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Policy Advice and the Pursuit of Public Value

High-quality policy advice is an essential component of effective modern government. At its best, policy advice draws on the appropriate analysis of sound evidence to indicate directions for government action. At a more mundane level, policy advice in the form of situational analysis is required by Cabinet ministers to keep them abreast of developments within the purview of their respective portfolios. When informed by programme evaluation, policy advice can tell us whether current policies are delivering the valued outcomes that were anticipated when those policies were first adopted.

This article considers the recommendations of the committee appointed by the government to review expenditure on policy advice, chaired by former Treasury secretary Graham Scott. The committee's report, *Improving the Quality and Value of Policy Advice*, was delivered to the government in December 2010 (*Review of Policy Expenditure and Advice*, 2010). It gives an excellent overview of the current production of policy advice in

New Zealand. It also notes unevenness in the quality and relevance of some of the policy advice being supplied. The committee offered useful suggestions for how such problems might be addressed. The government released the committee's report in April 2011, and announced at the same time how it intended to respond. Unfortunately, the response does not offer much confidence that the report's best insights will guide future practice. Ironically, the public service preoccupation with process and risk-management criticised in the report infuses the government's response to it.

At one level, the work of Scott and his committee colleagues is commendable. They addressed concerns raised in their

terms of reference and they respected political sensitivities. At another level, the report is deeply disappointing. In terms of addressing current problems in policy advising in New Zealand it does not go far enough. To set the scene for transformative change, the committee would have to have acknowledged an awkward truth: that is, that politicians don't think like policy analysts.

Were the recommendations of *Improving the Quality and Value of Policy Advice* followed to the letter, it is doubtful they would contribute to better government management in New Zealand. Politicians need expert help to process the policy advice they receive. They also require expert help to convert

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insights from analytical work into material they can use to nudge public opinion and build coalitions supportive of policy change (Sabatier, 1993; Thaler and Sunstein, 2008). In the world of policy analysis, technical excellence surely matters, but sensitivity to the concerns of the audience for policy advice is equally important. The public value of high-quality policy advice can be realised only when the recipients of that advice act on it.

New Zealand desperately needs informed government leaders who have the capability to engage in public discussion about policy dilemmas, and build guiding coalitions to make change happen (Forester, 1999; Heifetz, 1994; Kotter, 1996). Informed and influential government leaders neither emerge at random nor display inherently superior abilities than less effective politicians. Informed and influential leaders are created in the job (Mintrom, 2000; Rabe, 2004; Weiss, 1992). Effective policy advising represents a manageable and crucial catalyst to that creation. Policy analysts could and should do much more to ensure they are giving politicians the services that they need to perform as policy leaders and agents of transformative change. Regrettably, this point is not given the prominence it deserves in the committee's report. As such, an opportunity to significantly lift the public value of policy advising in New Zealand may have been missed.

Background

When John Key's National-led coalition government was formed in 2008, the confidence and supply agreement between the National Party and ACT made provision for a series of taskforces to be established 'to undertake fundamental reviews of all base government spending in identified sectors'. In August 2010 the government announced a review of expenditure on policy advice, to be chaired by Graham Scott, a former secretary to the Treasury and internationally-respected consultant on public sector management. Among other things, the terms of reference for the review reflected a hunch that much spending on policy advice may represent

poor value for money. The 'problem definition' statement observed that: 'Total government expenditure on policy advice has grown significantly in recent years. Between 2003 and 2010, expenditure is estimated to have increased in nominal terms by 70%' (Minister of Finance et al., 2010, p.1). It is understood that about \$520 million was spent on policy advice in 2003 and that the figure had jumped to \$880 million by 2008. In announcing the review, Finance Minister Bill English said that 'The amount spent on policy advice is now nearly three quarters of the Government's total annual police budget and it almost matches our annual spending on social housing'. A strong

development. They also found that policy advice expenditure is generally not well planned, managed and monitored. They noted that neither central agencies – the Department of the Prime Minister and Cabinet, the State Services Commission and the Treasury – nor most other agencies have focused attention on the value for money of policy advice, at least for the past five years. While the committee did not say it, clearly there is a profound need in the public service for more project management of policy work. Bringing project management to bear would increase the likelihood of work being produced on time, on budget and at agreed levels of quality (Austin,

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implication of the government's press release was that savings could be made by eliminating a load of fluff work. Those savings could be used to support the government's 'drive to deliver better frontline public services' (English, 2010).

The committee's findings

The committee built a knowledge base on New Zealand's policy advising practices using several sources. They included a survey of government agencies, engagement in a series of workshops and seminars with senior policy analysts and managers, interviews with selected past and current Cabinet ministers, and use of information from the New Zealand Institute for Economic Research's ongoing quality assessments of government policy reports. With respect to the cost of policy advice, the committee found wide variation across agencies in the efficiency of policy advice

2004; Heerkens, 2002). With respect to the question of whether policy advice is being produced that is appropriately aligned with government priorities, the committee again found problems. Agencies reported that about 70% of their policy advising activities focused on ministerial priorities. In addition, many agencies seemed unable or unwilling to draw clear linkages between their policy work programmes and the wider government policy agenda. With respect to the quality of the policy advice being generated, the committee found a mixed bag. Despite some pockets of good practice, quality appears to vary widely across agencies.

The report contains a number of very interesting findings. First, the analysis produced for the committee revealed no relationship between how much money agencies spend on generating advice and the quality of their advice (p.40). In terms

of policy advice quality, what seems to matter most is the culture created and reinforced by leaders. Such cultures were found in some policy shops, both large and small. However, just as it remains difficult to measure the determinants of productivity in firms (Syverson, 2011), the committee was unable to distinguish the influence of specific leadership practices

analysts who then have to revise the work on the basis of the report back from senior managers but have had no opportunity to clarify points with the minister. (p.44)

Efforts to 'speak truth to power' (Wildavsky, 1979) must become exceedingly difficult under these conditions.

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from the attributes and operating styles of specific individual leaders. Of course, that difference matters when it comes to considering how to raise the quality of policy work across the system.

Second, there appear to be major gaps in policy advice leadership at the highest levels in the public service. At present, over 40% of chief executives lack experience in the management of policy advice. The committee was told by a source that, in recent years, 'multiple candidates for chief executive and deputy chief executive positions were unable to address substantive policy questions relating to the relevant sector in job interviews' (p.41). This finding is deeply troubling and goes some way to explaining why Cabinet ministers now and then seem to lack substantial knowledge of important aspects of their portfolios. The committee noted that there is often too much distance between analysts and ministers:

Ministers, policy advice staff and external observers considered that the senior officials who predominantly engage with ministers often do not seem to know the content of papers or the substance of the advice as well as the analysts who wrote the advice, who are not present at the meetings with ministers. This is frustrating both for the minister, whose questions are not fully answered, and for the

Third, there appears to be an obsession with process and risk management in the public sector which means scarce resources are not being effectively allocated. The committee offered the example of a letter that required eight people to approve it before it left the building. Significant improvements in the quality of work and the efficiency with which it is produced could, in the view of the committee, be secured through the systematic diffusion of best practices across agencies.

Looking to the future, the committee recommended more effort from central agencies to focus analytical attention on pressing problems. The committee also recommended major improvements in the infrastructure that supports policy advice. They noted that lack of appropriate data and other evidence around problems and policies serves to inhibit the production of high-quality policy advice. They also noted the lack of good evaluation work being performed in the public service. The committee said more evaluation needs to be undertaken as part of the general process of improving the quality of policy analysis and advice. They also recommended that a lot more emphasis be given to acquiring appropriate training for policy staff. 'There is considerable scope to build policy advice capabilities at all levels and in all policy advice roles' (p.52). They suggested a range of ways

to build capacity and expert networks in and around the public service. In conclusion, they noted:

There is no lack of passion in some places to make the system better, but this will require energy and attention... . Amongst officials, the rest must catch up with the best and agencies must individually and collectively hone their skills so as to make a powerful contribution to policy programmes that resolve pressing national issues and to do routine policy work efficiently and without clutter. (p.59)

Policy advice and public value

Scott and his colleagues consistently assume that we can know good policy advice when we see it. For people who spend all their time thinking about public policy, there is some truth to that. But the question of what makes good policy advice is inherently difficult to answer. That is because, ultimately, we can only judge the value of policy advice after it has been transformed into policy changes. It is a classic post-experience good (Weimer and Vining, 2005). Mark H. Moore offered help on judging the value of policy advice through his discussion of public value. According to Moore, public managers can create value by establishing and operating institutions that meet citizens' (and their representatives') desires for properly ordered and productive public institutions. Significantly for us, Moore suggested that value is 'rooted in the desire and perceptions of individuals' and, so, 'public sector managers must satisfy some kinds of desires and operate in accord with some kinds of perceptions' (Moore, 1995, p.52). As an intermediate step towards creating value, policy advice must be useful to those who could act on it. Political leaders need to be able to transform policy advice into language that resonates with the public, and that helps to shape people's desires and perceptions. Nothing about this is easy (Nisbett and Ross, 1980; Quinn, 2000; Schön and Rein, 1994; Stone, 2002). Getting people to think differently about their world is hard, especially when many people seem to have an inbuilt mistrust of politicians.

For policy advice to create public value, it must be developed in such a way that it is able to shape public desires and perceptions. In New Zealand we have long sought to separate out the work of policy advisers from the work of politicians. Yet efforts to create public value through policy advice would be strengthened through removal of this artificial separation. Such a statement might raise alarm bells with many people who believe in bureaucratic neutrality. Rightly, people worry that a 'politicised' public service will introduce many new problems, and that much of what makes for good policy advising practice would be lost. However, I am confident that significant value could be generated for New Zealand through efforts to change the rules that govern relations between elected politicians and their advisers. My point here is to raise the possibility, and suggest directions for fruitful next steps in thinking about policy advice-giving in New Zealand.

In his edited volume exploring factors shaping economic transformations, John Williamson (1994) drew insights from many countries, including New Zealand. Among other things, Williamson emphasised the importance of skilled advisers who could work effectively with elected politicians to shape public perceptions of problems and build a popular desire for change. There is no evidence that bureaucracies must necessarily become politicised in order for this kind of teamwork between advisers and politicians to occur. Others have explored at more length the ways that those seeking to create major policy change work in teams to build coalitions of supporters, shape perceptions of problems, and achieve public support for their efforts (Levin and Sanger, 1994; Mintrom, 2000; Mintrom and Norman, 2009; Smith, 1991). A common thread in these explorations is the way that entrepreneurial actors seek to build teams of supporters from across various sectors of society, and leverage the skills and situated knowledge that these various players bring to the change initiative. In the New Zealand context, it is interesting to consider how it is that the New Zealand Institute, when it was

led by David Skilling, was able – within a short space of time – to generate popular support among policy elites, politicians, sector groups and citizens for several major policy initiatives. In the United States, entities like the Brookings Institution and the American Enterprise Institute do much to generate sound policy advice. Operating as revolving talent pools, these organisations regularly bring diverse groups of people together

for various lengths of time to discuss pressing public issues and how they might be effectively addressed. My sense is that there is a significant gap to be filled in New Zealand by local equivalents of these organisations. As such, we currently lack spaces for people with relevant knowledge from the public service, academe, the private sector and voluntary organisations to discuss pressing national issues and hold smart, focused discussions about how they might be effectively addressed. Such entities could do much to help our political leaders to devise effective plans for securing the social and economic transformations we need.

Conclusion

New Zealand's economy is not in good shape and a number of social processes – including the aging of the population – suggest major policy action is urgently needed. Yet successive New Zealand governments have only tinkered with inherited policy settings. They have not engaged in the kind of serious policy reforms needed to promote productive social and economic transformations.

It would be possible to redesign the current system of policy advising so that policy work is able to drive big transformations. But we are a long way from where we need to be. The recommendations made by the Committee to Review Expenditure on Policy Advice will not get us there.

Right now, New Zealand needs politicians who are prepared to offer serious, gutsy political leadership. My argument is that the current practices of our political leaders are driven by their context. Those practices will change only when the policy advising system is transformed. Given that, ways must be found to help elected politicians fully grasp the policy problems New Zealand faces. Equally important, policy advisers

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must be prepared to offer insights, information and strategies that will help those politicians to better engage the public in discussions of big policy issues and options for addressing them. The possibilities for creating serious public value through policy advice will emerge when the truth is accepted that policy development is inherently political work.

To their credit, Scott and his committee colleagues spoke back to the powers that appointed them. Late in their report they observed: 'Leadership by ministers is also crucial. Generally the system provides them with what they ask for A careless or inept minister can debilitate the policy advice capability of his or her agency' (pp.57-8). They noted the mistake in the terms of reference that indicated much higher growth in spending on policy advice than had actually occurred. They also remained silent on the question of whether some of the current spending on policy advice would be better allocated to front-line services. Finally, they emphasised the value of big-picture, strategic policy advice and proposed a mechanism for normalising it within the advice-giving system. Perhaps it was enough, this time around, for a review of policy advice to focus on problems at the heart of the traditional institutions of policy advising, rather than tackle the broader rules of engagement themselves. But at some point that must happen.

Transformational policy change requires policy advisers to do much more than write reports and give oral briefings to ministers. Of course, getting the technical basics of policy analysis right is paramount in any system. That is the stuff that Scott and his colleagues mostly focused on. By adopting the review committee's recommendations, there is no doubt the government could improve the overall quality of current reporting and significantly reduce quality differences across agencies. Further, the review suggested very useful directions for getting agencies to work together on difficult problems and for ad hoc teams to be assembled to work on large, complex policy challenges. But none of this will take policy advising in New Zealand to

the level where it could seriously support the kinds of major policy actions required to tackle the tough social and economic problems that have been around for a long time and that won't solve themselves.

The Review of Expenditure on Policy Advice arose out of a confidence and supply agreement among coalition partners. What the signatories to that agreement failed to see – or chose not to confront – was that their own unwillingness to tackle major policy problems is the fundamental brake on our progress as a nation. For elected politicians, it will almost always seem more appealing to engage in some incremental policy reforms than to confront broader social priorities and force them to change. But big, strategic policy thinking is

needed. Graham Scott and his colleagues have proposed a way to organise policy analysts so that they can start doing it. As such, they have focused on the traditional supply side of policy work. What we need now is serious focus on the demand side. How can policy advisers help politicians do their political work? Getting some free and frank answers to that question, and responding accordingly, would be useful indeed. Maybe then our political leaders could develop the confidence and skills to engage with big, strategic policy thinking, bring the New Zealand public into the conversation, and drive the kind of policy changes that will deliver serious public value. Scott and his colleagues have produced terrific yeoman work, and opened space for another, bolder review.

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