1 Introduction[1]

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This annual Roundtable has a special place among the Commission's many activities.

- it provides an opportunity for us to step outside our project work and focus collectively on what we see as a key policy issue or theme;

- in a setting which allows for frank discussion among a cross-section of influential people;

- affording 'time out' that will hopefully benefit all of us back on the job and, ultimately, promote the cause of good public policy — our principal objective.

As with past Roundtables, we have been very fortunate in our final list of attendees — including our keynote speakers from overseas, Ron Haskins from the Brookings Institution and Jeff Smith from the University of Michigan. The senior ranks of public service, both at the Commonwealth and State level, are well represented here, as are academia, private research and consultancy organisations.

The topic for this year's Roundtable seemed almost to choose itself. In a well-publicised address early last year to senior public servants, some months after coming to power, Prime Minister Kevin Rudd said: 'evidence-based policy making is at the heart of being a reformist government'. Other Ministers in the new government echoed similar sentiments, foreshadowing a change in policy-making that was widely welcomed, particularly in Canberra.

A number of initiatives bore early testimony to the government's convictions, including radical changes to the framework for national policy-making under COAG, the refocussing of the national reform agenda (NRA) and a suite of evaluations and public reviews in key policy areas. A succession of policy decisions since then have excited considerable controversy, however, including on the very

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[1] Opening remarks to the Productivity Commission Roundtable, *Strengthening Evidence-Based Policy In the Australian Federation*, Old Parliament House, Canberra, 17 August 2009.

question of whether they could be justified by analysis and evidence. These include the 'alcopops' tax; the linkage of Indigenous welfare payments to school attendance; fuel watch; grocery watch; the Green Car Innovation Fund and, more recently, the National Broadband Scheme.

There was, of course, similar public questioning of a number of policy initiatives by the previous government, such as the Alice-to-Darwin rail link; the Australia-US Free Trade Agreement; the Baby Bonus; the banning of filament light bulbs; Work Choices and the National Water Initiative, and others. And, under both governments, the evidence supporting policies to reduce carbon emissions has been a matter of great contention — both in relation to the science linking global warming to anthropogenic activity (people) and, more frequently, in relation to the instruments chosen to reduce Australia's own emissions.

Moreover, where public reviews informed such initiatives, they have themselves been subjected to considerable criticism — in relation to their makeup, their processes and the quality of their analysis.

This too is obviously not a new phenomenon. But it illustrates the challenges of properly implementing an evidence-based approach to public policy — and of being *seen* to have done so, which can be crucial to community acceptance of consequent policy decisions.

The degree of difficulty has of course been elevated considerably over the past 12 months by the global financial crisis and its attendant threats to jobs and living standards. A speedy response was called for, and some tradeoffs necessarily made with normal processes.

The signs thus far appear to be vindicating this approach to dealing with the global crisis. But the very basis for Australia's success in the short term presents some longer term policy challenges, in which an evidence-based approach will again need to come into its own. For one thing, it will be important to disengage from those 'crisis' measures that turn out to be misplaced, unnecessary or unsuitable for the longer haul. For another, the stimulus spending has left a legacy of major fiscal pressure that will call for careful prioritisation of spending programs, based on a good understanding of their relative payoffs. The macro policy induced pressures will compound the existing fiscal pressures of our inexorably ageing population. These call for micro reforms to enhance workforce participation and productivity in policy areas like education, health and welfare — areas that pose trickier challenges than many of the microeconomic reform areas of the past.

And of course the 'green elephant' in the room — the global warming issue — must be addressed in a way that can meet multiple objectives in a state of great

complexity and uncertainty. This demands an adaptive policy approach in which monitoring and evaluation of novel regulatory frameworks and institutions must play a central role.

So how well prepared are we to deliver the evidence and analysis that can indeed be at the heart of our governments' forward agenda? The truth is, that while there has been much talk about evidence-based policy, far less attention has been paid to how we actually go about it and how we might do it better.

These questions provide the main focus for this Roundtable, with four sessions devoted to key aspects and a final one to possible ways forward.

Evidence-based policy — its principles and development

The first session will seek to develop a common understanding of what evidence-based policy is, its main principles and the role evidence should play in the policy process.

Brian Head will provide an overview of the prevailing currents in critical thinking about evidence-based policy among analysts of government and our American guests, Jeff Smith and Ron Haskins, will reflect on their experiences in the application of evidence to policy, on some recent methodological trends and institutional experiments.

While there is room for debate about various dimensions of these questions, the notion that public policy decisions can benefit from a process of deliberation informed by facts and analysis is unlikely to be contentious. Nor, I think, would we disagree that throughout history practice has often fallen short of this modest ambition.

In this respect, I have become fond of citing Florence Nightingale who, over a century ago, admonished the English Parliament thus:

> You change your laws so fast and without inquiring after results past or present, that it is all experiment, seesaw, doctrinaire; a shuttlecock between battledores.

I don't say that this depiction would be typical today. But I suspect many of us can relate to the sentiments she so colourfully expressed.

That said, it would be idle to pretend that policy decisions could ever be determined by evidence or analysis alone. As many of us in this room will also know first-hand, the realpolitic of public policy involves a much richer array of influences.

But evidence and analysis can nevertheless play a useful role in informing policy-makers' judgements. Importantly, they can also condition the political environment in which those judgements need to be made.

We can all cite instances where attention to evidence has helped achieve better policy outcomes, and where its absence has led to 'misfires' and unintended consequences. And I'm sure we can also think of policy reforms that became politically more palatable because the community had the opportunity to learn about the tradeoffs involved.

Some of the questions that we might consider in the opening session this afternoon, therefore, include the following:

- *Given the realities of political decision-making, how should we best define or characterise an 'evidence-based' approach?*
    - *What degree of influence can or should we expect it to have?*
- *More basically still, what constitutes 'evidence'?*
    - *What forms of evidence are there?*
    - *Is there a role for qualitative analysis and opinion?*
    - *Should multiple sources of information be used?*
- *How does evidence relate to 'theory'?*
    - *Does the Blairite mantra, 'what counts is what works', mean that pragmatism should take precedence over principle?*
- *Are there differences that need to be recognised when contemplating a new policy initiative, as opposed to assessing an existing one?*
- *Who is best placed to provide the evidence needed for public policy?*
    - *In particular, what are the relative merits of evidence generated within government and that generated or commissioned externally?*
- *And how important is transparency and the ability of third parties to scrutinise the analysis or replicate the results?*

How robust is our evidence-based policy making?

The second session will examine where we have been successful and where we are falling short, and why. Bruce Chapman and Henry Ergas will reflect on lessons from recent policy reforms, and Grant Scobie will offer some observations on New Zealand practice.

Australian Governments have directed significant resources and effort towards data collection and analysis, and policy evaluation.

But, overall, the 'evidence' on the extent to which evidence-based policy is actually applied is mixed.

- Often policy-related research and evaluation efforts have focused on areas where there is good evidence and tended to avoid those that are more challenging.

- Similarly, some parts of government are open, provide access to data holdings and actively invest in the evidence base, whereas others hold data more tightly and resist efforts to build an information base that could be used to evaluate their programs.

- And, we know from experience that, despite best intentions, policies can ultimately be shaped more by guesswork and political drivers than rigorous analysis.

Some of the questions and issues that are relevant to this session are:

- *To what extent do we observe evidence and analysis being effectively used to inform political decision–making?*

  – *Are some ingredients more often lacking than others?*

  – *Is evidence used to assess the relative merits of different feasible policy options?*

- *The Commission's experience with the Office of Regulation Reivew, and for a time, the Office of Best Practice Regulation, as watchdogs on good regulatory practice, revealed many instances of regulation impact statements being concocted to support a regulatory decision that had already been made.*

  – *Is it common for evidence to be marshalled to support predetermined policies (policy-based evidence) in other areas?*

- *When evidence is used, how good is it, and where does it typically come from?*

  – *Is it often 'tested' publicly or subjected to peer review?*

  – *Do we see much quantification and empirical investigation in policy development? Where do we see it most and least?*

- *Even when evidence has been properly marshalled, how influential has it been on policy decisions and outcomes?*

  – *Have governments revealed a preference for using evidence when it really counts?*

- *Do we see 'proportionality' in the evidence that is brought to bear on decisions with varying potential impacts?*

- *Has Australia capitalised sufficiently on its federal system of government, to learn from the policy experiments and experiences of different jurisdictions?*

  – *How have Ministerial Councils performed in this respect?*

  – *What about the more recent experience with COAG working groups?*

From rhetoric to practice: how do we improve the availability and quality of evidence?

The third session will examine ways to improve the evidence for policymaking.

Sally Green will recount the role of the Australasian Cochrane Centre in marshalling and disseminating high quality evidence, including beyond traditional clinical and pharmacological work. Andrew Leigh will be considering the case for randomised policy trials, and their varying suitability to different classes of social and economic policy problems. And Patricia Rogers will reflect on her wide analytical and practical experience of evaluation challenges.

There are two main dimensions to discuss: data and methodologies.

On the first, Australia has been well served by the ABS and the integrity and breadth of the data bases that it has generated. Data is particularly good (comparative, consistent over time) in the economic and demographic domains.

But we lack good data in many social and environmental areas, including some that are at the centre of the COAG Reform Agenda, like education and Indigenous policy. We have suffered from a lack of longitudinal data in particular (though the HILDA project has helped remedy this since 2002).

Where official data is lacking, there are a number of choices available to policy makers, including special purpose surveys, focus groups and overseas studies. All are fraught with difficulty and can pose risks for policy makers, some of which have been satirised to devastating effect in *The Hollowmen* TV series.

So some questions here include:

  – *What constitutes 'good' data for the purposes of building evidence to inform policy?*

  – *Can data be developed in the (truncated) 'real time' of a policy development process?*

- *Where should we be collecting more data?*

- *Where data to assess new programs cannot be generated automatically, should we design programs to fill the gap? In particular, do we need to collect more baseline data to enable 'before and after' comparisons?*

Towards better methodologies?

The data we need or use are often related to the methodologies available and there is considerable debate about their relative merits.

That said, all good methodologies have a number of features in common.

- Most fundamentally, they test a theory or proposition as to why policy action is needed and will be effective.

- They have a considered treatment of the 'counterfactual': what would happen in the absence of any action?

- They involve quantification of impacts, both direct and indirect (often it's the *indirect* effects that can be most important).

- They set out the uncertainties and control for other influences that may impact on observed outcomes.

- They have the ability to be tested and, ideally, replicated by third parties.

However, best practice approaches will not always be practicable. Policy advice often has to be provided within tight timeframes, and can be subject to significant constraints. We need to develop practical ways to provide the most robust evidence in these cases.

- *What can be achieved through econometrics, modelling, trials and other evaluation methods in the context of these constraints? How can these be designed to manage validity, cost, ethical and other considerations?*

- *Where can we invest in rigorous evaluation and when should we rely on post-implementation monitoring and review?*

- *How can we learn from overseas experiences, and when should we be wary about the applicability of overseas evaluation/information?*

Institutionalising an evidence-based approach

For evidence and evaluation to contribute materially to the selection of policies, it must be supported by institutional frameworks that embed the use of evidence and encourage, disseminate and defend good evaluation.

The institutional framework should also ensure that the resources allocated to evaluation are commensurate with the potential benefits.

The fourth session will explore what institutional frameworks and government processes might best support evidence-based policy.

Our presenters in this penultimate session are Peter Dawkins, who will reflect on experiences in the NRA including through his leadership of Victoria's Department of Education and Early Childhood Learning, Robert Griew, who will draw on both his state and federal experience, and Mary Ann O'Loughlin from the COAG Reform Council who will consider the national architecture for implementing reforms.

Even the best evidence is of little value if it's ignored or not available when it is needed. An evidence-based approach requires a policy-making process that is *receptive* to evidence; a process that begins with a question rather than an answer, and that has institutions to support such inquiry.

Ideally, we need systems that are open to evidence at each stage of the policy development 'cycle': from the outset when an issue or problem is identified for policy attention; to the development of the most appropriate response, and subsequent evaluation of its effectiveness.

The ongoing struggle to achieve effective use of regulation assessment processes within governments, to which I alluded to before, tells us how challenging that can be in practice.

Admittedly, an evidence-based approach can make life harder for policy makers and politicians. Lord Keynes, whose ideas appear to have made a bit of a come-back recently, said in the 1930s:

> There is nothing a Government hates more than to be well-informed; for it makes the process of arriving at decisions much more complicated and difficult.

I think we can see what he meant. But, against this, are the undoubted political *benefits* that come from avoiding policy failures or unintended 'collateral damage' that can rebound on a Government, and from enhancing the credibility of reformist initiatives.

- *How can the real politic of public policy be made more compatible with evidence-based approaches?*

- *Is there scope to strengthen existing institutions within each government and across our federation?*

- *How can we ensure that we get the best out of the resources already being devoted to research and policy advice?*

- *Do we need to (re-)build research capacity and capability within government or should we continue to rely more on external sources of research, analysis and advice?*

  - *If we need both, how do we get the balance right?*

- *How do we create incentives for quality analysis, whether within government or through contractors/consultants?*

- *How can we limit an inherent tendency for second-guessing and 'policy-based evidence', that can mean superior policy options being ignored?*

- *Should the Australian Government play a stronger role in promoting necessary data collections and evaluations within and across jurisdictions?*

  - *Could it make more use of its funding leverage with the States and Territories?*

- *Is there scope for COAG to establish an 'evaluation club' to help propagate and disseminate evidence in key policy areas? (An encouraging development of this kind has emerged in the Indigenous policy area; namely the 'national clearing house' on best practice and success factors).*

- *In the TV series 'Yes Minister', Sir Arnold confides to Sir Humphrey "If people don't know what you're doing, they don't know what you're doing wrong". Can data and analysis that are not able to be scrutinised by third parties really be called 'evidence'?*

  - *How do we achieve greater transparency in the data that is collected and in the evaluations that are conducted?*

- *Given the time lag between data collection and analysis and policy development, how good are we at anticipating the policy questions of the future?*

  - *While many policy questions have been around for a while, the impetus and timing for policy reform in particular areas is often hard to predict. How do we ensure that the currency/availability of necessary evidence matches the contemporary policy issues being addressed by government?*

Where to from here?

The fifth session will conclude proceedings by drawing out some of the more important implications for public policy in Australia that emerge from previous sessions and the address by Terry Moran.

Jonathan Pincus, a former Principal Advisor Research at the Commission and now Visiting Professor at the University of Adelaide, will introduce this final session with a summary of the main issues and insights from the Roundtable over the two days. A panel comprised of David Tune from Prime Minister and Cabinet (now Secretary of the Department of Finance and Deregulation), as well as Ron Haskins, Jeff Smith and Mary Ann O'Loughlin, will then reflect on the discussions and draw their own conclusions.