



Contestability in Policy Advice

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Conferenz, 29 September 2011

Should there be an expanded role for the wider policy community in the provision of public policy advice?

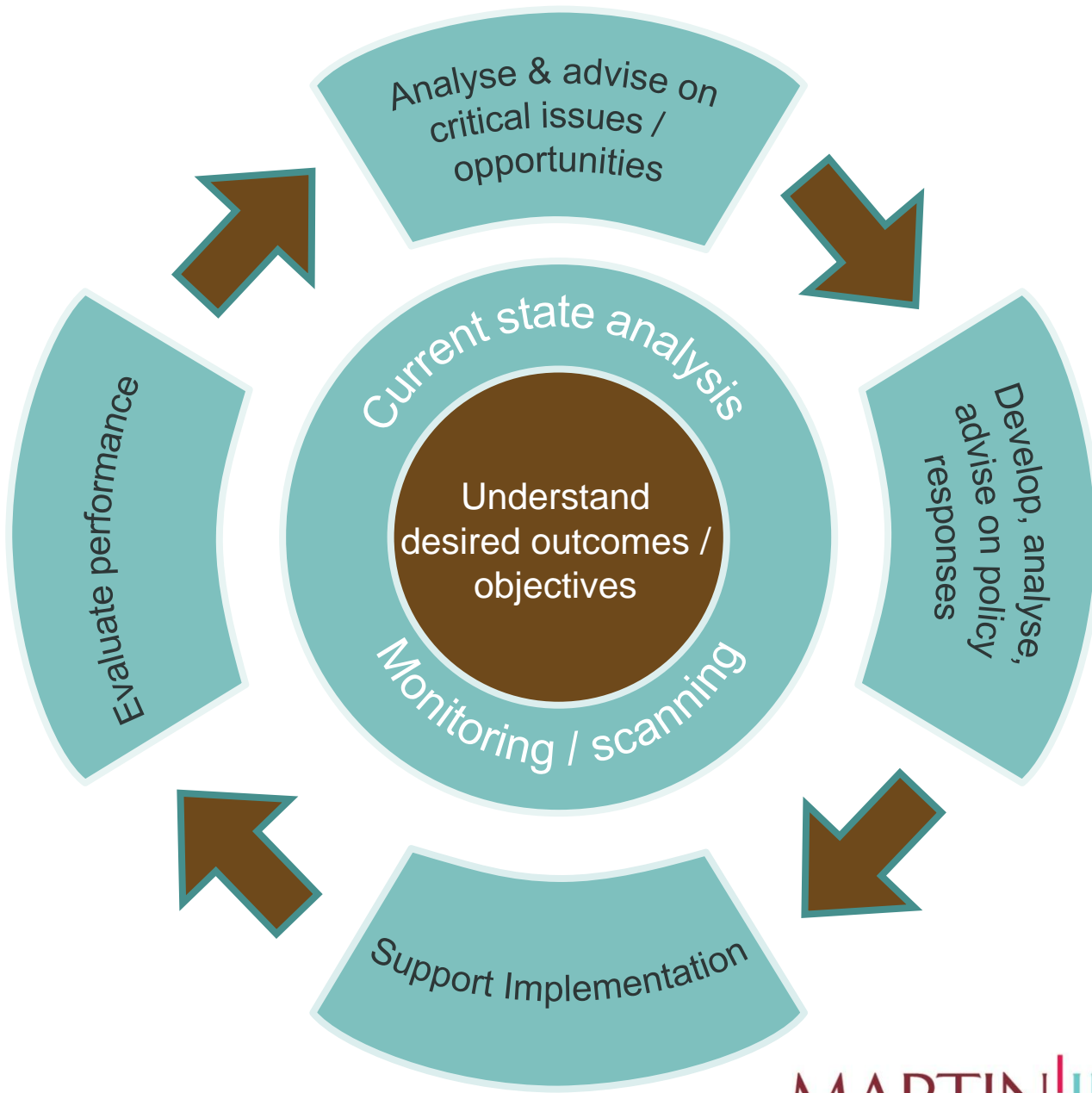
Context

- Economically and fiscally constrained times
 - Crown revenues down
 - Borrowing up
 - Demand on government services up
 - Increasing expectations of quality.
- Government wants more for less.

Big Focus on the Public Sector

- Role of government - priorities
- How government works – less waste
- New ways of working
 - Innovation and better quality services
 - Best sourcing
 - More transparency.

The Business of Policy



The demand side is dominated by government

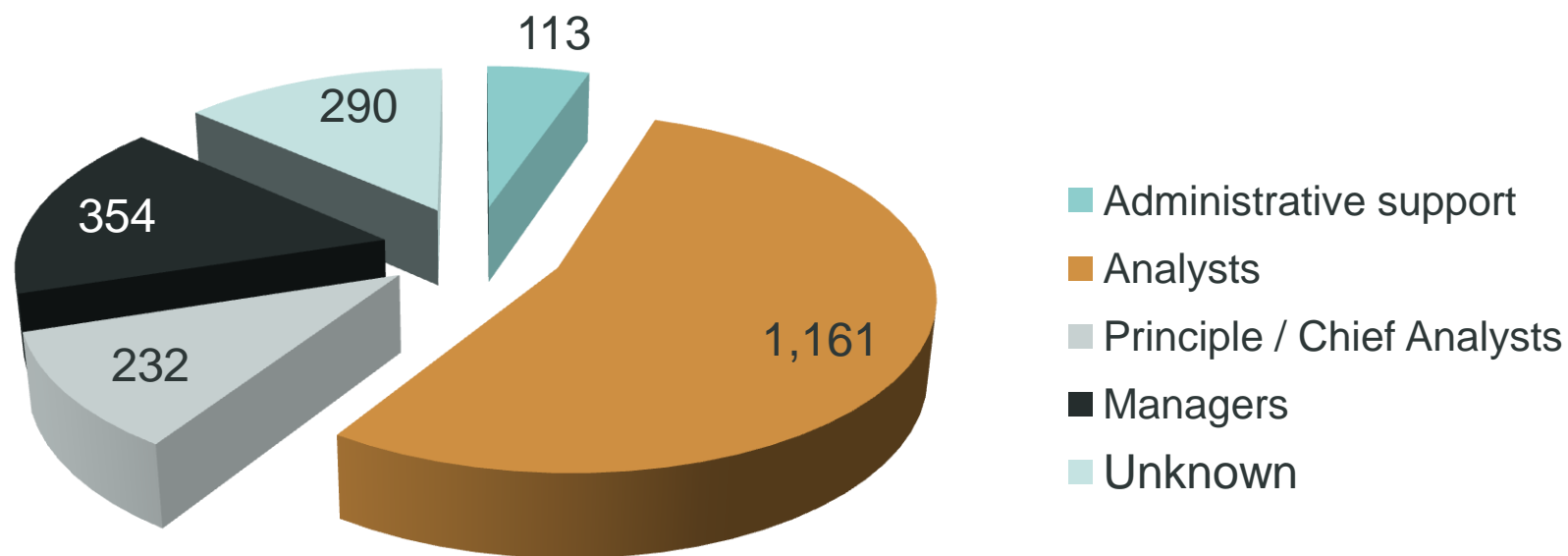
- **30+ Government departments**
- Ministers and Parliamentary select committees
- Around 85 local and regional councils
- Plus
 - 100+ crown entities
 - Around a dozen CRIs
 - Some SOIs
 - Around 20 DHBs.

Departments tend to 'make' rather than 'buy'

- 41 government agencies spend \$500 - \$900 million on policy advice
- Most is spent by a few departments on staff and overheads
- Some is currently spent on contractors and professional services
- More (but not all) of the work associated with policy advice could be outsourced.

Policy is a people heavy business

2,150 policy staff employed across 41 government agencies



The supply side is quite busy and very competitive

- Full service firms such as MartinJenkins
- Specialist economic and other consultancies
- Law firms
- Research houses
- Sole operators – often through recruitment firms
- Some public providers – tertiary institutes and CRIS
- NGOs, industry associations and others.

So, is there a case for an increased role for the wider policy community?

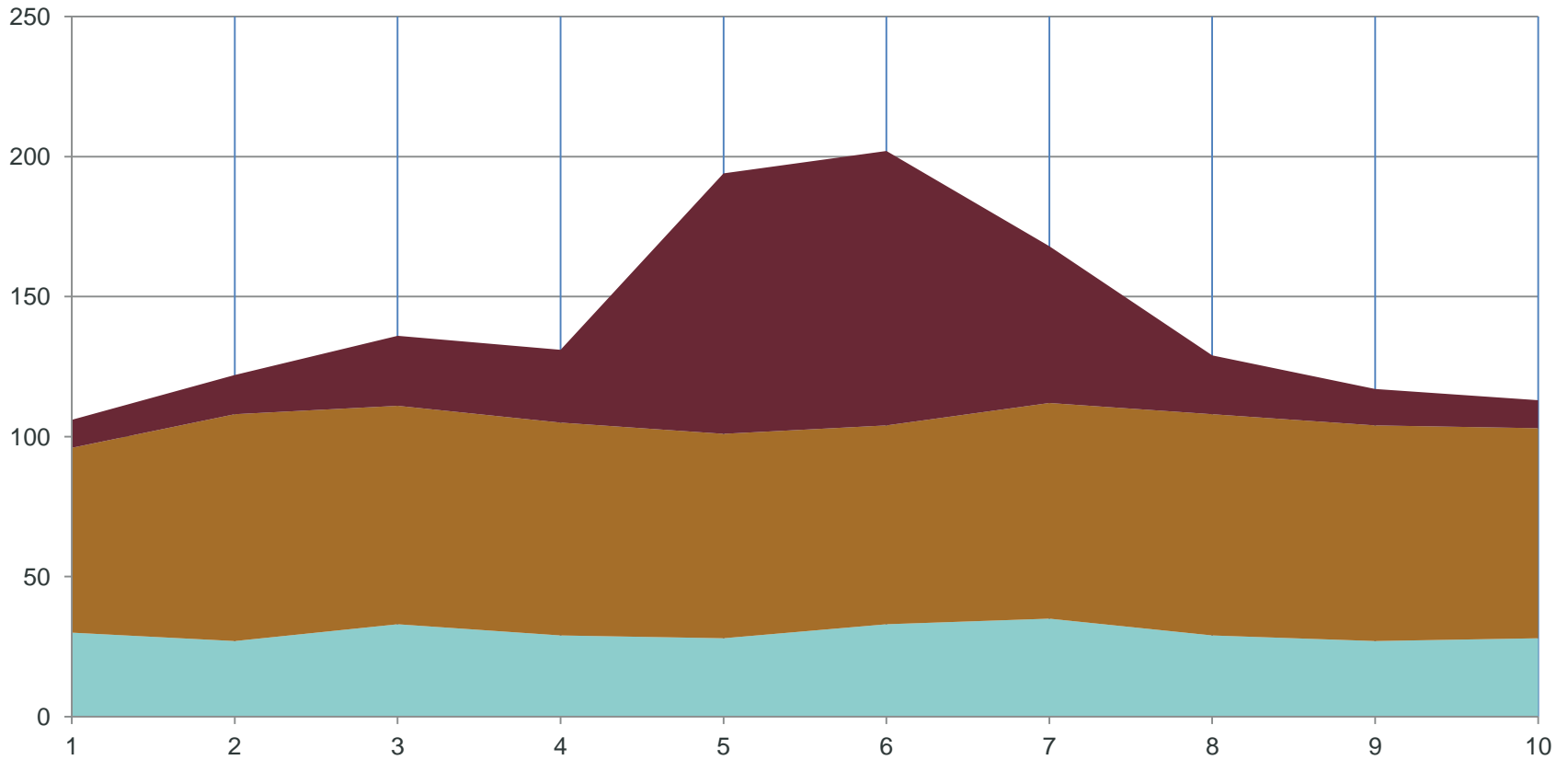
YES

.....BECAUSE

Markets are good at allocating scarce resources

- Demand for policy advice across agencies varies
 - Over time
 - In terms of what's being asked.
- Consequently, the quantity and type of policy resource required by a particular agency will vary.
- Although gross demand across government tends to be smoother.
- Companies such as MartinJenkins allocate scarce resources across clients in response to changing demand.

Hypothetical demand



Competition is good for efficiency

- Companies such as MartinJenkins face strong incentives to make best use of scarce (and expensive) resources.
- Pressure from competitors means that we are always under pressure to keep administrative costs and overheads as low as they need to be.
- And the quality of our services high.

Contestability is good for innovation

- Government agencies make big organisational, intellectual, cultural and human investments – in response to Government priorities – as they should.
- But sometimes the policy context changes – and sometimes it changes very quickly.
- Sometimes new paradigms and ideas are needed and sometimes from outside of the public sector.

Outsourcing can help knowledge transfer and learning

- Companies such as MartinJenkins see a lot of government.
- We are also work outside of government.
- And work with a wide network of managers and specialists.
- We know who is doing what.
- We know how different agencies approach similar issues.
- We are well placed to form views on what works well and what doesn't.
- We get exposed to difficult issues and early shifts in government thinking.

Outsourcing is good for managing some risks

I HR risks

- Recruitment
- Performance
- Redundancy.

I The risk of having the wrong work force for the job at hand.

I And sometimes:

- Quality risks
- Political risks
- Expenditure risks.

Sometimes independence is needed

- Sometimes the policy question concerns the policy agencies own performance:
 - Whether it acted appropriately
 - The quality of its judgments
 - Sometimes staff and management have too much stake in the status quo

But – there are concerns

Issues with outsourcing

- Market capacity and responsiveness.
- Cost / hassle of procurement – including capability to:
 - Specify service requirements
 - Make good ex ante quality judgments and procurement decisions.
- Concerns that 3rd party providers may not understand the government / political context.
- Ability to effectively use / manage 3rd party providers.
- Risks of provider capture, provider failure or loss of core institutional knowledge / expertise.
- Internal and external perceptions of ‘consultants’.

THE POLITICIAN

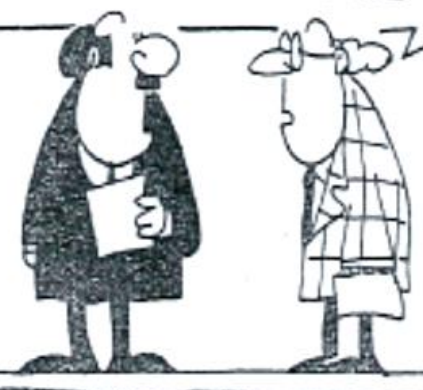
By David Fletcher

WHY DO WE USE SO MANY CONSULTANTS? THEY'RE COSTING US A FORTUNE! WHATS HAPPENED TO ALL THE PEOPLE ON OUR STAFF WITH THE NECESSARY EXPERTISE?



THEY'VE ALL LEFT TO BECOME HIGHLY PAID CONSULTANTS.

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So Where To?

Conclusions

- Agencies are being challenged to do things differently.
- There's a case to outsource more policy related work.
- There are benefits from increased 3rd party provision.
- There are also concerns.
- 'Best Sourcing' provides a useful start point.
- Realising benefits will require change:
 - In how agencies think about their roles and what they 'make' and 'buy'
 - In how agencies relate to the wider policy community
 - In how agencies approach and manage procurement of policy related services.

Thanks

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