



CPSU (PSU Group) Submission to the:

**Advancing Public Sector Innovation
*A discussion paper for the public sector
innovation Management Advisory Committee
project***

September 2008

Advancing Public Sector Innovation
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Management Advisory Committee project

The Community and Public Sector Union (CPSU) is an active and progressive union committed to the promotion of a modern, efficient and responsive public sector that delivers quality services and quality jobs. We represent around 60,000 members in the Australian Public Service (APS), ACT Public Service, NT Public Service, ABC and the CSIRO. We also have members in Telstra, commercial television and the telecommunications industry.

Introduction

The CPSU welcomes this opportunity to contribute to the MAC Innovation Project. It is vital that this project forms part of the public sector reform agenda announced by the Prime Minister in early September and other reviews currently underway. It must recognise that the source of innovation in the public sector lies with its staff who are best placed to identify barriers to innovation and provide suggestions as to how public sector innovation can be encouraged and improved. In this regard, we hope that there will further engagement with the CPSU and its members as this project proceeds.

To give members an opportunity to share their ideas and contribute to this submission the CPSU conducted an online survey of all members employed in the APS. The CPSU also held member forums in Hobart, Canberra and Adelaide. Members from a range of agencies participated in the CPSU's activities including:

- ABS
- AEC
- AIHW
- AQIS
- ATO
- AusAid
- Centrelink
- CSA
- Customs
- DAFF
- DEEWR
- DEWHA
- Defence
- DOHA
- DIAC
- Environment
- FAHCSIA
- Fair Work Ombudsman
- Family Court
- Geoscience Australia
- Infrastructure
- Innovation
- IP Australia
- Medicare

This submission is based upon the feedback the CPSU received from both the online survey and the member forums. It identifies that the nature of government is such that scope for innovation is more limited than in the private sector. Despite these limitations there are plenty of opportunities for innovation in the APS provided that existing barriers are lifted. These barriers and their possible solutions are discussed below.

What is innovation?

It is important to start with a clear understanding of what is meant by innovation. The OECD's Oslo Manual sets out the following typology.

1. 'A product innovation is the introduction of a good or service that is new or significantly improved with respect to its characteristics or intended uses. This includes significant improvements in technical specifications, components and materials, incorporated software, user friendliness or other functional characteristics.
2. A marketing innovation is the implementation of a new marketing method involving significant changes in product design or packaging, product placement, product promotion or pricing.
3. A process innovation is the implementation of a new or significantly improved production or delivery method. This includes significant changes in techniques, equipment and/or software.
4. An organisational innovation is the implementation of a new organisational method in the firm's business practices, workplace organisation or external relations'¹.

While some government activity can be categorised as product, marketing or process innovation, in reality much of the work done by public servants is overwhelmingly organisational activity around the delivery of services to the public. The implementation of new organisational methods is unlikely to result in large-scale innovation comparative to the other forms above. As one member commented that *'while big change can represent great innovation, so can smaller, simpler ideas that make a process or a program more efficient or effective'*.

Barriers and Solutions

Risk Aversion

Currently across the APS there is a culture of risk aversion; a fear of anything that is new and untested; a fear of failure; and, of any possible repercussions. The focus instead becomes the delivery of an outcome or completing a task regardless of the value or quality of that outcome. This creates a culture that revolves around short-term, low risk solutions that are not innovative or progressive.

Overcoming this barrier means that agencies have to be open and honest about the risks posed by new ideas and be willing to accept a certain level of failure. As one member explained:

I appreciate that nobody likes being embarrassed by mistakes, but there is simply no way to achieve innovation without increasing risk –

¹ OECD (Oslo Manual: Guidelines for Collecting and Interpreting Innovation Data, 3rd Edition, http://www.oecd.org/document/23/0,3343,en_2649_34409_35595607_1_1_1_1,00.html (accessed 17th September 2009).

by definition something innovative hasn't exactly been done before so, even though one must still check everything carefully before implementation, it's simply impossible to be absolutely certain nothing may go wrong.

Not every attempt at innovation will succeed and it is important to strike a proper balance between responsible and accountable spending of public money and innovation. One member noted:

Be frank about risk – define processes that must be zero risk and therefore, cannot really be subject to significant innovation – equally, define those areas that are more open to risk and be prepared to report (Annual Reports, Senate Estimates etc.) honestly about such areas.

Some State public service agencies have developed guideline documents that enable staff to know when they are allowed to do work without approval and when they must upward refer in order to minimise risk. This approach could be considered for the APS.

Managerial Support for Innovation

While there are exceptions, the general consensus is that innovation is not encouraged, rewarded or recognised by management across the APS. There is broad agreement about how ideas could be rewarded, particularly that rewards should not be individual monetary rewards. Suggested methods of recognition were simple and cheap to implement and included individual praise, team recognition, and a formal public service award for innovation².

At present in the APS, ideas are seen as the purview of senior management rather than something that can happen at all levels of the service. Staff at lower levels are less likely to make suggestions if they feel that these will be 'captured' by more senior staff, ignored or adversely affect their career if the idea fails or is not seen as a 'good' idea. Specific training for team leaders and more senior staff is necessary to effect the cultural change required to ensure that innovation occurs at all levels and that staff are rewarded and recognised.

It must be noted that not all CPSU members reported poor management practices. If the experience of the member quoted below was the norm in the APS, it is likely that staff would be more willing to share ideas.

In my branch, new ideas are welcomed and put into action. In the past 12 months I have seen a number of new ideas implemented in my branch. We are always looking for new ways to improve the service we provide to the policy areas, particularly in an environment of limited resources. My experience is that limited resources can even drive innovation as this can sometimes mean that new ways of doing existing work have to be developed.

² Note that some members viewed these awards as tokenistic.

Far from taking credit for my ideas, my supervisor has given me full credit for developing new ways of providing our services to our clients even when they largely were developed in consultation with him.

Consultation and Communication

Consultation at all levels is necessary for innovation to succeed. Within agencies, management need to seek the views of staff in the design and implementation of new work processes. Often staff will have simple ideas as to how work processes can be improved.

CPSU members were clear that management needed to commit to ongoing structures that allowed for open lines of communication and idea sharing. A collective approach would enable better collaboration and foster innovation. However care would need to be taken to ensure that consultative structures themselves did not become barriers to innovation.

In addition to listening to ideas from within, agencies also need to communicate with other agencies and stakeholders to learn about best practice and have access to the vast pool of knowledge and experience that exists both within and outside the APS.

The 'silo' structure of the APS is often talked about. Agencies operate quite separately from one another, developing their own policies, procedures and practices. There are very few mechanisms to share information or best practice and there are even fewer opportunities to share staff.

This lack of communication means that agencies do not learn from one another and there is a significant waste of resources as each agency puts time and energy into developing new ideas, when other agencies may be working on similar issues.

The Moran Review of the APS must consider how the silos in the APS can be broken down. Things to be taken into account include:

- How cross-agency projects (such as the MAC Innovation Project) can occur. Some State governments form 'challenge teams' where people are invited to be part of a team that is given a particular project or problem to solve. Participants come from across the service and a variety of levels, and the structure of the project varies depending on the nature of the issue. Sometimes groups may need to be taken offline for the project duration. In addition to fostering innovation these types of arrangements are seen as good career development opportunities.
- How constraints such as agency budgets can be removed to allow this collaboration to occur.

Training and Career Paths

The lack of time and financial support for personal development and training to improve their analytical and policy development skills is a barrier to innovation for many staff, as it limits the ability for staff to innovate in a sophisticated and in-depth way. As one member noted:

If I were to highlight a single barrier it would be the lack of support for training and personal development. If the Government were really serious about innovation it would get serious about training and make this guaranteed for all APS employees, full-time and part-time. It is shocking to observe how inconsistent and inequitable the investment in so-called human capital is across APS agencies...

Budgetary restriction is the commonly cited excuse for failing to develop the skills and knowledge of its workforce but this just shows how little government understands about innovation and education. Innovation is investment activity, not an ongoing cost of production for business as usual. As such, innovation requires funding, extra funding beyond the cost of efficiently and effectively producing day-to-day work. Without such investment no innovation worthy of the name occurs, even in a service sector where innovation is incremental and of the organisational kind.

Some newer entrants to the APS reported that they had to move from agency to agency or even leave the APS in order to develop their skills in the absence of training opportunities. This is a drain on the corporate knowledge and skill base of the APS and impedes public sector innovation. A more holistic structure that facilitated staff movements up and across in a more seamless way and which maintained continuity of experience and knowledge, would go some way to improving public sector innovation.

The Effect of Outsourcing

While a topical example is the practice of outsourcing ICT functions, the use of consultants and contractors is far more widespread. The extensive use of consultants and contract labour impedes the development of new skills, experience and knowledge in the permanent APS workforce. Instead, skills built during a project are lost from the agency at the end.

The Gershon Review identified the need to stop outsourcing the majority of ICT work in the APS. The Review made several recommendations around the management and enhancement of APS ICT skills base, including:

- Reducing the over-reliance of the APS on contractors by cutting the numbers by 50% over a 2-year period and,
- The development of whole-of-government (WoG) career structure by AGIMO and APSC, which will include training and development programs and a WoG strategic ICT workforce plan.

The reasons provided by Sir Peter Gershon for the large reduction in ICT contractors included that currently there is little scrutiny of the use of contractors, budgetary savings would result from in sourcing, and it would encourage the recruitment, development and training of employees.

There are a number of reasons outsourcing has been used in the APS, some more credible than others. These include in response to short term needs; to address perceived or actual lack of expertise; to shift the risk to the private sector or because of perceived cost benefits of outsourcing. It is vital for the Government to investigate why public sector agencies are using contractors and identify the impact of widespread outsourcing on the ability of the service to innovate. The research project should consider whether the recommendations made by Sir Peter Gershon could be applied more broadly.

Budgetary Pressures

Budgetary pressures leave few if any resources to be invested in innovation. Developing new ways of thinking and working requires time and energy from staff and implementation of any new ideas requires money. Until the public sector is adequately funded, and staff are given the time to think and learn, it will lag behind the private sector in innovation. One CPSU member wrote:

Money – put it simply, innovation requires funding, especially in relation to making the best use of new technologies. The public sector as a whole, and small, less well funded agencies particularly, will always be behind the private sector in this regard unless the Government is prepared to provide funds now to drive technological innovation and in the future maintain pace with emerging technologies.

Specific funding must be set aside for innovation. As one member noted:

If innovation is a government priority it must be budgeted and managed accordingly, just like IBM or BHP would do for their respective businesses. In very tangible ways, the Australian Government has shown in recent years its real priorities are more inclined to control — of its staff and of its media image (thus do budgets magically materialize for growth in ICT and corporate activities). In order to promote innovation, some other ongoing activities of government must necessarily be demoted in importance and priority, if not eliminated altogether since it is difficult to imagine strong growth in the size of the public service and economic conditions do not favour such a trend. The Government must therefore examine the conflict between increasing accountability (emphasised by static economic efficiency considerations) and increasing innovation (which favours dynamic economic efficiency). I fear that, in Australian government culture, accountability trumps innovation every time so the prospects for public sector innovation are not encouraging.

Divide between Service Delivery and Policy Development

The structure of many agencies precludes or limits the contact between those in service delivery roles and those in policy development roles. This artificial divide between the two areas is a significant barrier to innovation and reform. To find solutions and more effective ways to deliver services, policy analysts need to easily tap into the ideas from those in service delivery and vice versa.

Some agencies have instituted practices which allow the sharing of ideas – for example, there is a program where a Centrelink customer service advisor observes the work of their counterpart at CSA. They then report back to their agency on differences, and suggest improvements to work processes. This could easily be adapted beyond the customer service setting.

Another way to bridge the divided between policy and service delivery is to locate jobs in regional areas near universities where there can be closer links between service delivery and policy development. Other advantages of this regional shift would include increased employment in regional areas, environmental benefits, and a positive impact on work life balance.

Red Tape

Over recent years the public service has become increasingly dominated by administration which puts pressure on staff and leaves them with little time to innovate. This is a barrier to the development and discussion of new ideas. As one member noted:

The bureaucratic structure tends to stifle innovative thinking and activity from staff. A climate of business as usual can be a barrier to innovation.

Office Layout

The structure of the physical working environment in many public sector agencies is also not conducive to fostering innovation. The segregation of teams and co-workers and very few common spaces make it difficult for people to share ideas and use the knowledge and experience of others to help them in their role.

Conclusion

This submission details a range of barriers to innovation in the APS and suggests a number of solutions. The key message is that there is no single solution to improving innovation in the public sector. The first step must be an APS-wide commitment to innovation. Training for innovative thinking needs to be combined with systems that are modern and responsive (eg ICT). Consultation and communication with staff should form an integral part of this approach, and cultural change is essential to ensure that new ideas are encouraged and rewarded.

If innovation is to be advanced in the APS it needs to be made a priority in every agency, it needs to be more important than finding efficiencies or cost savings, and it needs to be more important than the fear of failure.