

Speech by the Minister for Public Expenditure and Reform,

Mr. Brendan Howlin, T.D.

at the ACESA Annual North-South

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Introduction

I would like to thank ACESA, and its chairperson Patricia Byron, for inviting me to your North-South annual conference. I am aware of the key role that ACESA plays in supporting its members, especially as many people here will have joined the public service at CEO level, and may need support in navigating its sometimes opaque waters.

New start

I want to talk to you tonight about this new Government's vision of public service.

Ireland's profound and complex economic crisis, where we are fighting a battle on three fronts – mass unemployment, a major failure in banking, and a fiscal crisis – has, understandably, focused minds on public service reform.

Unfortunately, over the past three years, the debate about public service reform has lost sight of its fundamental purpose: a purpose rooted in the concept and values of public service itself.

Instead, public service reform has become easy shorthand for cutting public spending. Public servants – of whom I am one – might even be forgiven for thinking that public service reform has become a glib response to all the problems that have befallen our economy.

Sowing this division between public sector employees and those in the private sector may have suited some, but it has not got any of us closer to our shared objective. If

anything, it has hardened attitudes on both sides, and cast public sector reform as a threat rather than an opportunity.

Yes, we need to ensure that our public services are efficient and effective, and that they reflect how we live and work today. This is critically important. But efficiency is not an end in itself. Public services have to be judged against what they achieve.

Public services are a means by which we realise our aspirations for our society, and the opportunities we want for our citizens.

That is what makes them different. And that is what makes them so important.

Let's be clear: public services are different, with different objectives and a different ethos to those which prevail in the private sector.

After all, we come together, as taxpayers and as citizens, to fund public services precisely because we believe they serve a purpose too important to be left entirely to the market.

However, this does not mean that public services should not be transparent. That they should not make the most efficient use of public money. Or that their effectiveness cannot be measured.

If anything, these principles are even more relevant in the public sector, because the stakes are so high. What could be more important than ensuring that our population is educated and in good health; that our streets are safe; that businesses can operate in a fair and predictable environment; and that government is transparent and democratic?

It is this belief – a belief in the fundamental importance of public services to our society and to our economy, and of the intrinsic value of public service – that will drive this government's programme of reform.

Reform to meet the future, not just react to the past

The backdrop to this reform agenda is the most serious economic crisis our country has ever faced.

As a direct result of reckless economic mismanagement, both during the property boom and in its catastrophic aftermath, Ireland's bills are being paid with borrowed money, and at a heavy price.

This year, our country will spend €18 billion more than it will earn – a deficit that is simply unsustainable.

The actions of the previous government have bequeathed us the economic straitjacket that is the EU-IMF deal. It is a priority for this government to work our way out of this deal, and to regain full sovereignty over economic policy. Reform is, of necessity, a major part of that, both in terms of reducing expenditure and liberalising parts of our economy.

These are the hard facts before us, as we consider what we are prepared to spend borrowed money on.

But the imperative to reform is not only backward looking, anchored in our current difficulties.

Even before the economic crisis was upon us, there were significant challenges on the horizon, that could not be met without far-reaching reform.

Take, for instance, the way technology has transformed every aspect of our lives, changing what counts as 'common sense'. Today, people expect to be able to organise most of their affairs on the internet, and to be able to tailor those services to their needs, at a place and time that suits them. The Revenue Commissioner has led the field in its online services, but there is still a significant way to go before the State catches up with how its citizens expect to live and work now.

Technological change also offers us an opportunity to radically rethink the delivery of services, and to maximise our resources. For example, last January, an 81-year old stroke patient in Mullingar was diagnosed and treated by a consultant in Tallaght Hospital, while students in Dunshaughlin are already learning Leaving Cert Chemistry, in real time, from a teacher based in another school.

Another significant challenge is demographic change. Over the past twenty years, the number of people in Ireland over 65 increased by 140,000. Over the next twenty years, that increase will be almost half a million, with the fastest growth among the over 85s.

It has been estimated that adding this kind of demographic change to our existing delivery model of health – which is biased towards expensive acute hospital care – could add a minimum of €12.5 billion to the health budget in just ten years. Total health spending for this year will be around €18 billion, if we include insurance and discretionary spending.

This is clearly unsustainable. We cannot change the fact that people are growing older; and we cannot change the reality that they will need more medical care, and for longer. What we can change, quite fundamentally, is the cost of delivering that care.

This Government is the first government in the history of the State to commit to introducing universal health insurance, and to ending the expensive, inefficient and unfair two-tier health system.

The impetus behind universal health insurance is fundamentally about equality – a belief that medical need, not income, should determine how and when you are treated. But it is also necessary if we are to change the perverse incentives in our health system, that channel patients to expensive hospital settings, rather than more cost-effective care in their communities.

The critical first step of that reform, which is being undertaken by my party colleague, Roisin Shorthall, is widening access to GP care, to incentivise people to go early to their doctor, and to have chronic conditions managed in a community setting.

One further challenge I want to highlight is the need to match our population's skills to the needs of the 21st century labour market. Twenty years ago, if you could use Microsoft Word, you were an IT specialist. Now, you need to be digitally literate for almost every job, at every skill level, from stock checking in a supermarket to building a bridge.

This trend towards more knowledge intensive workplaces is a key characteristic of modern economies. In 2007, the Expert Group on Future Skills Needs estimated that by

2020, with no policy change, those in the labour force with lower skills would far outstrip the supply of low skilled jobs, while there would not be enough higher-skilled workers to fill the new jobs being created. In other words, even as employment in Ireland reached record highs, we were facing a growth in structural unemployment.

One thing is certain: when it comes to up-skilling on the scale required, sticking with the status quo will not be enough. It is up to all of us – government, staff and management working in education and training, employers – to ask ourselves the hard questions: why has youth literacy not increased since 1980, even as class sizes have got smaller and budgets have got bigger? Why does the vast majority of full-time education and training have to happen between 9 and 5, and according to an agrarian calendar? And what needs to be done to incentivise adults in Ireland to take responsibility for improving their skills and employability?

These are just some of the challenges that our society is facing in the coming decade – crisis or no crisis. In the good times, tackling them was going to be difficult. Today, in these difficult times, tackling them is going to be imperative.

Comprehensive Spending Review

Quite simply, if we believe in the value of public services to our society and to our economy, then we have to find ways of realising that value, but for less money.

This week I brought proposals to Cabinet for a Comprehensive Spending Review, that will put every aspect of public spending on the table.

This is not a re-run of An Bord Snip Nua, which simply asked, ‘where can you cut?’. Rather, it requires an entirely different mindset. The challenge of a Comprehensive Spending Review lies in interrogating not only how can we spend less, but also how we can do more, and how we can achieve our objectives differently.

The Review will take in every government department, agency and body significantly funded by the public purse, and will operate on the principle that nothing is agreed until everything is agreed.

It is about what we can, collectively, make possible – not about protecting fiefdoms. That goes for Government Ministers, for public service managers, and for unions.

And yes, it will go for CEOs of State agencies too. The Comprehensive Spending Review will examine the arguments for having stand-alone agencies, separate to Government.

I am not going to pre-judge its findings here. There can be perfectly good reasons for the establishment of a State agency at arm's length from government. The problem in recent years became the proliferation of such agencies, which resulted in Government departments losing power over their core missions. And that includes the power to wind up programmes that had served their purpose.

Reform can no longer be an 'us and them' struggle, or a battle over which resources go where. At its most fundamental, it is about upholding the principle of public service – of service to our country, to our community, to our fellow citizens – even though that may mean that the services themselves have to change.

Croke Park

This choice between doing less of the status quo, or doing things differently, also goes to the heart of the Croke Park Agreement.

The new Government is clear in its commitment to the Croke Park Agreement – but only so far as it is a genuine and equal agreement, honoured in deeds as well as words.

Remember that the deal committed to no compulsory redundancies in the public sector, as long as staff accepted redeployment to new tasks and organisations. In practice that means that staff need to be willing to retrain, where necessary; to take on more responsibility; to work across professional and technical boundaries; and to be open to travelling within a radius of 45 kilometres to take up their new posts.

Secondly, the Croke Park deal mandates that:

- If there is industrial peace and time-limited means to resolve any disputes;

- If the work of the many thousands of those leaving the public service is absorbed by those remaining;
- And if there is cooperation with new work practices and rosters, and reduced incidence of overtime and allowances

then further pay reductions can be kept off the table.

This conditionality is often glossed over by critics of the deal. But it is up to public sector managers staff, and unions, to deliver.

The Croke Park Agreement offers the space and the opportunity to public sector managers – including those in State agencies – to maintain or improve their service, despite fewer resources and staff.

To achieve that, public service leaders and managers, such as those of you here tonight, will need to be innovative about their approach to the changes needed, good at delivering a consistent message about those changes, and resilient in ensuring their delivery over time.

Government can, and will, lead. But, as I outlined earlier, public service reform is, by necessity, a collective effort.

Programme for Government

In the Programme for Government, you will see that the new Government is not going to shy away from that effort.

Firstly, we want to work on integration of public service organisations, so that services are designed around the practical needs of the citizen. One example of this is the planned integration of employment advice and social welfare supports in a single National Employment and Entitlements Service. We also want to ensure that services are better directed to target groups, so that we avoid duplication of effort. Most of all we want all public servants to be more conscious of their “service ethos”, and less concerned with demarcations and boundaries.

Better management of information and payments can deliver faster service to the user, minimise opportunities for fraud and reduce transaction costs for the Exchequer, so progressing e-Government will be a priority. Savings will also be sought through the consolidation, as far as possible, of financial, payroll, procurement, pensions and HR services across the public service.

Reforms of the scale that is required cannot be delivered from Merrion Street: they have to be managed locally. We want to empower those who work in the public service to take initiatives; to manage risk; to solve problems; and to be innovative. The public service is only as good as the people who work in it, and the freedom they have to put their experience and their knowledge into practice. We will be exploring ways of tapping into the substantial front-line expertise that exists throughout the public service, including greater delegation of power over local budgets.

Finally, we intend to focus on performance and accountability in a way that is meaningful; that is transparent; and that starts at the top. Strategic priorities will be set by Cabinet, with clear delegation of responsibility for delivering on these priorities laid out in legislation. Both the Public Service Management Act and the Ministers and Secretaries Act will be replaced with a reformulated code of laws that reflects clearly the reality of the responsibility that is vested in both Ministers and senior civil servants.

Conclusion

In conclusion, I would like to return to the importance of public service as a concept, and as a value.

I have to admit, it is a concept that has suffered some battering over the past three years in particular. Indeed, the only institution that has experienced more of a kicking than the public service, is politics.

It is easy to see why people are angry; why they are disillusioned. The staggering failures of governance that have been exposed over recent years have undermined confidence in our public institutions – the very institutions that are charged with steering us out of this crisis.

But if there is one institution that has to overcome this disillusionment, it is Government. Yes, there is still a hard road to travel before we get to the other side of this crisis. But it is imperative that we know what we want our country to look and feel like when we get there.

We have to come out of this crisis with a reformed, slimmed-down government, whose success is not measured by its reach, but by its results. Our very democracy depends on renewing public confidence in the idea of government as a positive force in the lives of our citizens.

As a social democrat, and as a public representative, that is a task which I will gladly shoulder. And it is a task that I will share with every other public servant who sees, in the challenge of reform, an opportunity to put the values of public service into practice.

Thank you.