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Back to the Rough Ground¹

Competitiveness and public service reform.

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Introduction

“We have got onto slippery ice where there is no friction and so in a certain sense the conditions are ideal, but also, just because of that, we are unable to walk. We want to walk so we need friction. Back to the rough ground!”

(Ludwig Wittgenstein (1889-1951))

There are some parallels between our recent economic buoyancy, our current difficulties and this quotation from the Austrian philosopher Ludwig Wittgenstein. We were doing very well on the smooth surface of sustained rates of high economic growth – a time when we thought we could have it all and there were no more difficult choices to make. We now face huge challenges, we cannot afford to stumble, and we must as a society keep our balance.

We need to

1. Restore fiscal sustainability
2. Get the banking system working again
3. Restore our competitiveness
4. Restore trust, ensure social cohesion and secure a just and decent society
5. Play our part as responsible global citizens – particularly in regard to our role in Europe and in addressing climate change³.

¹ A number of my friends and colleagues have been kind in offering me their views on earlier drafts of this paper. I am most grateful to them for their advice. The paper, including errors and misunderstandings, is my responsibility.

²Except where otherwise attributed, the views and opinions expressed in this paper are my own and should not be attributed to any of the organisations with which I am associated including the National Competitiveness Council.

Success in addressing all five of these challenges is vital. They are, of course, all interconnected. From my perspective in the National Competitiveness Council (NCC) I would argue that the foundation condition is meeting our competitiveness. If our goods and services are not competitive on international markets we will not have the resources and capacity to address the other challenges.

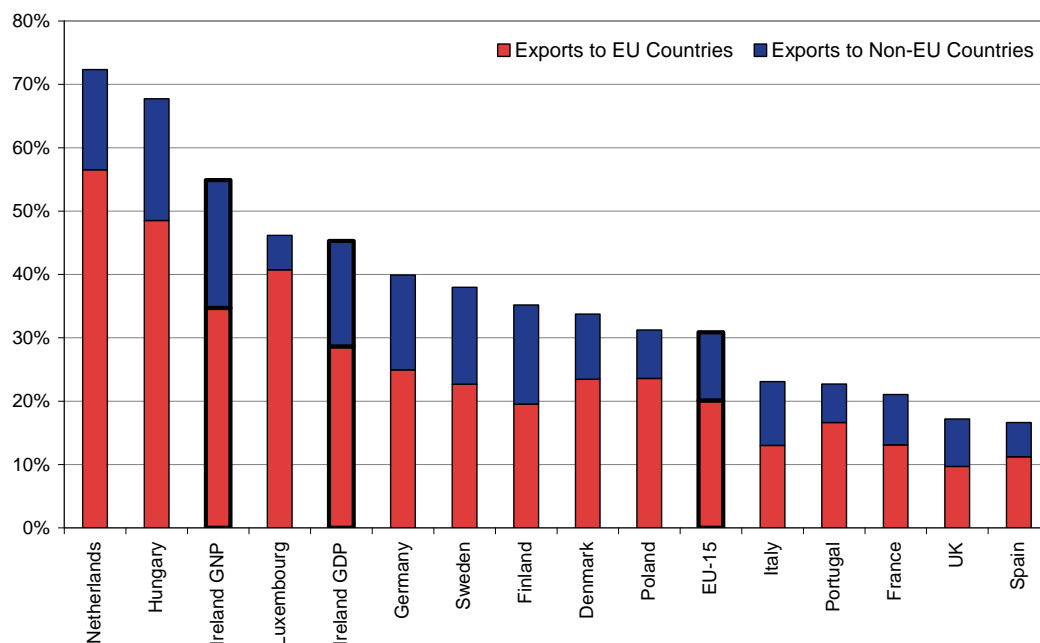
What is competitiveness?

The NCC describes competitiveness as all those factors which combine to enable firms based in Ireland to achieve success in international markets, so as to provide our people with the opportunity to improve our living standards and quality of life. Competitiveness is determined by relative cost levels but also by other factors such as productivity growth, the environment for business, enterprise and innovation, our educational endowments, the quality and scale of research, development and innovation and the quality and cost of our infrastructures – both physical and “soft”.

Why is competitiveness important?

We are one of the more export dependent economies in the world.

Figure 1: Exports of Goods, intra-EU and extra-EU (as a % of GDP), 2008



Source: Eurostat, External Trade

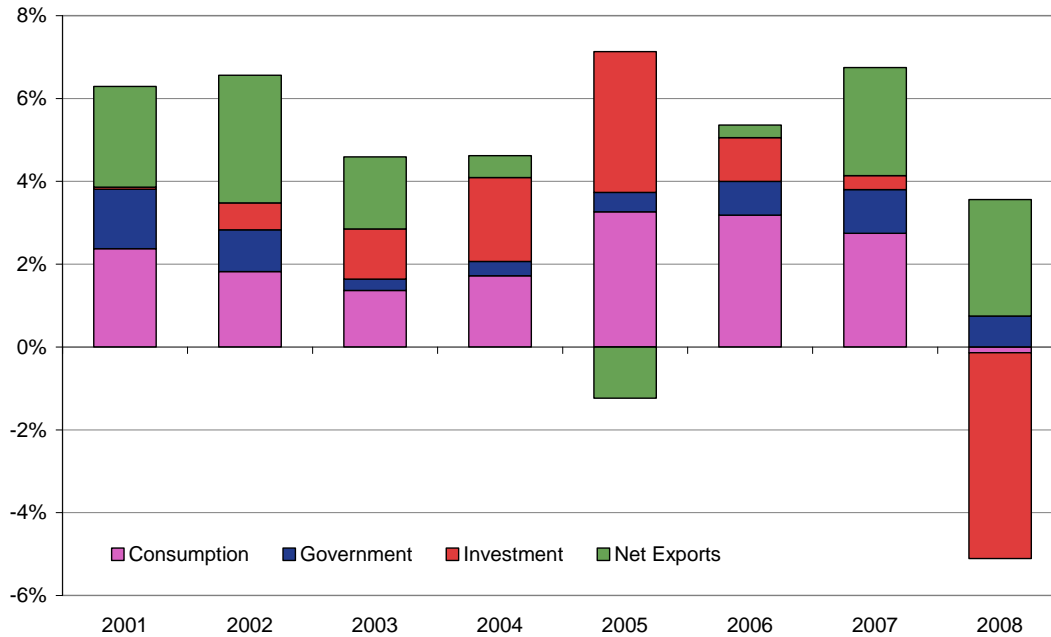
³ The last one might seem to be a cliché, but unfortunately the perception (rightly or wrongly) that we seem to have been free and easy in some areas of global citizenship (particularly aspects of financial regulation which have impacted on other countries) and our engagement with Europe is now costing us in terms of reputational damage, our debt ratings and the consequential additional taxes needed to remunerate the borrowings being undertaken by the Exchequer.

Our success as an exporting country determines our economic future. If we are not competitive we will fail to sustain high living standards throughout the population. Our overall competitiveness, which is linked to our attractiveness as a location for productive foreign direct investment, is vital to our economic and social wellbeing.

And how have we been doing?

Very well until about 2003 – if we take the contribution of net exports to economic growth as an indicator of competitiveness.

Figure 2: Contribution of Net Exports to Irish Economic Growth, 2001-2008

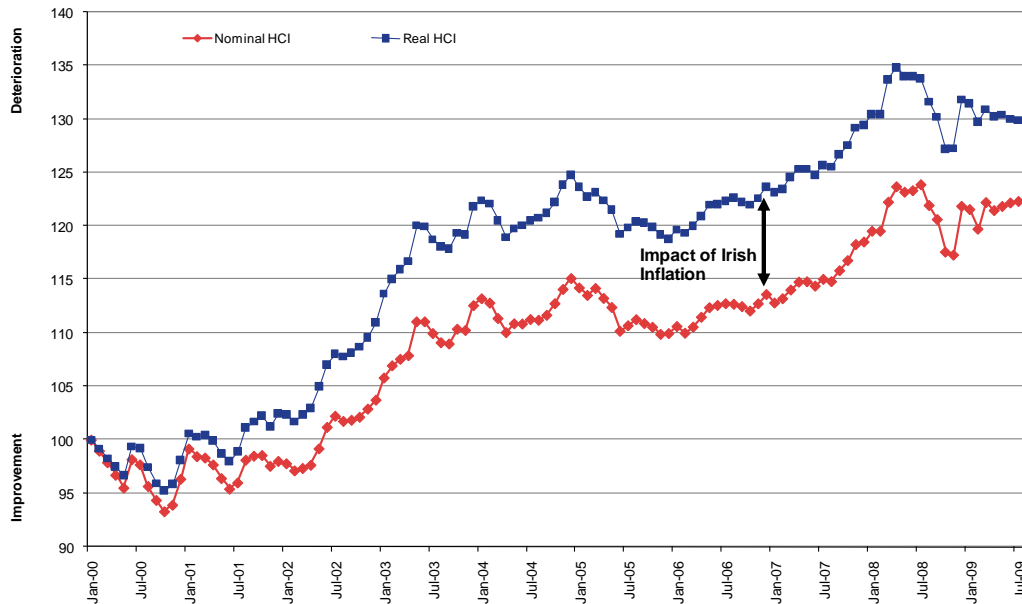


Source: Forfás Calculations; Central Statistics Office, Annual National Accounts

After that we began to lose competitiveness which was also reflected in a declining share of world trade in manufactures.

The chart in Figure 3 illustrates what went wrong. The rising lower line shows the impact on our competitiveness of the appreciating euro and the gap between this and the upper line, which includes the impact of our domestically driven price increases, illustrates the impact of the damage we did to ourselves.

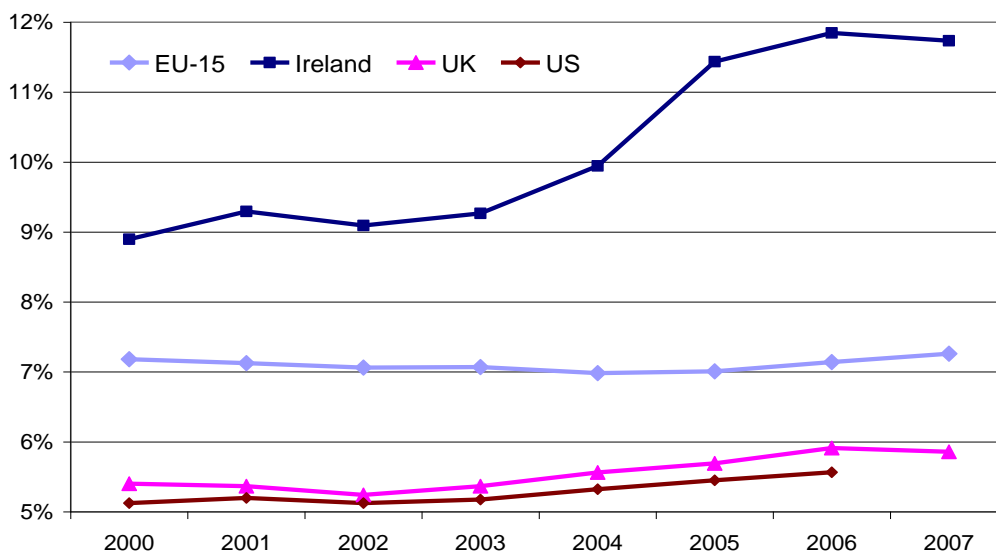
Figure 3: Price Competitiveness Indicator for Ireland (Harmonised Competitiveness Indicators), 2000 – July 2009 (January 2000 =100)



Source: Central Bank of Ireland

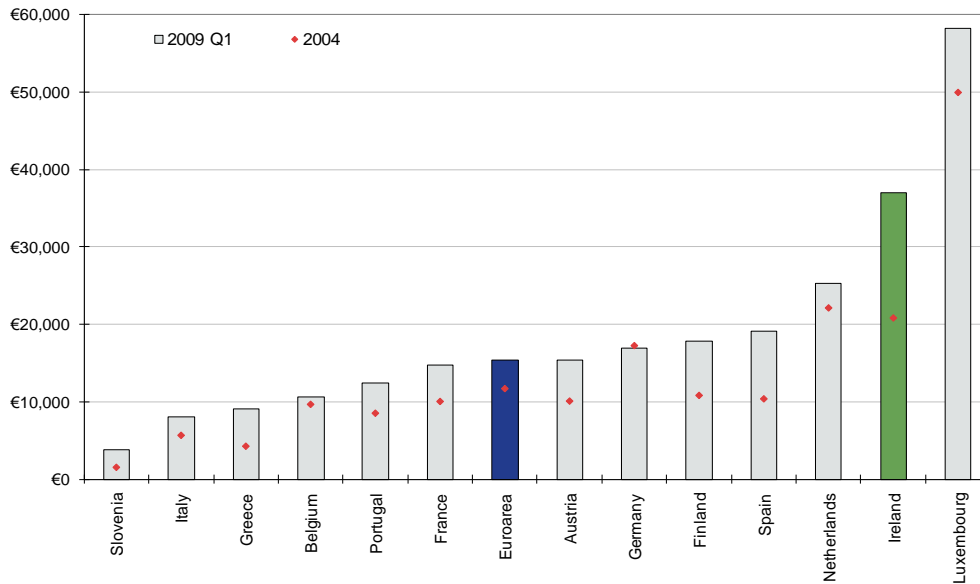
And just what did we do? The building and construction industry became grossly inflated, costs rose across the economy (in some instances, such as for property prices and rentals and the costs of business related services, to absurdly high levels). This expansion in domestic demand was driven by expansionary fiscal policy and rapidly increasing levels of private household borrowings.

Figure 4: Share of Construction in Total Employment



Source: Eurostat

Figure 5: Household Borrowing per Capita, 2009 Q1



Source: European Central Bank, Aggregated Balance Sheet of Euro Area Monetary Financial Institutions

All of this was bad for the export sector. Exporting enterprises face different challenges to firms and organisations in the non- traded sectors in the economy. Firms trading only on the domestic market have greater scope, particularly in times of buoyant domestic demand, to pass on cost increases to their customers. Exporters are much more constrained. If they are faced with higher cost increases than their competitors from other countries they must, if they are to stay in business, increase productivity, improve their product or service offerings or otherwise lose market share and run the risk of going out of business – or move to other locations. In normal economic conditions the non- traded sectors do not face these challenges in anything like the same intensity – and this is why the pace of change, and particularly the rate of innovation and productivity increase, is generally lower in the non-traded sectors including the public sector.

As this decade wore on we seemed to behave increasingly as if the non- traded parts of the economy were the ones that mattered and were the drivers of our prosperity and growth. This led to some absurd views about economics. These include an assumption that the prosperity of the country depends on wellbeing of the construction industry rather than realising that a significant part of construction activity is essentially lumpy consumption expenditure. There cannot be a return to domestic growth driven by building and construction.

This brings me to what I think is an important point. We don't place the importance of exporting enterprises and competitiveness at the centre of our public debates and discussions. Maybe this is because many more people work in the non –traded sectors. Almost 300,000 people⁴ are employed in agency (mainly IDA and Enterprise Ireland)

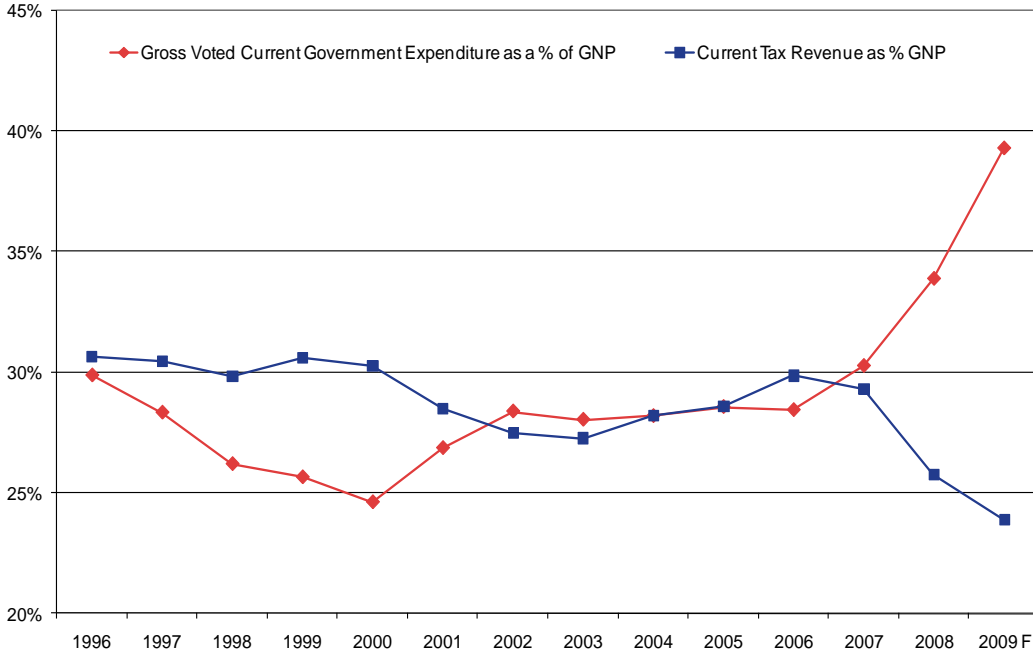
⁴ Forfás Annual Employment Survey, 2008.

assisted exporting companies which accounts for the bulk of employment in the exporting sectors. The balance of the about 1.9 million people in work is in the non traded sectors (including the public sector). The people working in the exporting sectors generate the wealth. The principal vehicle for distributing this wealth is through economic activity (including employment) in the non-internationally traded sectors – funded by the exporting sector through its impact on the balance of payments and the multiplier effects of taxes and purchases of goods and services.

The non- traded sectors have profound effects on competitiveness. They provide the inputs, services and infrastructures which are essential for exporting firms. The quality and price of these services, and the costs they impose, have a huge impact on competitiveness.

This applies particularly to the public service. Voted current expenditures are likely to account for about 39% of GNP in 2009 – up from 30% in 2007.

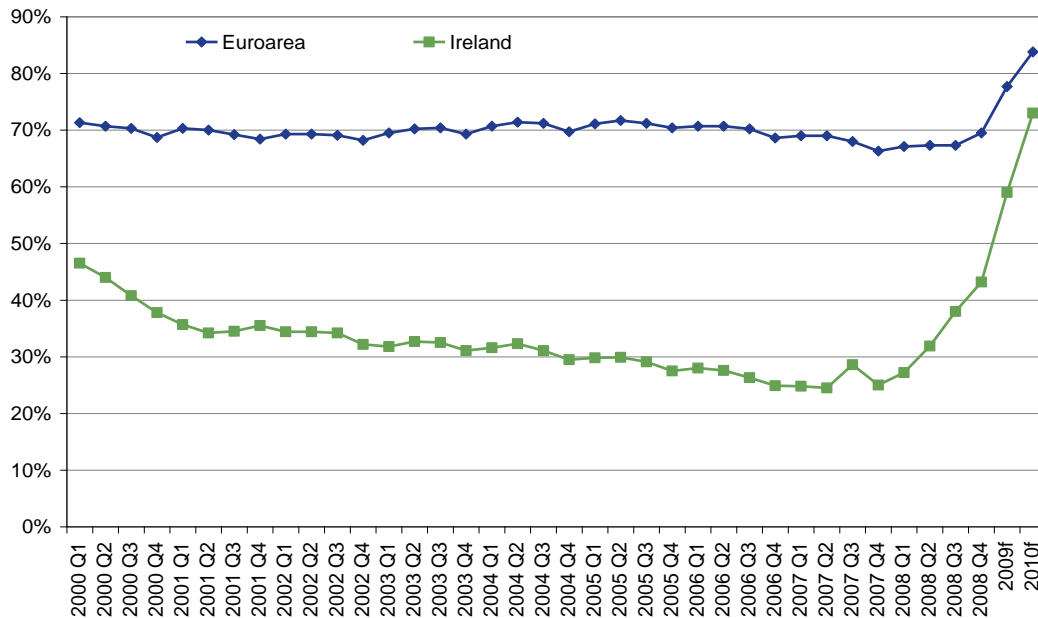
Figure 6: Gross Voted Current Government Expenditure and Exchequer Revenue (as a % of GNP) in Constant 2006 Prices, 1996-2009F



Source: Department of Finance, Budgetary Statistics, September 2008; Department of Finance, Macroeconomic & Fiscal Framework, Supplementary Budget, April 2009; CSO

So securing value from public expenditure is hugely important. This imperative is underlined by the fragility of the public finances - the gap which has suddenly appeared between revenues and expenditure (as shown in Figure 6) and the risks to fiscal sustainability.

Figure 7: General Government Consolidated Debt (as a % of GDP), 2000-2010F⁵



Source: Eurostat, *Economy and Finance*; European Commission *Spring Economic Forecast, 2009*; Department of Finance, *Macroeconomic & Fiscal Framework, Supplementary Budget, April 2009*

The Exchequer pay and pensions bill (which does not include entities such as ESB and CIE which are classified as commercial) is projected to account for almost 60% of projected tax intake in 2009 or about 35% of gross voted current expenditure. Improving public sector effectiveness is a vital part of the national effort required to improve competitiveness because of the sheer magnitude of expenditure involved and its core importance to the economy and society.

The importance of the public service includes but transcends cost efficiency. The civil and the public service don't make widgets. The range of activities and objectives are essential to any civilised society. They are often more complex than those undertaken by private sector organisations and they affect and transcend all areas of our lives.

In order to restore competitiveness and, indeed to meet the other overarching imperatives I've described earlier we need

1. A public service which is fit for purpose and consistently achieves the highest standards – and thereby secures trust and confidence
2. Public service delivery which delivers high quality service outcomes as cost effectively as possible

⁵ Deducing the value of the National Pensions Reserve Fund and Exchequer cash balances from the gross debt gives a net Debt/GDP ratio of 20% at the end of 2008 (National Treasury Management Agency, Quarter 1 Update, April 2009).

We can all I think subscribe easily to the first objective and the second seems unexceptionaluntil we think about it.

Some of the controversies surrounding public service delivery seem to be based on an assumption that the only way service quality can be improved is by spending more – and indeed that increased expenditure on inputs represents policy success. In a previous life I recall being berated by the head of a third level institution when unit cost figures for individual institutions in a particular category were published for the first time. This showed that the unit costs in his institution, which was doing a good job, were lower than in others. Rather than seeing that this reflected well on the efficiency of their institution the head found him self being attacked by his staff for not being as successful as his peers in drawing down Government funding....and needless to say he had to vent his frustration on somebody else!

This is a mind set which needs to be displaced. There is a need for very large reductions in public expenditure and for much greater productivity, efficiency and effectiveness.

The train has left the station

The current economic and fiscal crises intensify the need for public service reform. The 2008 OECD report⁶ was generally quite positive about many aspects of Irish public service delivery. But it is not good enough to use this to justify a case for modest changes only – or indeed for no change. In common with many countries we face crises and challenges of a scale that are unparalleled since the Second World War. We need significant reductions in public expenditure and we face other major challenges. From a competitiveness perspective many Governments have also begun or are already undertaking ambitious reform programmes⁷. The competitiveness imperative is so important that we need to get ahead – and not to be satisfied with just catching up. We just cannot continue as we are.

There has been a considerable amount of serious thought and activity about public service reform in this country. We have had the 2008 OECD Report, the Report of the Task Force on the Public Service⁸, the Government Statement on Transforming Public Services⁹ and most recently the Report of the Special Group on Public Service Numbers and Expenditure Programmes (better known as An Bord Snip) about which we've been briefed today by Colm McCarthy.

⁶ OECD Public Management Reviews, Ireland *'Towards an Integrated Public Service'*, 2008 (http://www.oecd.org/document/31/0,3343,en_2649_33735_40529119_1_1_1_1,00.html)

⁷ There is an interesting review in the June 2009 edition of the McKinsey Quarterly (http://www.mckinseyquarterly.com/The_case_for_government_reform_now_2371)

⁸ http://www.onegov.ie/eng/Publications/Transforming_Public_Services_Report.pdf

⁹ http://www.onegov.ie/eng/Publications/Government_Statement_on_TPS.pdf

The Government Statement

I welcome the Government statement. It sets out the challenges and describes the ranges of actions and strategies needed under 13 headings:

1. Public Service Numbers/Expenditure
2. Better Value-for-Money in Public Procurement
3. Value-for-Money and Policy Reviews
4. Clear Commitments and Keeping Promises to the Public
5. Measure Performance of People and Organisations
6. Managing for Performance and Challenging Underperformance
7. Engaging and Empowering the Citizen
8. Better Use of Information
9. e-Government and Shared Services
10. People and Leadership
11. Better Management of the Public Service
12. State Agencies
13. Implementation and Accountability for Transformation

The statement charts out a very ambitious programme which will demand considerable reserves of persistence, energy, commitment and leadership from the highest levels of Government both political and official. Previous reform programmes have faltered when these conditions were not met over time. I particularly welcome the emphasis placed on output measures, the need for citizen engagement, performance and the establishment of a Senior Public Service (SPS).

The establishment of the SPS, particularly in the context of creating a single public service by abolishing the mobility barriers between public service organisations and the civil service, and selecting and preparing people for leadership, will I believe be enormously enriching and will work to repair the damage that I fear may have been done to the cohesion of the civil service and to “joined up Government” by the programme¹⁰ to disperse many of the key policy making functions in Government departments to locations outside Dublin. The SPS would also create opportunities for much greater mobility between Departments at Assistant Secretary level – rather than the present situation where Assistant Secretaries, who are key agents in the delivery of “joined up Government” can spend ten years or more in a single Department. I would also like to see much greater opportunities for mobility between the public and private sectors.

The Government Statement is consistent with the tests for success set out in the McKinsey report and also in a UK Cabinet Office report “Excellence and Fairness:

¹⁰ What the OECD report tactfully describes as “administrative relocation”!

Achieving world class public services¹¹. In particular the reform effort should be a whole of Government one and needs leadership from the top. I agree with the comments in the UK Cabinet Office report to the effect that only government can take this broad overall view. This means rejecting the temptation for government to micro-manage from the centre. It also means rejecting the laissez faire option of an absentee administration, which provides no direction, standards or vision. The health, welfare and education systems which succeed are not those where the government plays a limited role, but rather those where the government's role is strategic and enabling.

This requires maintaining the central strategic focus and energy while not allowing the perception to develop that the reform programme is centrally driven and that the responsibility for success lies with the centre. We need to avoid the syndrome which I saw developing with the Strategic Management Initiative (SMI) where many senior managers ceased to see the SMI as related to their "real work" and treated it as a burdensome compliance requirement.

Engaging and empowering the citizen

This is seen as an essential requirement in many of the reports on public service reform. My view is that this section of the Government Statement needs to go further. The measures set out in the Statement are good and necessary¹² but would be significantly enriched by a more explicit commitment to enable citizens to work collaboratively with services – rather than being passive receivers. The OECD report discusses including by considering citizens as partners in improving public services and public policy – but does not go as far as the UK Cabinet Office document which contains a number of ideas which I would like to see tried out and developed further in the reform programme here.

These include:

- increasing choice and introducing the opportunity of personal budgets in areas of the public services, including looking at their potential in parts of the health services and extending their use in areas such as adult skills, social care and disability;
- ensuring that user satisfaction becomes a key measure of success and reward for organisations and staff;
- giving users a real say over their services, through partnership with professionals, such as jointly-agreed care plans for those needing ongoing health treatment; and establishing new powers for local people so they can hold key local services, such as policing, to account.

Consultation with service users is important - but giving users real say and discretion (for example through personal budgets) would be a major step forward. Real

¹¹ http://www.cabinetoffice.gov.uk/strategy/publications/excellence_and_fairness.aspx

¹² They include the publication of customer charters including statements of service standards and commitments to improve specific services; evaluations of charters; provision for getting and publishing customer input and feedback.

consultation also means consulting the public and reporting back on the results of the consultations – and not just putting a complaints policy in place.

Three essential enablers

Structural and financial reforms are essential but if they are to be successful they need to be underpinned by significant changes in the operating assumptions which underpin the public service.

I am proposing three enablers as guiding principles for underpinning the reform programme. They are

1. Introducing contestability into programme delivery and design
2. Being clear about accountability
3. Renewing the Noble Purpose of the Public Service

Contestability

Much of the public service functions as a monopoly supplier. This blunts the incentive for meeting customer or client needs. The absence of effective competition makes improving performance more difficult. It may be significant that the IDA, which is an exemplar organisation internationally, operates in an intensively competitive domain – and that there is also a high level of competition within the organisation between different project and programme teams.

We have historically tended to make the assumption that the delivery of public goods requires delivery by public service organisations. That need not be the case. The NCT test which is privately delivered is a case in point. It has not consistently been a terrific experience but would a public service organisation do better? And the contractor has been replaced.

The introduction of contestability for the provision of public services seems to me to be a key approach for the redesign of the delivery of public services. This can take many forms and indeed we have dimensions of contestability already in some areas of public service delivery – for example in education, where in many parts of the country, parents have choice as to which school they send their children and there is also student choice at third level. Interestingly, in much of the education system funding follows the pupil and the student and in the case of the universities and the institutes of technology a significant part of the funding, particularly for research, has to be competed for. These elements of choice and contestability may explain why our educational outcomes are better than we would expect if expenditure were the sole determinant of success – which it clearly is not.

Contrast education with the health service where institutional budgeting (e.g. hospitals bargaining over budgets with the HSE) is still an important feature. The introduction of universal health insurance or some other system where funding followed the user would quite quickly result in much improved health service delivery. If funding followed the user – hospitals and health providers would take a different view of the service user rather than at the moment approaching delivery with a rationing mind set. The HSE could then become like the type of organisation the Higher Education Authority (HEA) tries to be – responsible for distributing public funding according to transparent rules and criteria and functioning as a moderator and strategic steering organisation rather than a programme provider.

The London Bus Service is an example of another interesting approach. The bus services are operated by a number of bus operating companies which work under contract to London Buses/ Transport for London (TfL). Although most of these operating companies are privately owned, one company, East Thames Buses is owned by Transport for London, and managed at arm's length so as to avoid conflicts of interest. Although this originally came about due to the default of a private sector operator, it seems now to be deliberate policy, possibly partly to act as an example to show other operators how TfL wishes bus services to be run. There is an integrated bus timetable and all buses adhere to the same fare structure and livery. What has been achieved in London is competition among operators for the market rather than on the routes.

Maybe in the future competing organisations might deliver the NCT test? Did we, for example, need to set up the National Roads Authority as an executive programme agency? Could the mandate for modernising our principal roads have been put out to tender to Irish and international organisations, both public and private, with large scale project management capacity (such as for example the ESB) with implementation subject to the oversight of the Department of Transport? If it had would the roads programme now be completed – and at lower cost?

Staying in the transport area, there is another potential area of contestability which can be introduced at no cost to the Exchequer – and would actually save money as well as improving service. As a long time user of Dublin Bus services I believe that the poor quality of the bus service in Dublin is one of the reasons which Dublin commuters use cars more than they do in other major international cities. The concept of customer service seems to be very low down in the hierarchy of values in Dublin Bus. Interestingly, where direct contestability has happened, for example the Aircoach Service to and from Dublin Airport, Dublin Bus was quick to respond with new dedicated Airport – City bus services.

One of the big deterrents to using buses in Dublin is the absence of predictability and reliability. Perhaps a ready solution is at hand? The Minister and Department of Transport have shown commendable resolve in refusing to cap the number of taxi licences in the face of intense pressure. The logic of not capping is to allow a market to work and thereby to improve service to customers. But the taxi drivers are suffering

financially like many others – and have resorted to making arguments for limiting entry. The response to their situation is I would argue not to restrict the market by capping the number of licences but to follow the market logic. The relaxation of restrictions on supply could be matched by relaxation of restrictions on the demand side. This could be achieved by altering the regulations to allow taxi drivers to look for business at bus stops by offering reduced individual fares – in effect allowing passengers to share the cost of the journey. This would of course pose new regulation challenges but the potential benefits appear considerable. This approach could be applied where it was most cost effective in improving services. There may indeed be a special case for not applying it to routes, such as from parts of the south of Dublin City to the Airport, where there is already contestability and where service levels are satisfactory.

Contestability and competition are concepts which do not fit easily in our public culture. Small societies lend themselves easily to what economists would describe as collusive behaviour – often disguised as purporting to facilitate more efficient provision. The struggle for the Irish mind between “possessors” and “performers” described in Professor JJ Lee’s memorable book *“Ireland 1912-1985”*¹³ still continues. Indeed it may be there in the debate regarding NAMA? Introducing greater contestability into the provision of public services will not be easy but without it I am concerned that the dynamic necessary to sustain the drive for reform will lose momentum.

Contestability in public service provision is a challenging concept – but perhaps easier to implement than in the two other major areas of public service activity – the provision of policy advice to Ministers and to the Government and the increasingly important area of regulation.

Policy advice

Contestability should be an essential underpinning of the relationship between Ministers and top civil servants. Ministers have a right to expect that the policy options and analyses put to them by the civil service are well researched and based on considerations of national (rather than sectional) interest. Civil servants are entitled to get a careful (and challenging) hearing and finally Ministers should have confidence that their lawful decisions and instructions will be implemented.

We also have other dimensions of contestability already in place in the policy domain. Aside from the political process where the Government of the day has to defend its policies in the Dáil and elsewhere, Government has established a large number of advisory bodies – which offers people with experience outside the Government service opportunities to offer advice and analysis..

It may seem that there is little further to be done and that contestability is already firmly embedded in the policy domain. I don’t agree. There are areas where further progress could be made. It would be helpful, for example, if the Strategy and Output Statements

¹³ Cambridge University Press, 1989 – see for example page 528

published by Departments were subject to independent and expert review and amendment before publication. Implementation should also be independently reviewed. This is a role which could be carried out by independent part time advisory boards to Departments. A similar approach could apply in relation to budgetary policy with expert, independent review (with full access to information) prior to publication of the revenue and expenditure projections made by the Department of Finance which underpin fiscal policy.

Regulation

An independent review process would also be valuable in the regulation area. We now have a range of regulatory and compliance bodies operating in economic and social policy areas. Certainly in the economic areas regulation is a second – best solution required to deal with market failures such as imperfect competition or the need for consumer protection. Periodic and independent evaluation is needed as to how well and effectively the regulators are doing their jobs – and indeed, particularly in economic areas, have circumstances changed to such an extent that their mandates need to be changed or perhaps terminated?

Clarity about accountability

Accountability is an important foundation for ensuring better performance. The challenge is to embed into the workings of the public service an appropriate sense of responsibility for performance and outcomes at both organisational and individual level. Consequences do matter. In comments that have a powerful contemporary echo, and not just for the public service but also for banking and property development, Mikhail Gorbachev remarked that one of the major flaws in the Soviet Union, and a reason for its collapse, was that people were disconnected from the economic consequences of their actions. In the public service the transmission mechanisms between actions and consequences do not always work satisfactorily – notwithstanding such international comparative data as there is which suggests that the Irish public service compares reasonably well internationally

Performance and accountability of the Irish public service are often seen by those outside the service as great black holes.

The following comments in an Irish Times editorial (June 15, 2009) are probably indicative of widely held and very critical attitudes

The need for public and civil service reform is beyond question. From the survival of an antiquated system of “privileged days”, to public opening and working hours and demarcation arrangements, the system has become practically sclerotic. A bloody-minded response to suggestions for change by certain employees has made the situation difficult. But Government finances are in such a desperate situation that

traditional fudges cannot be tolerated... ..But it is reasonable to expect flexibility and work commitment from the holders of permanent, well-paid jobs.

How many of us have been asked is it possible to dismiss a civil servant or a teacher for anything other than fraud or other illegal activity on the job? The motivation behind some of this and similar questions may at times be questionable but they do point to a problem. Accountability is an essential precondition for better performance and is rightly identified in the priority action areas in the Government Statement on Transforming Public Services.

There are two types of measures and incentives which support accountability - positive ones and negative ones.

When I joined the civil service in the 70s there was little by way of positive accountability. Promotion is by far the most important positive incentive in the civil service. In the early 70s most promotion was by seniority. Ambitious civil servants ran the risk of being “passed over” if they made mistakes. The incentive was to keep the head down and to behave like the others. Some parts of the private sector are not immune to aspects of this syndrome – for example the herd instinct among investment managers. Fortunately, promotion by seniority has been considerably eroded in the civil service and in public service organisations. Within the more senior to upper ranks in the civil service most promotional posts are now open to competition, virtually all Assistant Secretary posts are advertised publicly and Secretary Generals now hold term appointments. There are areas of the public service; teaching being a prime example, where the impact of the seniority criterion is still very powerful, notwithstanding recent changes which will take some time to have effect, and interestingly, schools and teaching are seen as areas where there are serious deficits in accountability.

As regards negative accountability, my sense (certainly within the civil service and subject to correction) is that there are few sanctions (except for financial fraud and theft) at levels other than perhaps at Secretary General or head of agency.

Reflecting on my own time as a top manager (and I run the risk of being very much out of date and out of touch), my sense is that virtually all the management levers available to Secretaries General are on the soft side – transmitting motivation, the noble purpose of the domain we were working in, eliciting a sense of public service, the excitement of working close to Government and the possibility of exercising influence on important policy decisions. These are all necessary – but not sufficient – and possibly have maximum impact on the 20-30% who are most committed and ambitious and a hopefully a positive impact on a substantial additional cohort. But this is not enough. If we look across the service delivery areas of the public service we could, notwithstanding many positive examples, also see rigidities and demarcations, a sense of employee rights and privileges taking precedence over quality of service delivery, a sense of justification and self regard among employees (or contractors in the case of some professionals) and delivery failures or inefficiencies all of which get in the way of accountability and good service.

Before leaving the topic of accountability I just want to touch on one of the key problems which make tackling this area difficult. In areas of the public service (including the local authorities and many state agencies) the formal responsibilities appear clear – for example, in state bodies there is a line of accountability up to the chief executive and then to the board.

It is different in Government Departments because of the political leadership. Here we have a situation where Ministers are held to be politically accountable for operational delivery (usually failures). I can recall from my time in the Department of Education and Science, Ministers being put through the hoops when there were operational failures (some serious) in the operations of the Leaving Certificate which at that time was managed directly by the Department. This was ridiculous. On the one hand Ministers could not be expected to be familiar and responsible for the administrative and management systems and the underlying and complex details and on the other the administration was trying to operate in a very politically charged environment. The resulting potential for grief was significant. The setting up of the State Examinations Commission was a major improvement – and we had a recent demonstration of just how effective the new structures and arrangements are during the 2009 Leaving Certificate examination. The immediate lesson for me is that in operational service delivery areas both political and executive accountability are enhanced if we set up mission specific structures or organisations with clear and robust management and governance structures, with clear lines of reporting and clarity about roles and responsibilities in order to match responsibility, capacity and authority and accountability. The existing arrangements particularly in the civil service are not in my view fully fit for purpose. The provisions of the Public Service Management Act 1997 are much more in tune with modern requirements than the earlier Ministers and Secretaries Act but unfortunately a restriction in the Act on the responsibilities and authority of Secretaries General for (and I quote)

“managing all matters pertaining to appointments, performance, discipline and dismissals of staff below the grade of Principal or its equivalent in the Department or Scheduled Office” (Section 4.1(h))

confuses managerial and political accountability.

Before leaving this topic I would like to make one specific suggestion relating to Board appointments to State Bodies. At the moment these are largely decided by Ministers and the Government. It is necessary that Ministers should be able to appoint people to Boards in whom they have confidence. But Board members should be expected to contribute, through their experience and ability, to enhancing the performance of the agencies and bodies concerned - and this is often the case in my experience. But, many of us can recall situations where this test does not seem to have been applied or met. A first step is that all appointees to Boards should be informed of their responsibilities before their appointment and required to acknowledge their willingness to adhere to these requirements. A further step would be to develop a structured search and

selection model which would allow potential Board members to make expressions of interest and subject them to a fitness for purpose review¹⁴. This need not involve elaborate and expensive advertising and interviewing – for example some of the design features of the nominations committee approach used in some organisations could be used.

Renewing the Noble Purpose of the Public Service

My last and final piece relates to the ethos of the public service. I was fortunate to be brought up in a public service family where not only were the classic public service values of honour, integrity and service very evident, but there was also a sense that the public service was not just any job – the words public service had a serious meaning and the codes of behaviour derived from that ethos. My sense is that this ethos was quite prevalent in the public service. Recently at the celebrations to mark the 50th anniversary of the publication of Economic Development, Dr TK Whitaker, widely and correctly regarded as our most outstanding public servant, wrote about his colleagues who worked with him on this historically significant document (and I quote)

*“We were a good team. Nobody had asked us to map out an escape route from the utter despondency of the mid- 1950s, plagued by emigration, unemployment and virtual stagnation. We undertook this initiative of own accord, on top of our normal duties.....”*¹⁵

I have come across and worked with many people in the public service who live and work by the ideals and ethos of public service so well expressed and demonstrated by Ken Whitaker. But I am concerned that there are many for whom those ideals are not an informing driver and like many of us here today I am disturbed to read of indefensible behaviours in some public service settings.

Ethos and ideals are important. From these spring motivation, actions and standards of behaviour and conduct. Surely, we should understand that setting up performance measurement systems will not in themselves produce the desired behaviours and outcomes. If public service organisations and people are imbued with the ethos of public service then the management systems and structures should be empowering rather than controlling and restrictive - which I fear many perceive them to be- and will act accordingly.

Maybe we need to go back to first principles? We are citizens of a Republic, a word derived from the Latin Res Publica – a public thing. Those of us involved in public service serve in many different ways those people with whom we are joint stakeholders of the of the State. The concept, of fellow citizen is, I believe, much more powerful than those conveyed by words like service provider, service user and customer – which indeed I’ve used myself. It may be time to move away from the utilitarian rhetoric which

¹⁴ See [http://www.publicappts-vacs.gov.uk/\(jmqb3hunkxf5b145fndck045\)/Default.aspx](http://www.publicappts-vacs.gov.uk/(jmqb3hunkxf5b145fndck045)/Default.aspx)

¹⁵ T. K Whitaker, *Looking back to 1958*, in *Economic Development 50 Years On 1958- 2008*, Edited by Michael Mulreany, IPA 2009, pages 18

infuses so much discussion and planning about the public service and restore the rhetoric of idealism and striving for the public good - in other words being public servants.

The great Austrian psychiatrist Victor Frenkl¹⁶ wrote of work as being one of the three ways in which we discovered the meaning of our lives. We, in the public service, should see ourselves as fortunate indeed that we have purposeful and meaningful work to do.

I was reminded of Frenkl when recently reading a feature article about Michael Ignatieff, currently leader of the Canadian Liberal Party. The article¹⁷ included Ignatieff's reflections on the importance of service and public duty. He quoted approvingly from the diary of his grandfather, Pavel Ignatiev who was Russian Czar Nicholas II's last education minister.

"Life is not a game, life is not a joke. It is only by putting on the chains of service that man is able to accomplish his destiny on earth."

If we substituted "challenges and duties" for "chains" we could do very well.

Thank you.

¹⁶ "Man's search for meaning". Victor E Frenkl, Pocket Books, Washington Square Press, New York, 1984, ISBN 0-671-66736-X

¹⁷ http://www.prospect-magazine.co.uk/article_details.php?id=10639