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CHAIR, INDEPENDENT REVIEW OF THE AUSTRALIAN PUBLIC SERVICE  
DEPARTMENT OF PRIME MINISTER AND CABINET  
PO BOX 6500  
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**12.07.2018**

Dear Sir

Please find enclosed our submission to the Independent Review of the Australian Public Service.

We note that the Terms of Reference of the review include an examination of “the capability, culture and operating model of the APS.”

This submission focusses on one of these issues: the culture of the APS.

It reflects on some of the major *systemic* factors that are currently crueing the culture of the APS. The aim of the submission is to identify these systemic factors and suggest some recommendations the Review so the APS will develop a culture that can better address the economic, social, environmental and democratic challenges facing Australia over the coming two to three decades.

The insights and recommendations of this submission are based on the decades-long experience of The Ethics Centre in working with the public, private and not-for-profit sectors; and recent work of the Ethics Alliance with major businesses and industries around Australia to identify strategies that will be effective in building trust in institutions, developing ethical cultures and embedding ethics into organisational policies, procedures and practices and in employee conduct.

Yours sincerely

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## Submission to the Review of the Australian Public Service

### Introduction

The scope of the Independent Review of the Australian Public Service includes examining “the capability, culture and operating model of the APS.”

This submission comments specifically on the type of culture the APS needs to develop urgently if the APS is to have the capacity to address the major economic, social, environmental and democratic challenges facing Australia over the coming two to three decades.

The insights and recommendations of this submission are based on the decades-long experience of The Ethics Centre in working with the public, private and not-for-profit sectors; and recent work of the Ethics Alliance with major businesses and industries around Australia to identify strategies that will be effective in building trust in institutions, developing ethical cultures and embedding ethics into organisational policies, procedures and practices and ultimately, in employee conduct.

### Definition

“Culture” consists of the common values, principles, mindsets, beliefs, understandings and priorities that are learned and shared in the workplace and that shape the decisions and practices of employees and thus, of an institution (organisation) as a whole. Culture is also expressed in and reproduced in the workplace through routine work practices (such as delegations, reporting processes and administrative procedures) and organisational artefacts (such as building locations, office design and departmental branding). Culture – common values, principles and mindsets, routine work practices and organisational artefacts – establish “how we do business around here”. Organisational culture is a powerful influence on what employees do, as indicated in popular aphorisms such as Peter Drucker’s “Culture eats strategy for breakfast”.

The significance of culture has been identified by the Australian Public Service Commission (APSC) which notes:<sup>1</sup>

- Culture is consistent, observable patterns of behaviour in organisations.
- Culture is powerfully shaped by incentives.
- Culture is a process of “sense-making” in organisations.
- Culture is a carrier of meaning.
- Culture is a social control system.
- Culture is a form of protection that has evolved from situational pressures.
- Organisational culture is shaped by and overlaps with other cultures—especially the broader culture of the societies in which it operates.
- The cultures of organisations are never monolithic. There are many factors that drive internal variations in the culture of business functions and units.
- Cultures are dynamic. They shift, incrementally and constantly, in response to external and internal changes.

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<sup>1</sup> See <https://www.apsc.gov.au/organisational-culture>.



In the past, the APS has taken some action to improve the culture of the APS at a whole-of-government level<sup>2</sup> and at the level of individual agencies.<sup>3</sup> Important as these attempts have been, this submission suggests that future culture change in the APS needs to be much broader in scope, more focussed on implementation and more transparent in its performance reporting.

### **A strategic approach to culture**

The Terms of Reference for the Inquiry suggest it is timely to review the structure, approach and operations of the APS in response to the “new technology and global developments [that] are transforming the Australian economy and society”. The Terms of Reference suggest there is a need for the APS to develop a culture that would support the APS to become more digitally savvy, innovative, with a more mobile and technologically sophisticated workforce.

One possible (and narrow) reading of the Terms of Reference would suggest that the main reason for the Review is economic. Such a formulation would lead to recommendations about how to redesign the culture of the APS so it can support the APS to better address the economic challenges facing Australia. We favour a broader interpretation of the Terms of Reference – one in which technological change and global developments are seen as triggers for change of such a profound kind as to be ‘civilisational’ in scope and character. Seen in this light, the challenge facing the APS will be to help manage a major process of transformation that is both ‘just’ and ‘orderly’.

The capacity of the APS to play a constructive role in this transition is not just a matter of it possessing the necessary human and material resources. The APS will have to be seen by the Australian public as a highly competent and trusted body of men and women committed to acting solely in the public interest. Given the foreseeable level of disruption – a likely period of mass loss of employment, a reordering of political structures, etc. the integrity and ultimately, the legitimacy of the APS will become one of its most essential assets.

Unfortunately, expert commentators, discussing the state of the APS, have referred recently to the “apparent loss of appreciation of the values and institutions that underpin responsible government in Western democracies”<sup>4</sup> and the “dangerous ambivalence towards institutions.”<sup>5</sup>

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<sup>2</sup> For example, “Strengthening a values based culture: A plan for integrating the APS Values into the way we work” (<https://www.apsc.gov.au/strengthening-values-based-culture-plan-integrating-aps-values-way-we-work>).

<sup>3</sup> For example, “Pathway to Change – Evolving Defence Culture” (<http://www.defence.gov.au/PathwayToChange/>).

<sup>4</sup> Andrew Podger, ex-Public Service Commissioner, reported in <https://www.smh.com.au/politics/federal/time-to-review-public-administration-20180427-p4zc0h.html>.

<sup>5</sup> Heather Smith, Secretary, Department of Industry, reported in <https://www.canberratimes.com.au/public-service/heather-smith-public-servants-must-start-doing-policy-differently-now-20180330-h0y6cr.html>



This loss of confidence in the Australian government sector is not new, with some experts expressing their concern about the “ethical quality of the public administration workforce assembled under Australian Governments generally since the 1990s.”<sup>6</sup>

At least three other major societal forces will also have a major impact over the coming two or three decades on the quality of life of Australian people, the robustness and sustainability of the Australian economy, and the confidence of the public in the institutions of government to act for the greater good. These long-term forces are (i) environmental change (including but not limited to climate change); (ii) demographic changes (including but not limited to the aging of the population and workforce, and the socially and environmentally sustainable levels of net immigration); and (iii) the major geopolitical shifts that are likely to intensify, with China and India “re-emerging to the positions they enjoyed for 18 of the last 20 centuries, namely as part of the political and economic centre of gravity in the world.”<sup>7</sup>

It is not the purpose of this submission to argue the merits or scale of the impact of the economic, environmental, social, demographic and geopolitical forces, but to recognise that this complex set of forces exists and will be the source of the major challenges that the APS will need to come to grips with for the decades to come.

Currently, and for the past four decades, the cultural values, principles and mindsets of the APS have tended to privilege economic values and free market worldviews over social, environmental, democratic legitimacy and national security priorities and frameworks.<sup>8</sup> What is needed, moving forward, is a major realignment in the APS from its current strongly-held privileging of economic frames of mind to a culture that is more holistic, sophisticated and nuanced — a culture that complements economic thinking with other forms of thought that give due weight to social, environmental, demographic and institutional-legitimacy factors.

### **Westminster or Washminster Culture**

In recent decades, there has been a perceptible shift in the APS away from being a ‘Westminster’ system of government and towards the ‘Washminster’ alternative. The Parliament of Australia,<sup>9</sup> former Secretaries<sup>10</sup>

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<sup>6</sup> The Hon Paul Munro submission to the Submission to Joint Committee on Public Accounts and Audit Inquiry based on Auditor-General’s report No. 19 (2017-18) ([https://www.aph.gov.au/Parliamentary\\_Business/Committees/Joint/Public\\_Accounts\\_and\\_Audit/AGReport19/Submissions](https://www.aph.gov.au/Parliamentary_Business/Committees/Joint/Public_Accounts_and_Audit/AGReport19/Submissions)).

<sup>7</sup> The Hon Andrew Robb AO “The Global Forces Shaping Australian Mining” (<http://www.andrewrobb.com.au/news-2/2018/7/3/pu8hl31bisidol71dvandjmm6vhhx>).

<sup>8</sup> See Ross Gittins for a very short history of the rise and fall of neoliberalism (economic rationalism) (<http://www.rossgittins.com/2017/07/the-era-of-neoliberalism-is-ending-and.html>).

<sup>9</sup> For example, the Research Paper no.19 2001-02 “Accountability of Ministerial Staff” ([https://www.aph.gov.au/About\\_Parliament/Parliamentary\\_Departments/Parliamentary\\_Library/pubs/rp/rp0102/02RP19](https://www.aph.gov.au/About_Parliament/Parliamentary_Departments/Parliamentary_Library/pubs/rp/rp0102/02RP19)).

<sup>10</sup> For example, John Menadue and Paul Barrat (<https://johnmenadue.com/paul-barrat-time-for-a-new-royal-commission-into-the-australian-public-service/>).



and the wider community<sup>11</sup> have asked a suite of questions, including, but not limited to: the optimal form of the separation between the Parliament, executive, judiciary and public service; the role and accountability of Ministerial advisers vis-à-vis the advice of Departmental secretaries; and the adequacy of the merit principle or its implementation in contributing to greater diversity in the APS leadership and workforce. Each question is important in its own right. However, together, they reflect a broader shift in the culture of the APS over the past four decades or so from one that understood that Government agencies were accountable to their Ministers who were accountable to Parliament which, in turn, was accountable to the citizens to one where the lines of accountability are no longer clear.

A related trend that has also changed the culture, values, principles and practices of the APS is “new public management”. This approach to public sector administration, which developed in 1980s, assumes government services will be more efficient and productive if they act like businesses and use private sector management models (including privatisation). In this philosophy of public administration, citizens were re-imagined as “customers” of public services (rather than being the ultimate source of authority and legitimacy for government and the public sector).

Again, it is not the purpose of this submission to argue the merits of the values, principles and mindsets that have been used by the APS over the past 40 years; but to suggest that new values, principles and mindsets are needed for the coming two or three decades that explicitly prioritises the public interest over other interests; long-term strategic thinking; the centrality of citizens to the design, delivery and accountability of APS service delivery; and the establishment of ethical values, principles and standards of conduct as the basis for relationships between the APS and other stakeholders (in addition to other values such as efficiency, economy, effectiveness and sustainability).

### **Maintaining an ‘impartial gaze’**

Despite public hope and expectation that democratic politics will be conducted exclusively in the public interest, the reality is that there are many occasions when the private interests of politicians, political parties and those who support them are to the fore. Although falling short of qualifying as ‘corruption’, the conduct of the political class is too often informed by a ‘partial gaze’ that sees some citizens more clearly than others. For example, electors located within a marginal seat are far more likely to draw the eye of politicians than those ignored I think the safest seats. Those who donate large amounts of money or who command influence are more likely to be seen and heard than those whose need for political attention are most pressing.

The Australian public is aware of this dynamic – and does not approve. The ‘partial gaze’ of politicians is one of the principal causes of declining trust in politics and (more worrying) the institutions of government. In some cases, something even more troubling is afoot – large swathes of the electorate beginning to question the legitimacy of our core political institutions.

Unfortunately, it is unrealistic to hope that the political class will change its approach. Thus, a particular burden falls on the public service. It is our submission that the APS must retain and display an ‘impartial gaze’: a gaze that sees and addresses every citizen irrespective of their status, wealth or location in the

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<sup>11</sup> For example, “Democracy in Australia – Responsibilities of ministerial advisers” (<http://www.australiancollaboration.com.au/pdf/Democracy/Accountability-ministerial-advisors.pdf>).



Australian polity. Although there is no explicit duty of the APS to maintain an ‘impartial gaze’, we submit that such a duty is implied. As such, we would urge the Inquiry to adopt measures to make such a duty explicit – and to see this embedded in the culture of the APS.

To be clear, this is not to suggest that the APS should substitute its judgement for or be unresponsive to elected governments. It is to suggest that there are fundamental aspects to democracy that no government may override without sacrificing democratic legitimacy – and that the APS must work within those limits at all times – irrespective of the occasional political preferences of governments.

### **The problem of risk aversion**

One of the most powerful drivers of culture and practice in the APS is not even mentioned in the APS Values: this is risk aversion. The priority given to risk aversion (which operates as a ‘shadow value’) is, at least in part, a response to the fact that the legislation that establishes the values for an ethical APS and ethical conduct (the *Public Service Act* 1999) is separate and distinct from the legislation that requires an official of a Commonwealth entity to exercise his or her powers, perform his or her functions and discharge his or her duties with “care and diligence” (the *Public Governance, Performance and Accountability Act* 2013). As a consequence of this ‘split’ and the influence of the latter Act, APS priorities and mindsets tend to err towards risk-aversion with the APS Values playing a subordinate role. For example, the APSC’s “Managing Risk” policy notes:<sup>12</sup>

Expectations have been rising since the late eighties that the APS would manage rather than avoid risk. Yet both external and self-assessments of APS practice suggest that too often risk management is seen as a compliance exercise rather than a way of working.

The solution suggested by the APSC was to hope: “It is to be *hoped* the requirement in the PGPA Act that agencies develop and communicate a ‘risk appetite’ will prompt a mature dialogue between public servants and Ministers that will permit and require productive cultural change” (emphasis added).

The APSC further notes the deep seated nature of this problem of fear of risk:

Both political and public service leaders will have a role to ensure that discussions about risk appetite and implementation timetables are mature. Ministers can more confidently engage in such a dialogue if they believe that risk management skills in the service are well-honed. In some respects there is circularity at work. Ministers and officials need to know that they each share the same appetite and capability to manage risk. Possibly they fear they do not at the moment. If so, these issues are deep seated and may not be easily resolved.

Again, it is not the purpose of this submission to argue a case for how best to understand risk and opportunity. Instead we submit that the current risk-averse culture of the APS is not adequate for the coming decades, and a major program is needed to change the values, principles and mindset of the APS culture to position “risk” in such a way that it informs and enables implementation of the APS Values, innovation etc. instead of becoming an excuse for inaction or inadequate action. That is, an appropriate approach to risk

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<sup>12</sup> See <https://www.apsc.gov.au/managing-risk>.



must enable (rather than disable) APS members to provide the Government “with advice that is frank, honest, timely and based on the best available evidence”).<sup>13</sup>

### **Transparency in the measurement and reporting of APS culture**

One of the systemic drivers of the culture and practices in any institution is the voice of employees. The governments of NSW,<sup>14</sup> Victoria<sup>15</sup> and Queensland,<sup>16</sup> for example, carry out annual surveys of their employees to establish the extent to which their public sector values and principles are being demonstrated by staff, managers and senior leaders. These surveys typically also measure the level of staff engagement and job satisfaction. Significantly the results are published.

This process of (i) having explicit indicators that are used to measure culture, (ii) seeking employee views of the extent to which their leaders, teams and colleagues are acting consistently with those values and principles, and (iii) publishing results has had two major effects on the culture and practices of those jurisdictions.

First, this transparent process has drawn attention to workplaces where ethical conduct is, and is not, being demonstrated. In NSW in 2013, for example, reports of workplace bullying by a significant proportion of employees resulted in the NSW Public Service Commissioner formally directing agency heads to develop and report on strategies to address this serious problem.<sup>17</sup>

Second, employee survey data are published at as low a level of organisational disaggregation as possible (without compromising the confidentiality of respondents). As a result, branch and unit level managers can see the views of their teams and can compare their unit results with the agency results as a whole and the results of the sector as a whole. This provides incentives for agency Secretaries and managers to reflect on the culture in their workplaces and make appropriate changes, typically with the input of staff, to make the workplace safer, more collaborative and more productive.

A similar *State of the Service Employee Survey* of APS employees was undertaken for nine years until 2010–11.<sup>18</sup> Unlike NSW, which holds a census of its employees, the APSC sought the views of a representative sample of APS employees. It appears the *State of the Service Employee Survey* was discontinued in 2011, and it is not clear whether a similar process of asking staff for their views of the sector continues. If it does continue, it is not at all transparent about whether the results are published or not, unlike the fully transparent approach of the NSW Public Service Commission.

An important action the APS could take now to improve the culture of their workplaces would be for the APSC to carry out an annual census of APS employees to identify the views of employees about the extent to which

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<sup>13</sup> See the APS Value of Impartiality (<https://www.apsc.gov.au/aps-values-1>).

<sup>14</sup> See <https://www.psc.nsw.gov.au/reports---data/state-of-the-sector/people-matter-employee-survey>.

<sup>15</sup> See <https://vpvc.vic.gov.au/data-and-research/people-matter-survey/>.

<sup>16</sup> See <https://www.forgov.qld.gov.au/working-queensland-survey>.

<sup>17</sup> See <https://www.psc.nsw.gov.au/policy---legislation/government-sector-employment-act--gse--2013/directions>.

<sup>18</sup> See <https://www.apsc.gov.au/employee-survey-results>.



the public sector values and principles are being demonstrated by staff, managers and senior leaders; and for those results to be widely and openly published at the most disaggregated business unit level possible (without compromising the confidentiality of respondents).

A related issue concerns the role of leaders in carrying out culture change. A typical proposal for the development of ethical cultures in the public and private sectors is that organisational leaders “walk the talk” and “set the tone at the top.” Based on numerous discussions with business, government and not-for-profit practitioners, it is clear that focussing on the behaviour of top leaders is a necessary but insufficient approach. It is insufficient because it fails to take into account the very influential role of middle managers who set the standards of conduct for their teams. Currently there is limited research that has been undertaken in the role of middle management in influencing culture change, and more is needed; however this issue is mentioned here because it seems to be a major factor which to date has not been fully addressed within the APS.

#### **Need for a Commonwealth Independent Commission Against Corruption**

One other systemic factor that would strengthen public trust in the APS and the institution of government more broadly would be for the Commonwealth Government to establish an independent agency to investigate and expose corrupt conduct in the Commonwealth public sector, actively prevent corruption through advice and assistance, and educate the Australian community and public sector about corruption and its effects.

The proposal for the establishment of some form of Commonwealth Independent Commission Against Corruption has frequently been dismissed as unnecessary by Commonwealth agencies (such as the APSC)<sup>19</sup> despite some evidence to the contrary and a notable decrease over the past six years in public perceptions about the corruption-free nature of the APS.<sup>20</sup>

Having such a body would be a systemic change that would help increase public trust in Commonwealth government institutions. This is a basic insight from decades of ethics culture change: that public confidence relies, not on assertions by the APS that there is no corruption within the APS, but on having an independent body that can determine whether corruption exists or not.

Having argued for a Commonwealth ICAC (or equivalent) we would include one reservation. Should a body be established, it must guard against two forms of harm that it could inadvertently cause. First, it must not be allowed to reinforce a culture of risk aversion – based on fear. Second, it must look beyond issues to do with the personal probity of individuals.

Instead, such a Commission would need to reinforce the need to create cultures of integrity – in which whole agencies are assessed as acting in a manner that is consistent with their stated purposes, values and principles. To that end, any commission would need to work closely and collaboratively with the APSC and Commonwealth Auditor General – collectively developing the tools to measure and record integrity.

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<sup>19</sup> See, for example, <http://www.abc.net.au/news/2018-01-10/reports-of-corruption-in-public-service-renew-calls-for-watchdog/9315666>.

<sup>20</sup> See, for example, <http://www.abc.net.au/news/2018-02-22/australia-slips-in-global-corruption-rank/9472114>.





## **Conclusion**

The Independent Review of the Australian Public Service provides an important opportunity to reflect on the values, principles and mindsets that have developed over the past four decades and have become normalised within the culture of the APS.

It is the view of this submission that the APS culture of the past four decades is not optimal if Australia is to meet the economic, social, environmental, demographic and geo-security challenges that will emerge over the coming decades.

The conclusion of this submission is that the current values, principles, mindsets and practices of the APS culture are predominantly rooted in philosophies of public sector governance and new public management that have been promulgated since the 1980s. These philosophies have, over time, established an APS culture that privileges economic priorities over societal, environmental and democratic priorities; blurring the lines of accountability of the public service to Minister and the Parliament; promoting executive level leadership with limited regard for the role of middle managers (the local leaders); and replacing the valid role of risk management with a culture that is, too often, fear-based and risk-averse.

This is not to suggest that public sector managers have deliberately sought to constrain innovation, dampen constructive criticism and make people wary of exercising discretion. Rather, it seems that the aversion to risk (itself a response to the fears of the political class) has had this effect. For example, the process of Senate Estimates Committees sometimes exceeds the bounds of reasonable democratic accountability and crosses into territory that is purely about political point-scoring. Public servants are often the 'innocent targets' caught in the crossfire between a Minister and his or her inquisitors. This sets the tone in which there is no scope for genuine mistakes and the learning and improvement that such mistakes can lead to. Instead, 'risk aversion' comes to the fore.

A culture of conformance may have been serviceable at one time. It is no longer fit-for-purpose. The good news is that cultures can be changed – including for the better. A number of other organisations have either made – or are making – the necessary transition ... and are willing to share their experience. Australian Public Service Departments and Agencies may be well served by joining a grouping like the Ethics Alliance (established by The Ethics Centre), or similar, in order to derive benefit and contribute to the experience being developed by others.

As noted above, we are about to enter a period of civilisation change – during which many of our assumptions about the nature and structure of our society will be challenged. In these testing times, the legitimacy of our core institutions will be called into question. Australia needs an APS that is not only technically competent – but also culturally 'fit-for-purpose'. In the end, the APS's most important asset may end up being its legitimacy as an unambiguous agent of the public interest. A culture built on a clear sense of purpose – underpinned by consistently applied core values and principles is the ultimate source of that legitimacy.