

ROUTLEDGE REVIVALS

Reorienting a Nation: Consultants and Australian Public Policy

John F. Martin



REORIENTING A NATION: CONSULTANTS AND AUSTRALIAN PUBLIC POLICY

For my parents, Robert and Gloria Martin

Reorienting a Nation: Consultants and Australian Public Policy

JOHN F. MARTIN

Queensland University of Technology

 **Routledge**
Taylor & Francis Group
LONDON AND NEW YORK

First published 1998 by Ashgate Publishing

Reissued 2018 by Routledge

2 Park Square, Milton Park, Abingdon, Oxon, OX14 4RN

711 Third Avenue, New York, NY 10017

Routledge is an imprint of the Taylor & Francis Group, an informa business

Copyright © John F. Martin 1998

All rights reserved. No part of this book may be reprinted or reproduced or utilised in any form or by any electronic, mechanical, or other means, now known or hereafter invented, including photocopying and recording, or in any information storage or retrieval system, without permission in writing from the publishers.

Notice:

Product or corporate names may be trademarks or registered trademarks, and are used only for identification and explanation without intent to infringe.

Publisher's Note

The publisher has gone to great lengths to ensure the quality of this reprint but points out that some imperfections in the original copies may be apparent.

Disclaimer

The publisher has made every effort to trace copyright holders and welcomes correspondence from those they have been unable to contact.

A Library of Congress record exists under LC control number: 97039110

ISBN 13: 978-1-138-32804-4 (hbk)

ISBN 13: 978-1-138-32805-1 (pbk)

ISBN 13: 978-0-429-44892-8 (ebk)

Contents

<i>List of Figures</i>	<i>vi</i>
<i>List of Tables</i>	<i>vii</i>
<i>Acknowledgements</i>	<i>ix</i>
<i>List of Abbreviations</i>	<i>x</i>
1 Introduction	1
2 Public Policy: Managing ‘Wicked’ Social Problems	22
3 Australian Public Policy: Labor in the 1980s	50
4 Consultants: Complementing the Policy–Making Process	71
5 Social Welfare in the Modern State	96
6 Housing Provision for the Long Term: Reorganising Federal–State Responsibilities	117
7 Continuing Dilemmas of Australian Migration	132
8 Pandemics and the Public Health Response	147
9 Going with the Might of Asia	158
10 Tension and Complexity in Public Policy–Making	171
11 Conclusion	203
<i>Bibliography</i>	<i>245</i>
<i>Appendix A: Persons Interviewed and Opening Questions</i>	<i>257</i>

List of Figures

2.1	Deliberate versus Emergent Strategies	28
2.2	Modes of Viewing the World	35
3.1	Total Public Sector Outlays in Australia	58
3.2	Commonwealth Budget Outlays, 1953–54 to 1990–91	59
3.3	Numbers of all Australian Public Service Staff at 31 December: 1983–1989	60
3.4	Possibilities for Government Strategies to Manage Policy Change	69 and 234
5.1	Unemployment rates according to family status of individuals, 1982	100
9.1	Contrasting links between policies recommended in the Garnaut and AMC reports	168

List of Tables

2.1	Ideal relationships between the decision-making process and the nature of the problem	27
2.2	Paradigms of Policy Analysis	39
2.3	Characteristics of policy innovation, succession, maintenance and termination	42
2.4	Seven Dimensions of Policy Innovation	44
2.5	Characteristics of images of the policy process	47
3.1	Exports as a percentage of GDP: 1960s compared to 1980s	53
4.1	Taxonomy of Consultant Roles, Styles and Approach	76
4.2	Differences between academic and governmental cultures	82
4.3	The relationship between the scope of a consultant's recommendations and assumptions about the nature of the problem addressed	90
4.4	Characteristics of Policy Consulting and Public Policy-making	93
5.1	Outlays of Commonwealth Budget Function as a percentage 1964-65, 1974-75 and 1984-85	97
5.2	Changes in Family Type by Sex of Head of Family, 1976-1981	99
5.3	Persons receiving the aged pension, 1971-83	100
5.4	Numbers of Pensioners and Beneficiaries, 1973-88	102
6.1	State Housing Authority Income and Expenditure for 1987/88	121
7.1	Contribution of Immigration to Population Growth (Ratio of Net Migration to Net Natural Increase)	132
9.1	GDP (1980 \$US) for Australia, Northeast Asia and Other Selected Countries	160
9.2	Hilmer's contrasting policy directions	167
10.1	The Focus of Each Consultancy on the Stages of Policy-making	197

11.1	Characteristics of the issue network policy process across five consultancies	221
11.2	Contrasting effective and ineffective strategies for engaging and working with policy consultants	241

Acknowledgements

Many people have provided support and encouragement over the period that this research has been in the making. My doctoral supervisor Jane Marceau was of great support to me as were Barry Hindess and Don Anderson who were always prepared to make time to discuss my work. To them go my sincere thanks.

Pat Troy and his colleagues at the Urban Research Program provided me with more than time and space when I took six months off in the latter half of 1990 to work full-time on the research. Pat provided the ideal balance of freedom and support to think while always quietly edging one towards an outcome. Will Sanders and Stephen Mugford, also at the Australian National University, provided support and encouragement throughout the research.

My colleagues in the Faculty of Management at the University of Canberra have provided a supportive work environment for me to complete this research. To Jim McMaster, Roger Wettenhall, John Halligan, Chris Aulich, Marian Sawyer, Gwyn Singleton, Harry Oxley, Paul Kringas, Frank Hicks, John O'Brien and Jim Hanratty go my thanks.

Special thanks to Zoe D'Arcy in the Centre for Research in Public Sector Management who with Michelle Whyard from the Australian Centre for Regional and Local Government Studies prepared the manuscript for publication.

List of Abbreviations

ACOSS	Australian Council of Social Services
ACT	Australian Capital Territory
ACTU	Australian Council of Trade Unions
AGSM	Australian Graduate School of Management
AIDS	Acquired Immunodeficiency Syndrome
ALP	Australian Labor Party
AMA	Australian Medical Association
AMC	Australian Manufacturing Council
ANU	Australian National University
APS	Australian Public Service
BCA	Business Council of Australia
CAAIP	Committee to Advise on Australia's Immigration Program
CGTOOE	Capital Gains Tax Owner Occupied Exemption
CDCSH	Commonwealth Department of Community Services and Health
CIMS	Centre for Immigration and Multicultural Studies
CSHA	Commonwealth State Housing Agreement
CSIRO	Commonwealth Scientific Research and Industrial Organisation
DAS	Department of Administrative Services
DFAT	Department of Foreign Affairs and Trade
DOLGEA	Department of Immigration, Local Government and Ethnic Affairs
DOD	Department of Defence
DSS	Department of Social Security

EAC	Ethnic Affairs Council
FHOS	First Home Owners Scheme
GATT	General Agreement on Tariffs and Trade
GDP	Gross Domestic Product
HIV	Human Immunodeficiency Virus
IDU	Injecting Drug User
JCPA	Joint Committee of Public Accounts
NSW	New South Wales
OD	Organsiation Development
OECD	Organisation for Economic and Cultural Development
OMA	Office of Multicultural Affairs
PCEKT	Pappas Carter Evans Koop/Telesis
PSB	Public Service Board
PSC	Public Service Commission



Taylor & Francis

Taylor & Francis Group

<http://taylorandfrancis.com>

1 Introduction

This book reports on the use of consultants by Hawke Labor Governments in the mid-to-late 1980s to review public policy in the fields of social welfare, public housing, immigration, public health and relations with Australia's North East Asian neighbours. The research is based on the hypothesis that, in a context of significant social and economic change, governments are especially likely to engage sympathetic consultants to review public policy. They do so because consultants provide an additional layer of protection from attack on proposed policies by political adversaries for ministers and governments who want to alter policy direction radically and to do so over a longer and more thorough period of data gathering and reflection than is normally possible in the political world. Consultants are also successful in getting their recommendations accepted by government because they are able to successfully manage the process of decision-making surrounding policy reviews. Further, the widely acknowledged expertise of the consultants and their independent status from government legitimates the review process and assists the establishment of a new agenda within a particular policy field. The use of consultants in policy-making in this way allows politicians and bureaucrats to maintain control over the process, while not being seen as the central actors.

The management of the policy review process is therefore as important as the policy outcomes. The use of consultants improves the degree of visibility, or transparency, in the decision-making processes of government. In his classic study of university decision-making, F. G. Bailey (1977) highlights this aspect when he refers to different arenas of decision-making and draws a theatrical analogy to highlight the degree of visibility of the decision-making process. He refers to decisions being made 'on-stage' in the public arena, 'off-stage' in the semi-public arena, and 'out-the-stage-door' in private decision-making arenas. Bailey suggests that all the processes leading to decision-making go

through the less public arenas before the decision is made in the most public arena, 'on-stage'. The use of consultants by government to review public policy parallels the metaphor of the theatre. The use of high-level consultants allows governments to make major decisions while only being on stage quite late in the process of developing the available options. Consultants to government play an important, high profile public role, joining key decision-makers on centre stage.

Consultants are both 'actors' on stage and 'stage managers', operating off-stage, particularly in relation to the agenda-setting and research components of policy-making. During a period when both the context of decision-making is changing and the public service is being reorganised to play a stronger managerial role rather than to be principal providers of policy advice the 'experts' in policy-advising are more likely to be drawn from outside government than in periods when the necessary expertise may be expected to reside inside the official policy-advising capability of the public service. In such periods of change governments may also rely on other policy-advising mechanisms such as public enquiries and Royal Commissions.

In his review of public inquiries under the second Hawke government Prasser (1988) noted that they 'have long been used by Commonwealth governments, but it was during the period of the Whitlam Labor government that both their numbers and the controversy surrounding their appointment increased' (p. 117). Both the succeeding Liberal-National Country Party governments and the first Hawke government continued to use inquiries to review public policy and examine other political issues. Prasser observes that the use of public inquiries by Hawke Labor governments dramatically declined from 1984. He asserts that this decline may be explained in several ways. The first is that

'it could reflect a decline in policy initiatives. On gaining office new governments and ministers usually are anxious to promote their new policies and to honour election promises for particular investigations to be established. By the second term ministers become increasingly concerned with the management of the initiatives they have previously set in train' (Prasser 1988, p. 121).

Prasser further observes that the decline in the number of public inquiries

'may reflect a fundamental characteristic of government after being in office for a considerable period' (1988, p. 121). He claims that there is not only a loss of policy initiative but also 'there is increasing concern by government members with defending their government - defending its past actions, present policies, policy definitions and issues selection' (Prasser 1988, p. 121).

Prasser's other explanation, however, is that it takes a considerable time for inquiries to be carried out and to report and that this delay is unacceptable to ministers who want to move on and not to be caught up absorbing details and reports that to them may be politically out of date. Ministers who want to move fast need different policy-advice procedures. Their need to move fast is precipitated by a fast-changing environment and the short political cycles in Australia.

How then does a government address emerging policy issues while maintaining closer control over such a process? The use of inquiries and use of consultants have much in common. As Prasser notes, inquiries

'can be used to keep issues off the political agenda and to provide a breathing space while the government decides what to do about a particular issue. However, governments appreciate that inquiries can get out of control and boomerang back on those who appoint them: witness the Costigan Royal Commission established by the Fraser Government.' (1988, p. 121)

This book suggests then that the use of consultants is speedier and less likely to 'boomerang'. The book further considers whether the use of consultants to review public policy allows for more effective management of the policy agenda by government and if so to what extent. These are complex issues and involve comparisons which are not easily made. Proxies for such measurement have been developed through creating typologies from five case studies.

The book identifies several different factors, such as attempts to reduce the size of government and a concern for more effective economic management to explain the growing number of consultants (and contractors – see below) working with the Australian Public Service (APS). The theoretical perspectives used to approach the question both highlight the increasing pervasiveness of the work of consultants in public sector policy-making and management in

Australia in the late twentieth century and allow different 'ways in' to the analysis of their use.

The book begins with an overview of the theoretical perspectives selected and then focusses on the effective use of consultants in the *policy-making*, rather than *management*, process. It reviews five case studies carried out in the 1980s where consultants played a key role in the strategic review of public policy. The research involves an analysis of both consultants' roles and changes in the policy-making process itself.

The broad perspective provided in Part One paints a picture of important change in policy-making which involves now, more than ever before, the engagement of consultants to provide an expert and apparently disinterested opinion to government, as is the rationale for such engagement variously stated in Commonwealth department annual reports during the period under review. There is general agreement among both parliamentary committees and the consulting industry itself that during the 1980s the use by government of consultants to carry out both administrative and substantive program reviews increased (Joint Committee of Public Accounts (JCPA) 1989, Gorman 1989). 'Administrative reviews' cover the work done by consultants to bring about change within public sector organisations while 'substantive reviews' refers to the work of consultants in reviewing the direction, focus and content of programs delivered by government in any particular policy field. The available estimates of increases in annual expenditure by the Commonwealth Government on consultants during the period considered varied considerably but were in the order of several hundreds of million dollars per annum (JCPA 1989, Prosser et al 1990). While the exact nature and extent of the use of consultants across Australian Government departments and agencies is not known (JCPA 1989), there appears to be general agreement amongst informed sources that the increase throughout the 1980s was significant (see Gorman 1989, Prosser 1990). Such increased use of consultants was not confined to the Commonwealth: the New South Wales (NSW) Auditor General, for example, raised a number of questions about the greater reliance on advice from consultants seen in that State in his 1988/89 Annual Report to Parliament. In a public administrative environment characterised more than ever by calls for greater accountability it is surprising that there has not been a more comprehensive, continuing scrutiny of the use of consultants across the

Australian Public Service (APS).

In contrast to the lack of study of what consultants to the public sector have actually been doing, normative literature suggesting how clients can make the best use of consultants abounds. Much of this literature was published by the public sector itself as part of its attempt to meet the requirements of accountability and impartiality related to the tendering process (see Commonwealth Department of Administrative Services 1988). Making best use of consultants seems to be a new way of obtaining expert labour from outside the conventional processes of public sector staffing. Since consultants are not subject to these conventional processes wherein hiring is the foundation of a long-term public-sector career, their use became a convenient strategy for government to rely on in managing the decision-making processes on key issues of administrative procedure and substantive program reform within the complex policy-making context of the day, when also bent on reducing public service numbers.

Comprehensive accounts of the use of consultants during this period, both in the public and private sectors, in Australia are rare (see Gorman 1987) but there have been some analyses carried out in other countries. Guttman and Willner's (1976) account of the United States Federal Government's use of private management consultants, 'experts', and 'think tanks' is one such account. Guttman and Willner assert that the early 1960s to early 1970s was a period of heightened social change in the US which had an impact on the systems of government and public administration in that country. The research reported in this book similarly covers a period of intense economic and social change in a developed nation, a period that placed increased pressure on existing systems of government and public administration.

Guttman and Willner provide their account of 'The Shadow Government' primarily from a legal-administrative perspective. As lawyers, they focus on the administrative and procedural aspects of the use of consultants and the moral and ethical dilemmas implicit in the continual recourse to the services of particular firms in specific areas, firms that had built up expertise in that area precisely because of their close involvement with government decision-making. These firms are not 'elected' or 'neutral' salaried officials, their legitimacy rests on their presentation of themselves as 'disinterested experts' providing 'rational' advice to government.

Ralph Nader, the well known consumer advocate, in his introduction to *The Shadow Government*, acknowledges the power of the consulting industry when he asserts that:

'The basic importance of the consulting industry officials, as *The Shadow Government* shows, lies in their almost exclusive influence to suggest, shape, and even implement much governmental policy in both its narrowest and its broadest sense.' (Guttman & Willner 1976, p. xii)

Describing the complex connections between consultants and bureaucracies in the American system of government, the author's account of the use of consultants who are 'off the organisation chart' as 'private managers of the public domain' highlights the dilemmas facing those officials traditionally responsible for the provision of policy advice who are grappling with changes within public administrative systems where the principles of probity and accountability are held high.

The monies spent on the 'shadow government' were extremely large, even in the 1970s:

'In the past two decades the Federal budget has increased from \$70 to nearly \$370 billion. Popular wisdom to the contrary, the number of full-time public servants has remained relatively constant. How does the Government manage?

A large part of the answer lies in the growth of an invisible bureaucracy of private corporations whose services are contracted for by the official bureaucracy. In 1946 the largest single portion of the Federal administrative budget - 30 percent - was spent on the civil service payroll. By 1966, 34 percent of the administrative budget was spent on contractors and only 22 percent on full-time Government employees to administer the close to \$60 billion annually spent on contractors and the more than \$50 billion given in grants to state and local governments and non profit organisations such as universities.' (Guttman & Willner 1976, p. 3)

In their attempt to account for the nature and extent of the consulting industry in Washington, DC, Guttman and Willner lament the fact that there was little quantitative evidence on the consulting industry available other than what could be found in the telephone book. They note that 'if the Yellow

Pages documents the existence of the consulting industry it is unfortunately about the best information available' (1976, p. 5).

Guttman and Willner's analysis of the incremental growth of recourse to consultants for advice does not consider the wider contextual factors associated with the public policy-making process. Their concern is primarily with the administrative mechanisms of public policy-making and pays less attention to, for example, the role of changes within the wider policy field.

Howard (1990) found a similarly poorly documented situation in Australia after his inquiry into the use of the large accounting firms by the public sector for consultancy services. The JCPA (1989) and the Federal Opposition's 'Waste Watch Committee' (Prosser et al 1990) also found little reliable data on the nature and extent of the consulting industry in Australia.

It is important to note that there are differences between the use of consultants as management change agents and their use as policy reviewers. **The research reported on in this book relates uniquely to consultants on policy-making.** This distinction is not always apparent in existing reviews of the use of consultants which usually assume the consultants to be advising on management issues.

Rationale for the Research

At the commencement of the research reported here, information on the use of external consultants by Commonwealth Government organisations was difficult to obtain. The information that was available covered highly varied activities from small and largely contractual administrative tasks such as the preparation of selection committee reports for departments, to major management reviews of government agencies. Moreover, while Commonwealth departments were required to provide in their annual report a listing of consultants used, this was done in a piecemeal fashion and many agencies did not comply. A review of 1987/88 annual reports for Australian Government departments, for example, reveals that only about half provided such lists. Other than the listing in the annual report, there was no formal requirement for Commonwealth departments to provide information on their use of consultants. Some departments which did not provide a list, including the Department of Defence (DOD), simply acknowledged that they did indeed use services provided by consultants but gave no further information. Similarly,

the lack of an annual listing does not necessarily suggest that those departments who did not provide a list did not in fact seek advice from consultants. Information on the matter provided by Departments at that time was quite simply poor.

Information on the precise costs of gaining advice from and on the specific roles played by consultants to government is even rarer. Only some of the departments which listed the consultants used also included the cost of their services. Even this listing of services and fees typically provided the reader with little guidance about consultants' roles in assisting the department. One department, for instance, grouped services with fees of hundreds of dollars with those of tens of thousands (Commonwealth Department of Aboriginal Affairs, Annual Report 1987/88). This lack of consistent information about the extent and nature of the use of consultants by government created methodological issues for the research, the discussion of which is taken up below in the section on the benefits of case study-based research.

Public, and indeed political, interest in the use of consultants by Commonwealth Government departments was brought to the fore in July 1988 when the *Canberra Times* (2 July 1988) published a front page article contending that there had been a 362 percent increase in fees paid to consultants in the nine months of the 1987/88 financial year compared to the previous financial year. The 1987/88 figure was '\$358.8 million on consultancy and service tenders'. This compared with \$140 million for the previous financial year.

While this article subsequently drew considerable public comment from the media and Opposition members of Parliament, the source of the journalists' information must be questioned. The figures on which the article was based were, said the *Canberra Times* (2 July 1988) report, 'supplied by *Tendernews* which produces a computer database of all tenders published by the Government in the *Commonwealth Gazette*'. *Tendernews*, however, is a commercial venture that cannot guarantee that its reporting incorporates all relevant information on consultancies. Its 1987/88 information, for instance, could be a result of more accurate reporting than in the previous financial year rather than reflecting a real increase. However, even if one considers the 'low' side of the figures mentioned above, \$140 million is a significant amount of public money to be devoted to the engagement of external consultants to

provide services to Australian Government administration and seems to be growing.

Despite the size of the sums involved, the Government's financial watchdogs seemed to take little interest in what they were used for. Under questioning from the Joint Committee of Public Accounts a Deputy Secretary from the Department of Administrative Services stated that 'in accordance with the Government's policies on letting the managers manage, most of the decisions [on the engagement of consultants] are matters for individual departments' (JCPA 1989, p. 77). There is, he said, no central collection of information on the extent and nature of use of external consultants by Commonwealth government departments. Moreover, in its response to the JCPA enquiry into the engagement of external consultants by Commonwealth departments, the Department of Finance continually stated that its interest in departmental activity related to the 'outcomes' of program management, rather than the inputs. Departmental secretaries were responsible for the inputs, including the combination of permanent staff and external consultants on particular programs (JCPA 1989). The size of the expenditure is thus an important part of the rationale for the research. Given the large and probably fast-increasing sums involved, research into their use is an important element of examining the processes of government in the 1980s-90s.

Equally important, however, the 1980s saw governments especially concerned to reconsider many areas of policy where little change had occurred for a long period. The Hawke governments of the mid-to-late 1980s used the non-traditional sources of policy advice and review provided by academic and other outside observers. In key existing areas such as social security, in new areas such as HIV/AIDS, in traditionally complex areas of intergovernmental relations such as housing, in areas that reshape our national perspective such as immigration and in the broad reconsideration of Australia's place in the world, consultants played key roles. Some of the use of consultants was thus clearly for policy-making rather than organisational management.

The media and political debate over Australian Government expenditure on consultants in 1987 and 1988 also raised a more fundamental issue concerning the public policy-making process. This issue concerns the changing nature of policy-making when governments were increasingly using consultants and contractors as central actors in determining policy, rather than

management directions. This may seem to involve the 'privatising' of public policy-making and raises important questions in relation to the kind of issues on the advice being sought and the adoption of suggestions made. The present research seeks to shed light on (a) the reasons underlying this apparent shift to external experts in deciding the major areas of public policy which had up to now been largely in public service staff hands or addressed through public inquiries, (b) the kinds of issues which were given such scrutiny and (c) the degree of influence the use of consultants had over the policy outcomes.

The Research Problem

As outlined at the beginning of this Chapter, the proposition which drove the present research was that governments use consultants during periods of increased contextual change for two reasons: one, to enable them to review public policy at 'arms length'; and two, to incorporate a greater range of expertise than is contained within 'slimmed down' management – rather than policy-oriented, government departments.

The shift in the 1980s to a 'managerial' focus in the Australian Public Service is clear (see Halligan and Power 1992). This change was heralded by the White Paper, *Reforming the Australian Public Service* (1983) in which it was asserted that the balance of power had tipped too far in favour of permanent rather than elected office-holders (Halligan and Power 1992). At the same time, and in part as a function of financial pressure, the ethos dubbed new 'managerialism' (Considine 1988) came to dominate much public service activity. This ethos arising through the 1980s seems to be a manifestation of an apparent belief in the 'rational comprehensive' nature of the public decision-making process (Davis et al 1988) by government decision-makers. Observers such as Considine and Davis, for example, consider the extent to which the increased use of consultants in Commonwealth Government decision-making is an attempt by the administration to adopt more rational and comprehensive techniques while ultimately retaining political control. As already noted, a better understanding of the socioeconomic context within which consultants are used is an important cornerstone of the answers and that context is reviewed in Chapter Three. Accompanying the shift in the locus of policy making was the move to management using program budgeting, corporate planning and the improvement of accounting and information systems, stimulated and

encouraged by the Department of Finance and the Public Service Board as part of the Financial Management Improvement Program in 1983-4 (Kellow 1992).

'Arms length' policy-making via consultants' advice has several related advantages for public authorities. First, consultants provide a layer of legitimacy and respectability which protects the Minister and the Government contemplating change from early opposition by political adversaries and stakeholders in particular policy areas who may be antagonistic to change. Second, the use of consultants allows politicians and bureaucrats to maintain control over the policy-making process while not holding centre stage and thereby maintaining some distance from the proposals. Third, and perhaps most important of all, the use of consultants allows governments to propose program changes which they approve of but which need not be presented exclusively as theirs because the proposals emerge from consultants who are perceived by the wider community as disinterested and objective experts, less 'political' than governments and hence more legitimate in an age where government bases much of its appeal to 'the middle ground' of Australian politics.

The increased use of consultants by the Labor governments of the 1980s may also be seen as part of a new policy-making structure characteristic of what some commentators (for example, Gerritsen 1986) have called a form of 'neo-corporatism' which began in the early days of the Hawke administration. This form of government saw a flush of new decision-making structures established outside the traditional modes of government, structures designed to manage the new challenges facing federal governments in Australia in the mid-1980s. This research discusses the 'corporatist' framework of semi-structured relationships between key institutions and individual consultants in public policy formation (Williamson 1989) in contemporary Australian government as part of the explanation for their increased use.

The political and philosophical affinity between the ethos of the ruling party and that of the consultants chosen to review major areas of Australian public policy during the 1980s seems to an important factor in understanding the role of consultants in relation to their political and administrative masters. The book therefore considers the broader views of the consultants selected and how these affect their selection and work as advisers. It considers whether

consultants are indeed the 'disinterested experts' popularly portrayed or whether in practice they provide extensions of the more political party advice process.

Through its review of case studies in particular policy fields, the research reported here thus considers the extent to which the increasing use of external consultants by Commonwealth Government organisations in the 1980s influenced the development, implementation and evaluation of Australian public policies more generally. It examines the extent of consultants' influence and asks how their findings have been integrated into important areas of contemporary Australian public policy.

One further aspect of the issue should be noted here but is not addressed in this book. As already stated, the nature of the relationship between commercial consulting firms and government organisations is poorly understood (JCPA 1989) yet many commentators in the popular press (Gorman et al 1987) have suggested that using the services of a consultant is both financially more efficient and more effective than the traditional methods of government administration and management. Our concern in this book is, primarily, with the effectiveness aspects of consultants' use in policy-making. It is only within this broader view that efficiency aspects are touched on in the last part of the book.

Research Methods

The research methods used to investigate the consultancies outlined in the second part of the book were a combination of document analysis and open-ended, semi-structured interviews (as recommended by, for example, Hammer and Wildavsky 1989) with key players associated with each consultancy. The methodological framework which guided the case study approach is discussed below and in Appendix A.

The present work focuses on *policy-related* consultancies. The consultancies included in this research were selected after a search across a wide range of projects completed or still underway in the APS in the mid-1980s. That search revealed that some consultancies had more significance in public policy terms than others and a range of these were selected.

As will be discussed in Chapter Four below, the problematic use of the

word 'consultant' in government reports led the research to consider, initially, a vast array of services provided by commercial organisations to government which, while labelled consultancies in Annual Reports, were in fact quite specific contractor services used within an identified and active program area of government. Some major reviews across significant areas of public policy were, however, also being carried out by consultants for the Hawke Government at the time and, since this research was interested in consultants and public policy, it was on these reviews that the project eventually focussed. The reviews concerned were very broad-ranging and included consideration of policies in social security, immigration, housing, HIV/AIDS strategy and Australia's trading relations with her Asian neighbours.

All these consultancies were listed in Commonwealth department annual reports for the financial years 1987/88 and 88/89. They could be regarded as 'substantive' consultancies, that is, as essentially evaluative reviews of Federal government policies and related programs rather than reviews focussed principally on the mechanics of public administration. From a research point of view they were also easier to deal with as more information on the discussion surrounding and outcomes of the substantive policy consultancy reviews was available than on those of the administrative type. The recommendations by the McKinsey Company on the administrative restructuring of the Commonwealth Scientific and Industrial Research Organisation (CSIRO) in the early 1980s, for example, were given orally to the CSIRO Board and there was little information on them either in the formal record of the discussion or in the official records of the CSIRO (personal communication Peter Langhorne, Head of Corporate Services CSIRO, April, 1990). In contrast, reports on the substantive consultancies selected here are relatively well documented in sources ranging from Hansard through ministerial press releases, departmental working papers, newspaper and journal articles to contributions to collected works on Australian public policy.

Administrative consultancies should not be immediately discounted as less important to government policy than more obviously substantive ones, however. They are relevant to substantive reviews by consultants and can be seen to have an impact on the outcomes of discussion (see Thompson and Tuden 1959) since in many areas the way in which particular policies are constructed has important effects on the policies themselves through, for

instance, the implementation process. Consideration of them, however, should come later, once the review process is better understood.

Review of policy may be seen as an integral part of the general process of public policy formation and as essentially 'political'. The framework for policy analysis developed by Hogwood and Gunn (1984) provides a good basis for locating the focus of each consultancy within the policy-making process. Hogwood and Gunn's framework was used to develop questions for each of these 'stages' of policy-making so as to locate each consultant's work in one or a number of these stages. These findings are discussed in Chapter Ten in the final Part of the book.

After the five case studies were selected, a review of documentation available on the public record relating to each was undertaken. Data sources included the published report for each consultancy and the many discussion papers that each produced. In all cases public servants made available to the researcher material that would have been available under the Freedom of Information Act. While the focus of the research was on the relationship between the consultant, the Minister, Opposition politicians, public servants and interest group representatives, discussions surrounding the substantive outcomes also provided information on how the consultant worked. The second stage of the enquiry involved interviews with the available key players initially identified by the written material and others as information came to light about their roles. As Hammer and Wildavsky (1989) have noted, 'having soaked himself [sic] in the subject matter, our intrepid interviewer is free to try out numerous questions to see which will secure the most revealing results' (p. 57). The available key players were consultants and public servants involved with each case study, while relevant others were the politicians active in the area and interest group representatives.

The overall task for the research was to obtain information on the influence of the consultant in the particular policy field. Our understanding of consulting work and public policy-making outlined later reveals a similarity in that each is about the management of a 'process'. This research called for a method of study that recognised the interaction between the ways in which consultants work and the ways in which public policy is made. Consulting is very much about managing decision making processes as is public policy. The way in which policy is shaped is a reflection of the substantive issues in

the policy field as well as the processes of decision-making found in that field.

In searching for legitimate methods of investigation the researcher was drawn to Chisholm's (1989) investigation of coordination amongst inter-organisational systems. Chisholm was confronted with a research problem similar to the one reported here. As he states, his approach is 'characterised by observation of how decision makers actually behave, rather than reliance on a closed deductive analytical system replete with full complement of assumptions about human behaviour' (p. xii). Chisholm found that it was difficult to investigate the issue of coordination via conventional research methods based on questionnaire design and analysis because the respondents' perception in complex contexts clouded the reality of their actual behaviour. His approach was therefore to examine the relationships by immersing himself in the organisations in a way similar to that used by the participant observer.

True participant observation was not appropriate to the present research, however, given the essentially historical analysis being carried out and the fact that the relationships concerned were not static. The research drew on the important reflections of key participants associated with each consultancy as the researcher was to revisit each case several times over as the issues were discussed and adoption or rejection of proposals took place. This was regarded as an appropriate research method because public policy-making is iterative and constantly changing.

Iteration is an essential part of the policy process because, as will be discussed in Chapter Two, social policy 'problems', which constitute the focus of a large part of public policy-making, are usually problems which have no solutions (see Rittel Webber 1973). They are therefore always topical as arenas for continuing Government action, although they have greater or lesser salience at different times. Methods for analysing the influence of consultants on major areas of public policy should reflect this constant contextual change. Long after the completion of each consultancy considered here there were still matters outstanding and the recommendations from each were at varying stages of implementation. In the housing area, for instance, a second major review was soon initiated and had terms of reference which went well beyond the focus of the National Housing Policy Review reported on here (see National Housing Strategy 1991). A mix of interviews with key players closely