
General discussion and dinner address

The roundtable discussion following the first session centred around three themes: the role of evidence in improving public policy; differences in quality of evidence; and the important role of institutions in marshalling and making best use of evidence. The general discussion session was followed by an after-dinner address by Terry Moran, the Secretary of the Department of Prime Minister and Cabinet.

Evidence is important and can help improve public policy

Roundtable participants discussed some of the policy examples highlighted by the keynote speakers where evidence had played an important role in policy development, such as welfare reform in the United States, and raised a number of other examples.

Several participants wanted to emphasise that evidence-based policy was not confined to *ex post* evaluation, and that evidence was important at every stage of the policy development process, from identifying the policy problem, through *ex ante* assessment of policy proposal, to *ex post* evaluation. Brian Head noted ‘every day spent on problem identification and discussion is worth ten days of actually doing the study’.

Another academic speaker noted that policy insights were sometimes driven by wider access to administrative data, and mentioned two examples where data availability drove improved understanding:

- A government work incentives program in the United Kingdom, which paid low income workers a welfare bonus to work additional hours, was found to be ineffective. It had a very low uptake because although the welfare payment substantially increased beneficiaries’ gross income, that increase was then offset by a reduction in other welfare benefits such as rent assistance.
- Job creation figures for Indigenous programs can overstate their success. The data can mask the turnover of Indigenous employees who have simply transferred to different jobs or programs, rather than being genuine employment growth.

Not all evidence is created equal

There were differing views on the relative merits of various methods for generating evidence and their relevance to different types of policy questions. Different types of policy questions will require different forms of evidence and some evidence will be more robust than others. For instance, formulating an evidence base for responding to climate change would rely on very different techniques than those required for assessing the case for merit based pay for teachers. There is no one ‘right’ type of evidence. Jeffrey Smith suggested ‘let a hundred flowers bloom and let the marketplace for ideas sort it out. The key is thinking hard about each of these approaches; thinking hard about what it can add and what it can’t add to the discussion’.

Regardless of the particular method used to generate evidence, several speakers stressed that it should be robust and be open to scrutiny. Ron Haskins cited the American sociologist, Peter Rossi, who concluded on the basis of many *ex-post* evaluations that the expected value of any large scale social program is zero (Rossi’s ‘Iron Law’). He noted the frequent tension between the enthusiasm of those close to program implementation and more formal, high-quality evaluation: ‘if you ask program operators, [they’ll say] ‘this is better than sliced bread – it changed my whole community’ but then a randomised trial finds the policy has no effect, and this happens time after time’.

Speakers stressed that openness to different forms of evidence and different analytical methodologies does not mean ‘lowering the bar’ on the standard of evidence for policy. Some participants noted that the most rigorous evaluation sometimes seems to be reserved for smaller projects and policy questions, because they are often analytically more tractable, and politically less contentious, whereas major policy issues are sometimes subject to little rigorous analysis. Jeffrey Smith noted the paradox that for some large macroeconomic questions (such as appropriate monetary rules to respond to recessions) there were relatively few data points (for example, just a handful of well-documented recessions) and no easy way of testing counterfactual propositions. Policymakers’ need for guidance meant a wide variety of methodologies (for example, modelling, econometrics and case studies) were mined by analysts keen to marshal whatever evidence they could.

Institutions matter

It was broadly recognised in the roundtable discussion that factors other than evidence are often the main force driving policy development. One participant raised the question of why, for two policy areas, both with equally compelling

evidence on the most effective policy choice, the balance of evidence prevails in one case and not another. Was it possible to identify the factors that determine when evidence has an influence on policy development?

Ron Haskins' view was that it was counterproductive to try to remove other influences on the policy development process, such as lobbyists, especially since they sometimes bring important insights and evidence to the issue. Rather, one of the key factors in ensuring that objective evidence has an influence, was having the right government institutions (appropriately skilled analysts producing publicly available evidence), such as the Congressional Budget Office in the United States, and making this evidence transparent and contestable — for example, by enabling academics and other researchers to have access to data and methods.

Speakers also noted that extensive demand for high-quality evaluation built a pool of skilled analysts and institutions in the United States, pointing to the important roles of private sector organisations such as MDRC and Mathematica, with decades of specialisation in high-quality program evaluation and policy research. Australian demands for evaluation had not been large enough so far to support the growth of such expertise.

Dinner address

In his address to the roundtable dinner, Terry Moran revisited some recent history in the development of the human capital reform agenda, leading through to the reform of the structure of Commonwealth-State financial relations in November 2008. The history was replete with examples of how analysis and emergent evidence shaped policy thinking.

His talk traced the analytical stimulus provided to Victorian Government officials by the Commonwealth Treasury's initial Intergenerational Report in 2002-03 and Ken Henry's associated speeches on the contributions of the '3 Ps' — population, participation and productivity — to per capita GDP trends. Thinking about such issues as trends in health spending led officials to envisage a human capital reform agenda which could help address the participation and productivity elements of the response to the demographic challenge.

The human capital reform agenda also illustrated, in Terry Moran's assessment, the importance of institutional change to helping improve outcomes in complex government service delivery systems such as the education and health systems. The Productivity Commission's work in illustrating the 'outer envelope' of benefits from the national reform agenda had also been an important stimulant of reform thinking.

The upshot of this thinking was the transformation of Commonwealth-State financial relations in November 2008, when the Council of Australian Governments radically streamlined the system of 96 specific purpose payments down to six streams of spending, giving states the scope for policy innovation in how they delivered agreed objectives, outcomes and outputs. The agreement also proposed additional revenue and a stream of potential reward payments for State and Territory policy innovation successes, and an independent umpire of progress, in the form of the COAG Reform Council.

He observed that the new system gave the States and Territories the opportunities they had sought, and the tests of the new system would be the quality of policy reform and demonstrated improvement in outcomes over years to come.