

Gridlock: reforming Australia's institutions to unblock policy reform

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The personal stuff

Personal views, should not be attributed to EY Port Jackson Partners

Thanks to Melbourne Law School and Melbourne School of Government

Rationales for institutional reform

Intrinsic value of good government

- Principles of accountability, transparency and access to government
- Increase reality and perception that government is fair

Reduce risk of corruption

- Soft corrosion readily hardens into corruption
- Costs of corruption extremely high

Increase chance of worthwhile substantive reform

- The point of *Gridlock*

Appeals to lawyers

Appeals to some economists

Appeals to economists and many social reformers

Gridlock

Is Australia getting worse at reform?

What were the enablers and blockers of reform over the last decade?

What institutional changes might improve the strike rate?

There hasn't been much reform for the last 15 years

Major policy changes by policy area and government

	Hawke/Keating 1983–1996	Howard 1996–2007	Rudd/Gillard 2008–2013	A/T/M 2013-2021
Trade and currency	Float A\$, International students, Tariff reductions			FTAs, End auto assistance
Macro/budget policy	RBA inflation targets	Balanced budget commitment	PBO	
Labour markets	Accord, Enterprise Bargaining	Workplace Relations Act, Skilled migration, Work Choices	Fair Work, Age pension access 67	Age pension access 70
Competition policy	Hilmer review	National Competition Policy	Demand-driven higher ed	
Privatisation	GBE reform, CBA sale, Elec Water, Airline IPO	Telstra sale (1,2 & 3)		Medibank sale
Regulation	Foreign bank entry, Telco dereg.	Bank capital reform	National Reform Agenda	
Tax	CGT & FBT, Dividend imputation, Super-annuation	GST, Personal income tax cuts, Company tax cut	Carbon pricing	Super tax, Co tax, Income tax?
Federalism	Medicare	Federal/state financial reform	Federal/state health reform	NDIS, School funding

Notes: Reforms that were not passed, or that were subsequently substantially wound back or repealed, are shown shaded out. 'Airline IPO' is the sale and IPO of Qantas in 1993 and 1995. Sources: Access Economics (2019) and The Economist (2011); Grattan analysis

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Methodology

The problems of investigating institutional reform

- Tendency to jump onto favourite institutional hobbyhorse
- Cherry-pick examples that illustrate institutional hobbyhorse
- Invite response that change failed because not worthwhile reform

Our approach

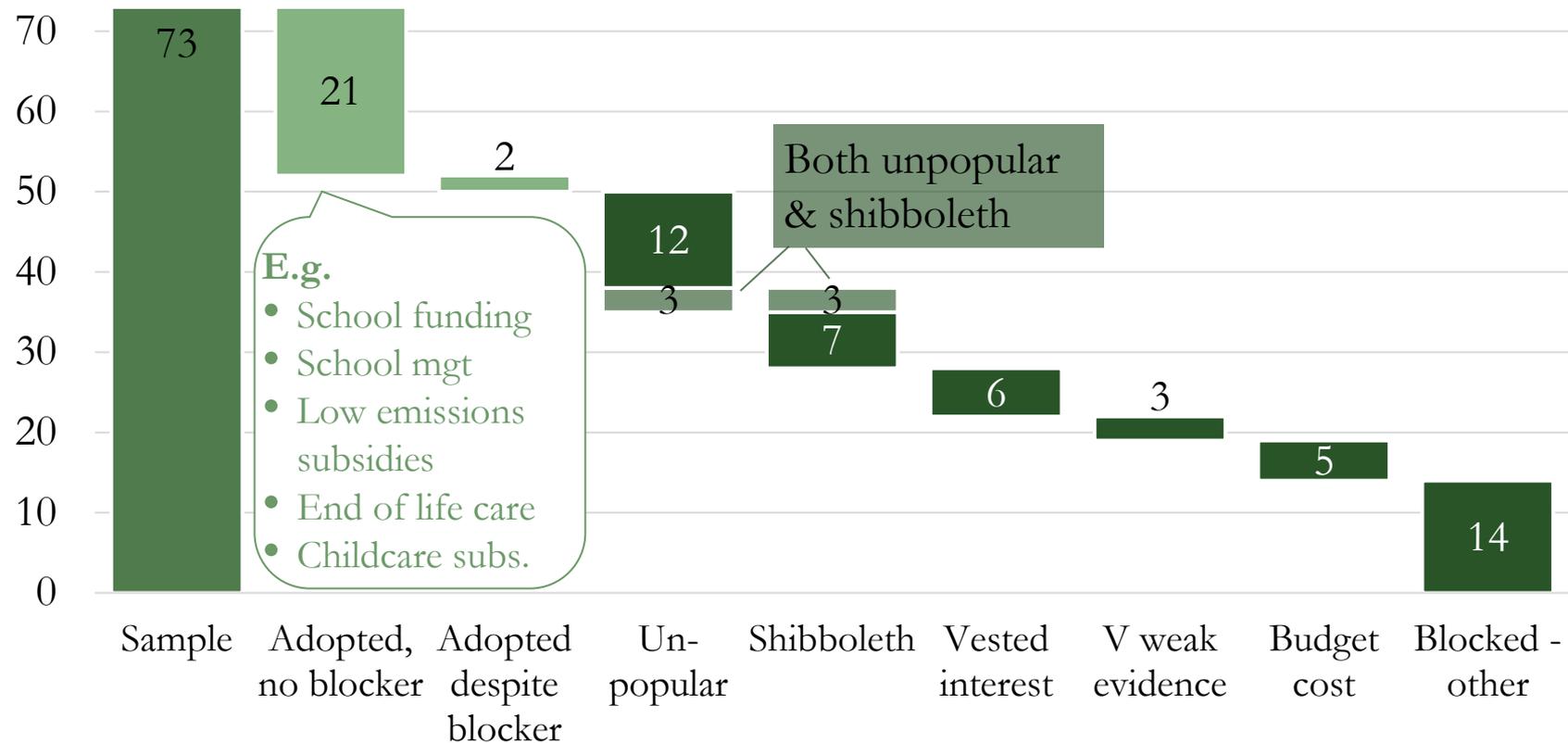
- Review all major actionable recommendations in all Grattan reports 2009-2019
- Diagnose whether implemented, investigate the enablers and blockers
- Compile all 73 reforms, and look for patterns

Methodological advantages

- A representative sample of reforms: large number, broad portfolio range
- Selected in advance of any consideration about institutional implications
- Already have extensively argued case about why each is a worthwhile reform
- Based on an articulated set of values (spelt out in *Prioritising a government's agenda*)

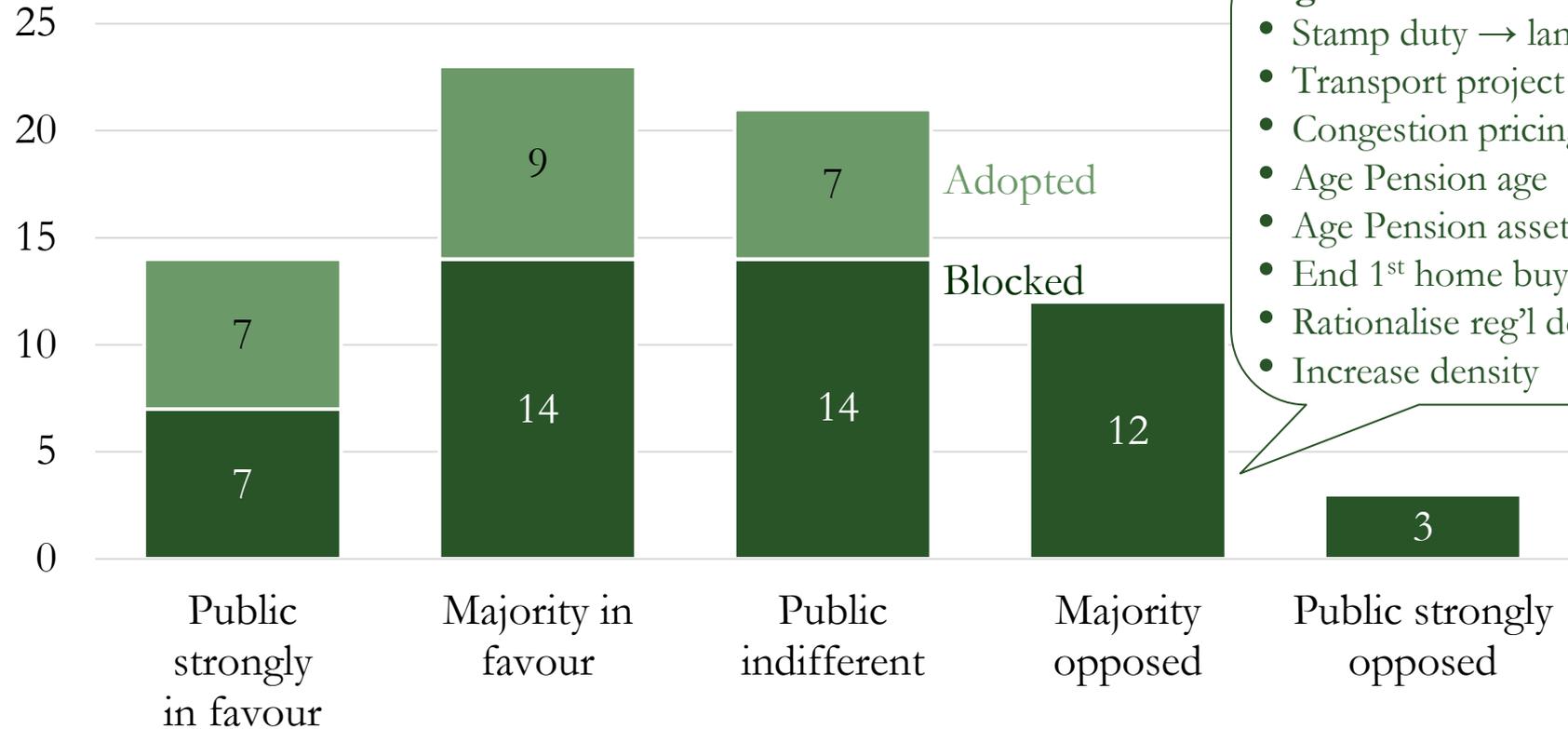
Unpopularity, ideology and vested interests blocked half the unsuccessful reforms

Outcomes of Grattan recommendations



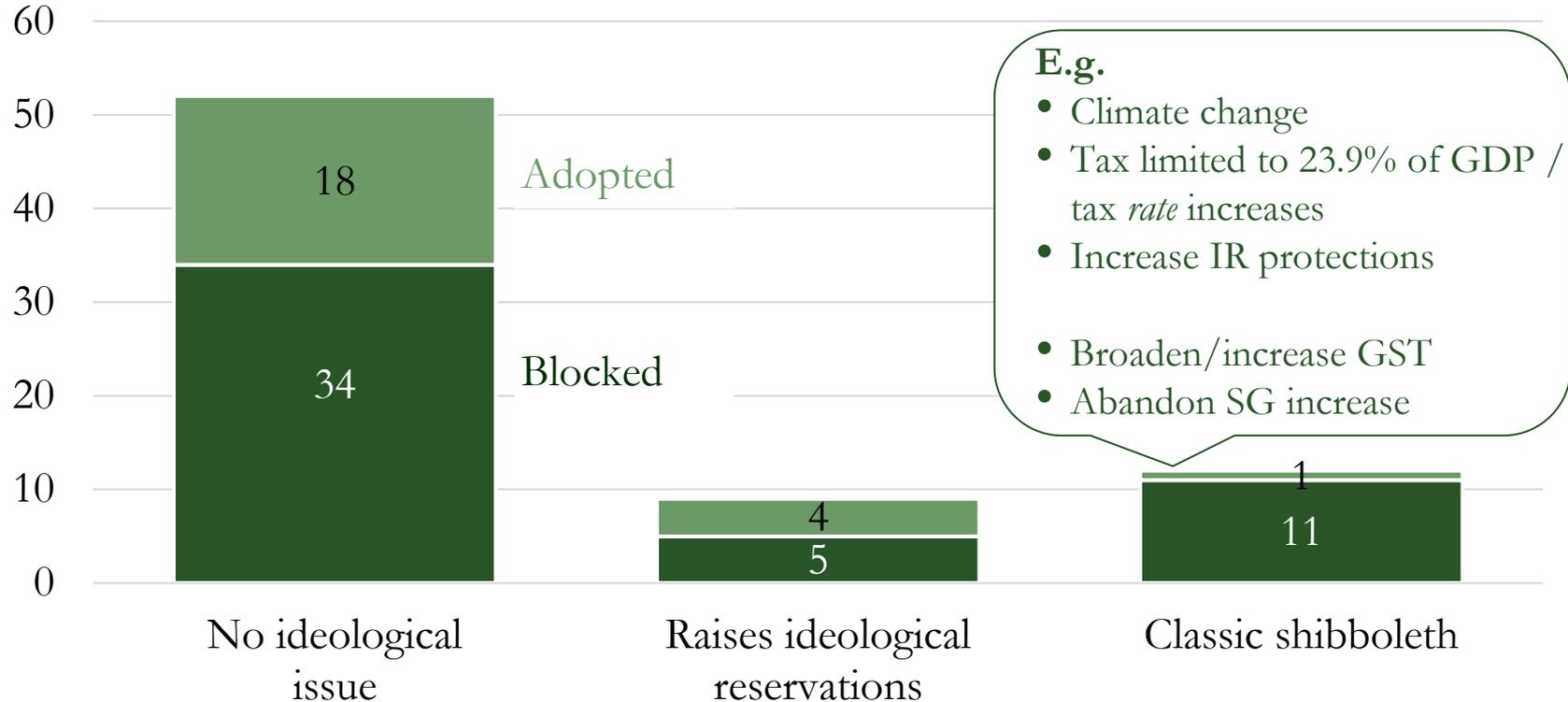
Reforms have poor prospects if they lack active public support

Outcomes of Grattan recommendations



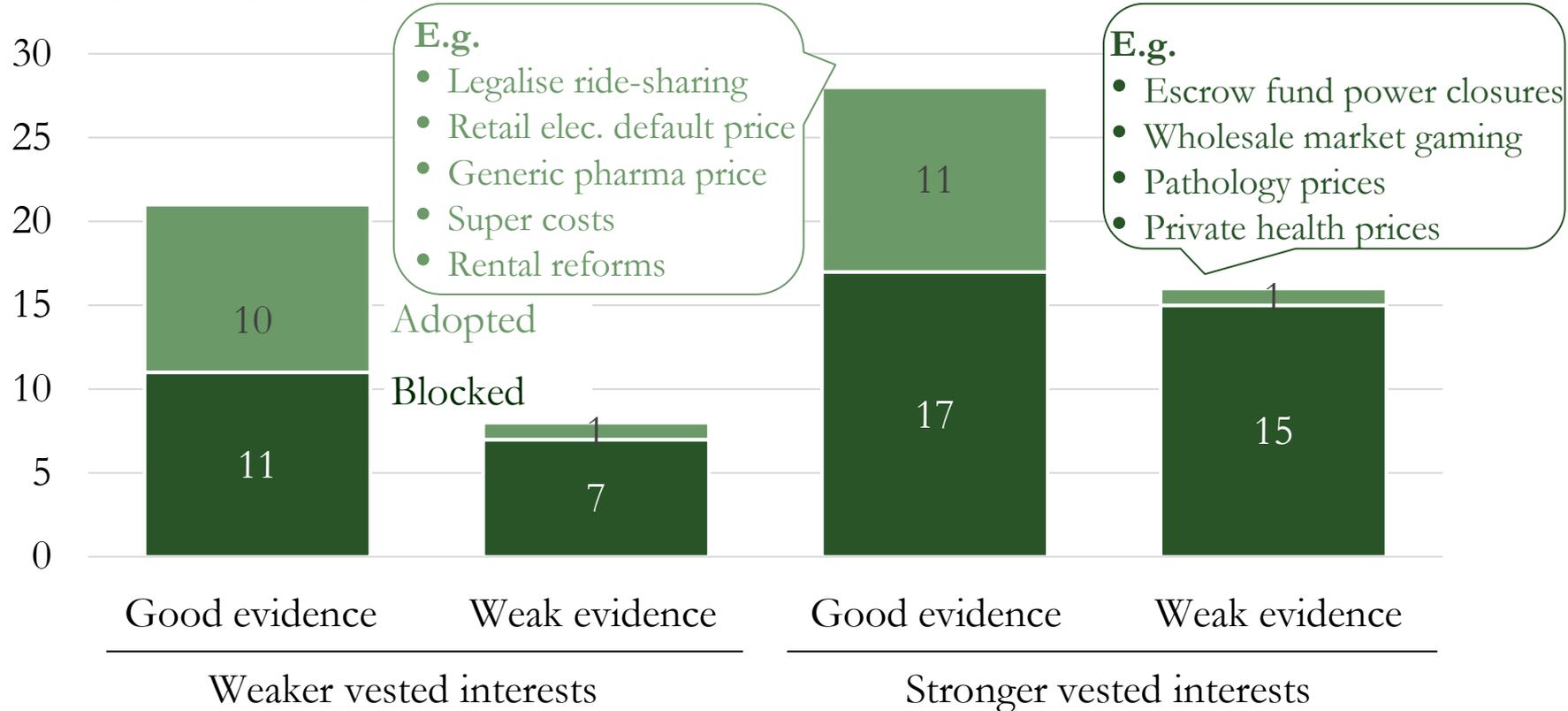
Reforms have poor prospects if they run into ideological beliefs or shibboleths

Outcomes of Grattan recommendations



Reforms have poor prospects if opposed by vested interests AND the evidence is poor

Outcomes of Grattan recommendations



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Institutional issues

Stylised facts

- No longer doing unpopular reforms
- Ideological positions not being overcome by rational argument
- Increasing tendency to repeal reforms
- Lobby groups often prevail, but not when the evidence base is strong

Possible explanations

- Professionalisation of politics: shrinking party membership, advisor career path, growing patronage, post-politics jobs
- Growth of ministerial offices (inherently risk-averse)
- Fewer semi-independent bodies, weaker public service, less evaluation, less published, more consultants
- Media (24 hour, social, less expert)

Possible remedies

- Political funding limits
- Lobbying controls
- Restrict revolving door
- Appointment controls
- Limit size, background and immunity
- Public service appointment/dismissal
- More independent publishing bodies
- ICAC

Why minor parties matter

Overall pattern

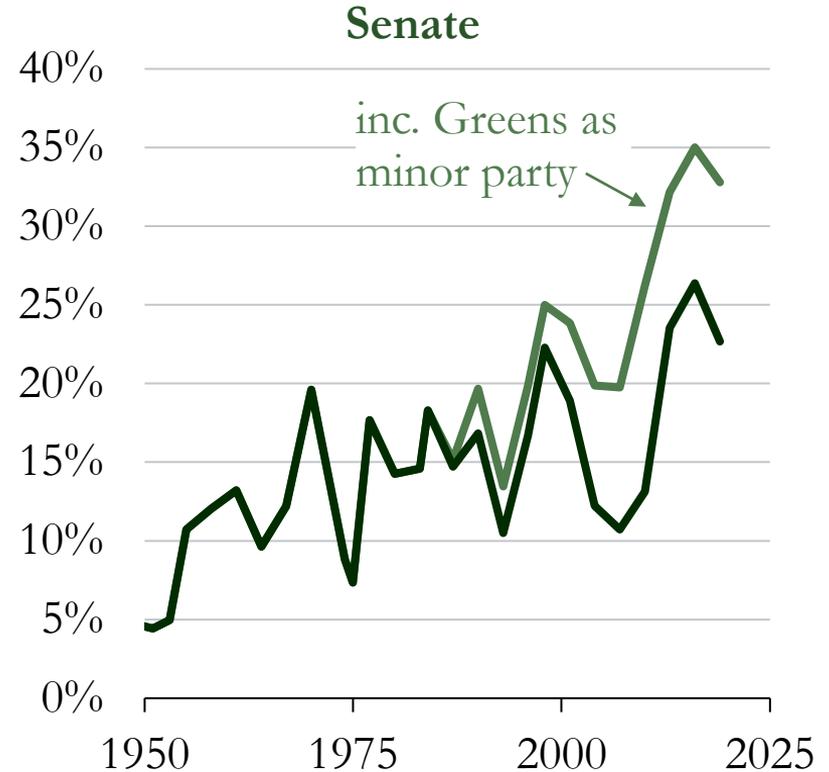
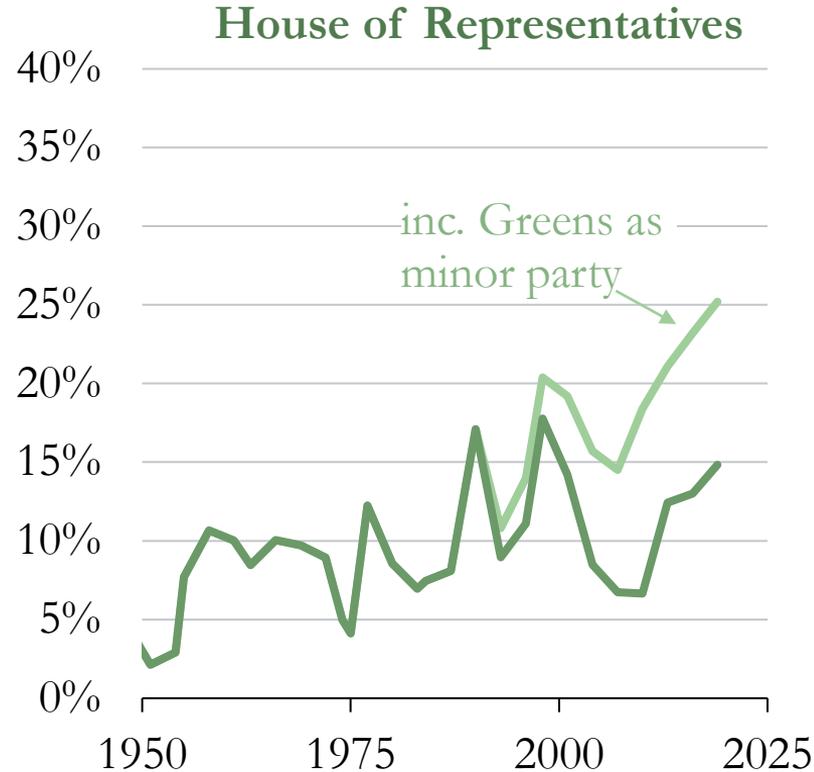
- Institutional reforms are popular
- Institutional reforms are not opposed by many lobby groups
- Most States and Territories have implemented some reforms (particularly political funding, lobbying, ICAC)
- Commonwealth has implemented almost nothing apart from PBO
- No progress anywhere on public service independence, ministerial advisors, revolving door

Explanations

- Cartelisation of political parties (global trend), with vested interest in resisting change
- Reforms a result of major inquiries (Fitzgerald, ICAC), or independents holding balance of power
- Copycat federalism at work
- Members of parliament particularly resist weakening the professionalisation of politics

The minor party vote is historically high

First preference votes to minor parties as a share of the formal vote



Conventions and governance

Conventions are often first-best

- Flexible – allow for exceptions
- Focus attention on the underlying principles
- Inevitable – not everything will be written down

Conventions are losing their effectiveness

- Increasingly ignored (appointments, FOI, ministerial accountability, pork-barrelling)
- Electorate not seen to punish breaches
- Perceived electoral advantages in ignoring them (avoid nasty stories; short-term boost)
- Perception that electoral victory matters more than process
- Perception that process doesn't improve outcomes

Legislated rules are often better than weak conventions

- Can work well – e.g. revised rules for casual Senate vacancies (s.15)
- Legally enforceable rules may be 2nd best – but ineffective conventions are 3rd best

Many of the needed reforms need careful detail, governments won't help, and independents lack resources

Needed reforms

- Strengthen public service: tighter controls over appointment and dismissal of secretaries, less outsourcing, more program evaluation, more focus on obligation to public as well as government of the day
- Control ministerial advisers: limit numbers, hire more from public service, tighten code of conduct, increase accountability
- Reduce patronage: restrict revolving door; tighten appointments processes; control grants and contracts
- Limit vested interests: reform donations and lobbying
- Set up independent corruption commission with teeth
- Increase trust: broaden MP backgrounds; limit entitlements
- Encourage public-interest media through grants and tax deductions
- Control social media: impose sanctions and require take down

Jobs for lawyers

- Recommended by Thodey but not detailed
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- Often undefined; where rules in place, no effective enforcement
- Well-defined by States; need to adapt for Commonwealth
- Well-defined – Haines draft bill
- Unclear what would work
- Outlined by ACCC, but not detailed
- Work in progress

For more...

GRATTAN
Institute



Gridlock

Removing barriers to policy reform

John Daley

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grattan.edu.au/report/gridlock/