



Debate

Ground Zero

Geraint Talfan Davies

Geraint Talfan Davies welcomes a new openness on the part of the Assembly Administration to engage in policy debate and calls for the creation of an independent organisation on the lines of the Irish Economic and Social Research Institute.

- **Geraint Talfan Davies is Chair of the Institute of Welsh Affairs.**
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The destruction of the World Trade Centre and the repetition of those mesmeric images on television, re-ordered our priorities well before the sun first set on Ground Zero. At a personal level many found it difficult to concentrate on their usual daily tasks. Issues that had a transcendent importance one day, seemed trivial the next.

That same disorienting effect touched both individuals and governments, as if that great dust cloud had obscured our compasses. It was no surprise that people avoided flying, or that markets plunged, but theatres also emptied as if seeking entertainment was suddenly disrespectful of such an overpowering tragedy. It became difficult to discuss the state of public services. Even Tony Blair's references to the euro - in his Labour Party conference speech - and the trailing of a referendum on the single currency, seemed an afterthought alongside his outlining of a vision of a less safe world.

Yet the defeat of terrorism lies not only in military campaigns and global alliances but also, in a moral sense, in the reassertion of the sanctity of our own daily, dogged, humdrum struggle on whatever front we have chosen: at home, at work, in the community, in business, public service or politics. In a global economy there are, of course, points at which these world events touch us directly. For instance, the horror in New York took only days to repercuss directly on the Welsh scene, prolonging uncertainty about the ownership of our main airport and, only a few weeks later, presaging major job losses in one of our most important concentrations of genuinely highly skilled employment – the GE engine maintenance facility at Nantgarw.

It is only in recent years that we have come to pride ourselves on a concentration of highly valued aviation related businesses – British Aerospace at Broughton, British Airways jumbo maintenance at Cardiff Wales Airport, and avionics at Llantrisant, the

RAF at St. Athan, as well as GE at Nantgarw. The ultimate effect on these Welsh outposts of the massive setback for the world aviation industry is difficult to predict in the round. However, we have some reason to fear the process of re-assessment. It is a dreadful addition to a roll-call of ill luck for the Welsh economy that is beginning to sound like a list of first world war battles – BSE, foot and mouth, Corus, New York.

Yet it is not given to democratic nations to toss in the towel, so the endless search for solutions to our own problems goes on - and rightly so - albeit in a changed context, albeit subdued by sadness and some fear, albeit with a heightened sense of global interdependence.

A Bridge Between Worlds

The IWA has tried as best it can to be a bridge between the worlds of business, politics and academia, and between them all and a wider constituency. In the coming months the National Assembly's Cabinet will consider proposals that are central to our battle for economic improvement and which may also bridge the very same divides. They are proposals that are designed to increase our capacity for monitoring, analysing and shaping our economic circumstances. The decision will also tell us much about the nature of our system of governance in Wales. In a formal sense the proposals stem from consideration of the review of business support in Wales initiated by the National Assembly's Economic Development Committee. But in a more fundamental sense they mark a potentially crucial staging post in the maturing of the Welsh civil service. That could sound patronising. It is not meant to be so.

There are many criticisms one could lay at the door of the Assembly – of both politicians and civil servants, individually and collectively. Yet, only two years in, there is a strong case to be made that it is already amply justifying its existence. Of course it will be a long time before we get close to solving our deep-seated problems. Nonetheless, a crucial side effect of the creation of the Assembly is that outside it, in the wider civil society, one senses an increased ownership of our problems, and an increased responsibility for finding our own answers. We are not materially richer – in fact, in relative terms, the Welsh economy is still sliding. But civil society in Wales is maturing under the pressure of that responsibility and the challenge of its objective circumstances. The frustration felt by many at what they perceive to be slow progress is actually a symptom of that increased responsibility.

One of the key concerns that simmers below the surface of public debate, but which, oddly, rarely surfaces in discrete form in our National Assembly, is that of the nature and quality of our civil service. (Strangely, no Committee of the National Assembly seems to have responsibility for civil service issues.) In whichever corridors of Welsh public life you stick your nose you will find people having a go at the civil service. Of course, there is also criticism of our politicians, but the criticism of the civil service is usually separate and specific. It centres around the view that it is not proving easy to alter the prevailing mindset of the civil service in Wales to match the demands of the new institution – the progression from administration to policy-making.

In some ways the criticism is both fair and unfair. In defence of the civil service it can be said that there is within it a recognition of the problem, and of the difficulty of turning the tanker round. It can also be said that the Assembly may not work

perfectly, but it works. And for that the civil service can take substantial credit, not least because it was a civil service designed to carry out a different task. The number of dropped passes has been remarkably few. The problem is that the Welsh public are looking for a capacity to score tries. For this reason, it is time the issue of the civil service was debated more publicly and insistently, and ways should be found of allowing civil servants themselves to contribute to that debate. Here is the IWA's starter for ten.

A Capacity for Shock

The intensity of criticism stems from a combination of three things. First, there is general disillusionment with government and with the quality of some public services, as evidenced by the poor turn out in the Swansea East by-election and by the raw fury with which Tony Blair was assailed by one woman outside a hospital during the general election campaign. Second, there is a sharp awareness of the immense scale of Wales' economic woes. Third is a deep-seated fear that we do not know how to turn it round.

The Welsh public, and not just those interested in public policy, know that on any objective measure Wales is in an economic crisis. Our problem is that it has gone on so long we have become accustomed to it, even comfortable with it. It has become part of our mindset. In the debate on the Euro, economists spend much of the time debating a single currency's ability to cope with what they call 'asymmetric shocks'. But what looks like asymmetry on a horizontal, continental basis, looks pretty symmetrical when you have lived with it on this patch for generations. It was the First Minister who said that Wales had had a good 19th century and a bad 20th century. Broad brush, but one can take a different point. An asymmetric shock that lasts 80 years is, for Welsh people, neither asymmetric nor a shock.

So, our first contention is that public servants, as well as the public, must regain the capacity to be shocked.

There is a history in Government of moving away from uncomfortable statistics. Witness the recasting of unemployment definitions throughout the 1980s. With the GDP gap between Wales and the UK or EU average remaining stubbornly wide, one hears the first whispers that GDP 'is not everything'. The GDP gap between Wales and the UK or EU average is not the perfect descriptor of the Welsh situation, and there are plenty of fancy indices attempting to prove that the quality of life is better in Wales than elsewhere. But GDP per head remains the most useful indicator, in the sense that it is a readily understood comparative measure and embraces performance in all those areas by which the mass of people judge the success of their society and their own individual circumstances.

If the Welsh GDP figures were replicated across the UK, the UK would be producing what it was producing back in 1992. Wales, in that sense, is nearly ten years behind where it should be. In 1979 28 per cent of employment in the UK was in the public sector. In Wales the figure was 41 per cent. We were the nearest thing to an East European economy west of the Oder-Neise line. More than 20 years on the figures have changed, largely due to privatisation. Even so, in the shape of our economy, as

opposed to its efficiency, we are still closer in performance to an East European country than to a thriving northwest European one.

We can adduce many reasons for our situation: our small size, historical legacies, the collapse of coal. They are listed endlessly and repetitively in all Welsh policy documents. But none of these reasons alters the fact that Wales faces a general crisis of under-performance. Wales has to lift its levels of performance across the board by at least 25 per cent, and in many spheres by 50 per cent or 100 per cent. That is the undeniable statistical scale of the challenge we face to reach parity with the rest of the UK and the European average. And that is the message that needs to be got home consistently and insistently to every corner of our society and naturally, one includes in that our public servants.

Transformative Policy Making

There are certainly real pockets of world excellence, but they are all too few. Yes, we are small. Yes, we have limited resources. But the entrepreneurial deficit we claim to see in business is, too often, matched by a similar performance deficit in other fields: local government, education, social policy, cultural outputs (just read the Audit Commission reports on local government in Wales). And we have a capacity to close our eyes to it. We have a pernicious tendency to be self-referencing, to be too easily satisfied with simply being better than the people next door, as long as next door doesn't mean England. That requires transformation.

Our second contention, therefore, is that the greatest contribution the National Assembly and its civil service could make to this necessary level of performance improvement is to reject the traditional incrementalism of administrative machines and to search, wherever possible, for transformative policy making.

We have to seek such change not only for its value in a particular policy area, but also because of its potential inspirational and motivational effects: creating a belief in the capacity to change things. To be realistic about this: one does not mean a kind of Khmer Rouge Year Zero approach to policy development. That too has its pitfalls, (see Gareth Jones' article on the abolition of health authorities, page ...) and we will also need incremental improvements across a broad front. It is simply to say that reliance on marginal improvements will not be enough to change the key indicators in a situation where the rest of the UK is still moving faster than us, and where far too many of the gaps are widening. The way most figures are currently moving, we live with the high probability that almost anything we do will be too little too late.

Our third contention is that there is an urgent need to transform our capacity to analyse our own situation, particularly in the economic sphere.

The good news on this front is that the need is recognised and that work is currently in hand to specify how this might be achieved, either within the civil service or academia, or independent of both, or more probably by a combination of all three. This is part and parcel of an initiative that would give the Welsh civil service as a whole, and individual departments, a much clearer research policy – not only to extract best value for money but to feed a new, if so far sporadic, appetite for evidence-based policy. A series of meetings has recently taken place between civil

servants and academics across a number of policy areas. These internal measures to extract the maximum benefit from all research expenditure will be immensely valuable, but they will not be enough.

Expanding Research Capacity

Our fourth contention, therefore, is that there is a need for quantum improvement in the dialogue with research capacity outside the civil service, and a concerted attempt to increase that external capacity. That also requires the extinguishing of any remnants of the ‘not invented here’ syndrome.

The process of producing for Wales both policy coherence in general and economic strategies in particular has been painful. Two things have been lacking. Internally, it remains astonishing that a territorially-based, multi-functional department that has been in existence for 37 years should only recently have begun to establish for itself a general policy unit. Even now it is relatively small and embryonic and focused more on today’s rather tomorrow’s issues. It is also just as astonishing, given that we have a national university, that we have less expertise today in modelling the Welsh economy than we had in the late sixties when the late Professor Ted Nevin did his pioneering work. Externally, we have lacked a permanent body of specialist expertise, multi-disciplinary in its form, able to generate a sustained and holistic focus on economic aims and performance, and with sufficient independence to think beyond immediate political agendas and horizons.

The rough ride given to both the draft single programme document for Objective 1 and the National Economic Development strategy has done a lot to convince everyone that that this crucial gap needs to be plugged. The issue Rhodri Morgan and his Cabinet will face is how to do so. There is a danger that the Cabinet will be faced with a false choice between an internal strengthening of the civil service in the economic policy area and creating a new, independent economic research capacity outside the Governmental machine. The truth is that both are required.

A new, independent economic and social research institute is urgently needed. It must be connected to Government, but not sit within the governmental machine. It must be sufficiently free to challenge Government policy from time to time, and both politicians and civil servants should be big enough to remain relaxed about that. The Irish government manages to stay relaxed about the output of Dublin’s Economic and Social Research Institute (ESRI), despite contributing a third of its income and despite the frequent criticisms of government policy that ESRI publishes.

Such a body in Wales would bring greater depth and rigour to the development of economic policy, and it would free the process from the constraints of departmental boundaries (hard though people are striving to pull them down, one doubts they will ever disappear). It would provide an external benchmark for policy making, and could have as great an impact on Welsh public confidence in our economic management as the granting of independence to the Bank of England had in the UK at large.

The only issue might be its relationship with higher education. It should not be located within the HE framework. It needs to be divorced from the unpredictable demands of HE’s Research Assessment exercises, and the rest of the HE agenda. That

does not mean that a new institute would not have a relationship with HE. Ireland's ESRI is now 40 years old. You cannot create such expertise and reputation at the drop of a hat. An analogous Welsh body could start as a fully independent unit, with a director and small core team, but one that would augment its capacities by relationships with university departments, according to the demands of the research agenda. Its independence would also give it the freedom to seek out the best expertise worldwide.

To ensure a balanced dialogue with such an expert body, there would need to be a strengthening of economic analysis capacity within the civil service itself. That might be within the policy unit, or the economic development department of the Assembly or both. The Cabinet would also need a wider advisory structure. But there are pitfalls here too. Two analogies offer themselves: the old Welsh Council that used to advise Secretaries of State for Wales and the Monetary Policy Committee of the Bank of England. The weakness of the former was that it had no independent research capacity of its own. It considered papers from the civil service, lobbed in its quota of life experience and this was funnelled back, mostly in private, to the Secretary of State – a neat circular system of co-option but not much else. The key feature of the Bank of England's MPC is that each of the economists that sit on it bring to the task their own hinterlands of active research.

'Recruitment Is Strategy'

Our fifth contention, which is as relevant to the civil service as it is to an economic institute, is one captured in one of the better maxims of the management guru Tom Peters, "Recruitment is strategy".

It should go without saying that a new independent institute must be sufficiently well-resourced, in money and expertise, not only to make an impact on the Welsh economy but also on the development of regional policy throughout the UK and Europe. Its staffing needs to be of the highest quality. The talent trawl should be worldwide.

There is a need to maximise the effectiveness of all public service in Wales, but there is also a longer term need to make the civil service in Wales an exciting career prospect for the next generation. That requires a civil service where innovative thinking is at a premium, and one that can continually refresh itself with injections of talent. Low staff turnover is an endemic problem in Wales whether in public service, business, the arts or broadcasting. If the civil service in Wales is to remain part of the UK civil service, that attachment needs to bring demonstrable quality benefits. It is not only a question of internal deployments. Although he has not yet won the battle of the London Underground, one has to admire Ken Livingstone's resolve, through Bob Kiley's appointment, to find the very best expertise.

This is relevant to our sixth contention that, in policy-making, we must remain fully plugged in to the rest of the world, and that includes our nearest neighbour, England.

Many people in Wales extol their Europeanism, although one often suspects it is a way of avoiding engagement with England. England is a country of massive

economic and intellectual resources and it remains the country with the greatest number of points of relevant comparison with our own. In research terms, it will always have a resource capacity that outstrips our own. We must bend it to our purpose in many spheres, including our fair share of Economic and Social research Council research funds. It also means ensuring that important parts of Whitehall do not disengage from consideration of Wales' needs. The canny extension of the logic of devolution is to have the penny and the bun. And it is possible.

Which brings us to our last contention that time urgency needs to have a higher priority.

A key component of the mindset of any organisation is the attitude to time. Administrative machines that deal with the historical flow of events, can be tempted to take too long a view, not least when dealing with intractable problems. It is understandable that both politicians and civil servants, and many of us as supporters of the National Assembly, often defend the Assembly from criticism on the basis that "it is still early days". But that should not blind us to other time frames that press us hard. Perhaps most pressing of all is the need to remind ourselves that we are now almost at the mid point between, on the one hand, the 1997 election and, on the other hand, the end of Objective 1 status, the enlargement of the EU, and the recasting of EU structural funds, not to mention the possible renegotiation of the Barnett formula. All this is too close for comfort. The need to raise our game is urgent.

An Irish Template

The Economic and Social Research Institute, Dublin

History:

Founded in 1960, with a grant from the Ford Foundation of New York, as the Economic Research Institute. Social research added to its remit in 1966

Mission:

To bring the latest thinking in economics and the social sciences to the actual and potential problems of Irish society

Goals:

Academic excellence, independence, objectivity, relevance to policy and widespread dissemination of results

Constitution:

Company limited by guarantee, not for profit organisation with charitable status. Governed by Council of 30 members, including representatives of social partners, government departments, state agencies, universities and other research institutes.

Funding (2000):		
	IR£m	
Government grant-in aid	1.8	33%
Commissioned research*	3.4	64%
Miscellaneous	0.15	3%
Total	5.45	100%

* Much of the commissioned research is also government funded work won in competitive tender.

Staffing:	
Research staff	
Research Professors	11
Senior Research Officers	7
Other research staff	17
Total	37
Technical Unit	
Survey Unit	14
Health Survey Unit	10
Computer services	2
Total	26
Administrative	
Total	28
Total staff	91