading up to that leaving in 2000, 2001. So we don't have enough of them anymore, to the extent that people, when I offer to promote them into higher roles, refuse promotions because these were risk-taking jobs, and they didn't want to be involved in them.

And the people who were guilty of denuding the public sector of risk-taking are ministers, ministerial advisors, and the very most senior people in departments who can't back risk-takers; can't because it might affect their career. And we have increasing numbers of such public servants, right at the top of the tree, but we also have ministerial advisors who have absolutely no sense of responsibility towards the medium-term, and to the extent they don't want to hear from a centre of expertise that might exist in the department. They just want to see the idea that they came into government to see implemented, implemented, and then they'll go to another job.

This is a bit of a problem. Now, having said that, I work - most of the ministerial advisors I work with have been positive, good, helpful, logical, sensible people. But I've seen enough of the other to know that it has a deeply debilitating effect on a department.

Alison McClelland AM

I'm just adding quickly and also say importance of really strong policy capacity, but I really agree about the specialists, but also a willingness to be open and to look outside, and not to be too closed.

Female audience member

The question I was going to ask you was really to - given some of the things you're saying, do you think the Productivity Commission will survive in its present form for the next five years?

Peter Harris AO

Most entities who are involved in Australia in public policy design - so that's not limited to the public service system and the political system. It's in fact about people who interact with both of them in an attempt to change public policy. So that's a good chunk of the Australian economy. If they are even slightly reminded of the existence of the Productivity Commission, they will say the Productivity Commission is essential to that. And we've done some surveys. Did the very first one on my watch. Didn't do the second one because, you know, it's important to set the benchmark, but then don't be there in case the next one comes in and says you're, you know, gone down, you know.

So I'm not there for that one. But we did this, and we got quite a strong response from people. And we asked people who were our critics as much as people who we think we could reliably guess would be supportive of us. So I think it would be almost impossible for a government today to get rid of the Productivity Commission. But by indifference, they can disempower it, and that is the greater risk. That governments simply don't refer any more serious questions to the Productivity Commission, and instead waste its resources on second-order inquiries into stuff that could be considered to be possibly political and politically advantageous.

That's the genuine risk to the Productivity Commission, because it will still have work, people will still be employed there, but right now the powerful commitment that exists amongst that staff group to making a difference in the medium-term, and living with the fact that people will push back quite hard on some of our work, that's a very important resource for this country. And it can only be denuded by what we call a strategy of simply not referring decent work to the Commission. I don't think that's likely to happen, frankly, because I look at the - and this is a commentary really on the state of where we are as a nation right now.

We have a pretty fair slew of problems to deal with where you can have independent advisors doing some of them, and you can have - somebody mentioned professional services firms doing some of them. But there are so many, and the solutions are unlikely to be as well founded on data and analysis and evaluation from those other kinds of entities that I think governments will be required to call on the Productivity Commission from time to time. They won't necessarily do everything that I think they should send to the Commission. They won't necessarily do everything that you send to the Commission. But I think governments will have to do this.

In terms of the serious things that we have to do, everybody has their own personal preferences, and I have mine. We have I think, via Shifting the Dial, pointed very strongly at far more efficiency and effectiveness that delivers things that people actually need in health and education and aged care and urban environments. And that's what Shifting the Dial has written up in detail. And I don't think I want to sort of prioritise one over the other. But I do believe state treasurers, which is where we really directed our efforts in my time to marketing Shifting the Dial, and the Commonwealth treasurer really need to own an agenda that if it isn't what's in Shifting the Dial, it's got to be an effective substitute for it, because I come back to this question, you know.

The thing that will reinvigorate growth in this economy, and improve wage settlements, at the margin, you can do a bunch of little things, and they will barely

show up in the statistics. You really have to try and take on a suite of big-picture reforms of the kind of things really that, you know - and I used to do because I lived through this era of the kind of things that economic statements did in the '80s and through the '90s, up to and including the Howard government's GST shifts. I mean, Hawke, Keating, and early Howard were, you know, foundational. We have a model in this country. Other countries look at it, and go, "Gee, look how good you were." We can do it again.

Alison McClelland AM

I would - I think the health and education areas are critical. I would say improving our educational outcomes, particularly for at the lower end, is a critical issue. And improving efficiencies in health delivery and health is critical. I suppose I would add the broader question about how we transition to a low-carbon economy, and talking about that, I mean, I think that the concern about that, the worry about that, was a sleeper in the last election, and is a sleeper worldwide, you know, in countries, which is leading to some very adverse outcomes politically, I think.

Sharon Lee

Alison McClelland ending this talk, which took place in August 2019. Earlier, Peter Harris referred to the 2017 Productivity Commission report, *Shifting the Dial*, five-year productivity review. You'll find a link to it on our website, bsl.org.au/brotherhoodtalks. Brotherhood Talks is a podcast by the Research and Policy Centre of the Brotherhood of St Laurence, working for an Australia free of poverty. Production by Aysha Zackariya and me, Sharon Lee. Music by Lee Rosevere. Join the conversation on social at #BSLTalks, and subscribe in your favourite podcast app for more episodes of Brotherhood Talks.