Dr Steven Kennedy PSM
Secretary to the Treasury

Address to University of Adelaide, South Australian Centre for
Economic Studies Corporate Members Luncheon

Evidence informed policy making*

30 August 2024

Opening

I would like to thank Jim Hancock and the University of Adelaide's South Australian Centre
for Economic Studies for inviting me to speak today.

I would like to acknowledge the Traditional Custodians of the land on which we are meeting,
the Kaurna people, the original custodians of the Adelaide Plains and the land on which the
University of Adelaide's campuses at North Terrace, Waite and Roseworthy are built.

I pay my respects to their Elders – past and present – and extend my respect to any First
Nations people who are with us today.

Our democratic capitalist system relies not only on market mechanisms but also on trust.
Trust that decisions are grounded in the best available evidence, that experts are engaged
and heard, and that policies are designed to serve the public good.

Globally, over the past few decades we have seen that trust in government has fallen – and
as Martin Wolf, economic editor for the *Financial Times*, has noted democratic capitalism
and our core Western values of freedom, democracy, and the Enlightenment are at risk.[1]

As many, including the OECD, have highlighted, we need to strengthen democratic
governance to meet our communities' increasing expectations.[2] People's voices need to be

---

heard, and we need to rebuild trust in expertise through humility, transparency, and better communication.

Today, I want to discuss the value of evidence for policy making. First, I will discuss the essence of evidence-informed policy. Second, I will illustrate how we can build a robust evidence base to support policy making. Third, I will outline enabling features of an effective evidence driven policy environment with examples from the Australian Public Service.

The essence of evidence-informed policy

There are a lot of policy disagreements in Australia, some of them acrimonious. Evidence provides a constructive path forward. Evidence is a place where debate is useful and resolution possible.

Evidence-informed policy making is a deliberate and rigorous approach that seeks to support policy with the best available evidence, rather than intuition, ideology, anecdote, or short-term political expediency.

The importance of evidence-informed policy lies in its potential to enhance the effectiveness, efficiency, and equity of public interventions.

At its core, evidence-informed policy aims to improve outcomes for individuals, communities, and society.

By grounding policy decisions in robust evidence, policymakers can identify and understand policy problems and design interventions that are more likely to achieve their intended goals. In doing so, unintended consequences are more likely to be avoided, and the most efficient use of public resources achieved.

Furthermore, evidence-informed policy fosters transparency and accountability, as it provides a clear rationale for decisions and enables the public to scrutinise and understand the basis for those decisions. Being open to evidence is a subtle way of saying that you are open to persuasion and that you respect those you disagree with enough to hear their views.

Good evidence comes from various sources.

The challenge lies in synthesising this evidence in a way that informs robust policy decisions. To do so, policymakers must be adept at discerning credible evidence, understanding its implications, and applying it effectively.

There are opportunities to embed evidence at every stage of policy development – from problem identification and diagnosis, policy design, funding, implementation, delivery and evaluation.

Building the evidence base

We can build access to a range of high-quality evidence through a variety of means including stakeholder engagement, data analysis, experimental methods such as randomised trials, and modelling.

I will now briefly discuss each of these means.

Qualitative research and stakeholder engagement

Engaging stakeholders is crucial for gathering diverse perspectives, uncovering new policy ideas, and ensuring that policies are grounded in real-world experiences.

Effective stakeholder engagement involves talking with those who will be impacted by the policy, including community members, businesses, and subject matter experts.

This process not only enriches the evidence base but also builds trust in the policy process.

The OECD recently conducted a survey on trust in public institutions. It found Australians who believe the current political system does not let them have a say trust the government 52 per cent less than those who feel they have a political voice.[3]

For trust to be built, public servants must be clear about the type of engagement they are undertaking.

In the early stages of new policy development there will usually be wide engagement, with an openness to all ideas. This type of deep engagement may extend to co-design of the new policy with some experts and stakeholders. Once an initial policy design has been formulated, engagement will be more in the form of consultation about that specific design. And once the final policy is known, engagement will be to inform about and explain the policy.

If stakeholder engagement is not underpinned by an openness about the *form* of engagement, trust will soon be lost.

Let me outline an example of a deeper form of policy engagement.

The Treasurer has a long-standing interest in the power of place-based policies to contribute to social and economic outcomes.

In the 2023–24 Budget, it was announced that Treasury in partnership with the Department of Social Services would deliver a range of initiatives aimed at targeting entrenched disadvantage.

Through this work, we have listened to people in communities like Burnie, Central Australia, Logan and Mildura. The insights gained from the discussions have been invaluable, including understanding the need to ensure better local-level data is accessible to those it relates to.

---

[3] OECD (2024) *OECD Survey on Drivers of Trust in Public Institutions – 2024 Results: Building Trust in a Complex Policy Environment*, OECD Publishing, Paris, https://doi.org/10.1787/9a20554b-en, accessed August 2024.

In response to what we heard, we are working with a range of agencies to improve the way Commonwealth data can be accessed, navigated, and analysed – better supporting people working to improve local outcomes. The $100 million Commonwealth Outcomes Fund, which was announced in the 2023–24 Budget, has also been co-designed with a diverse range of stakeholders, including the community sector, financial institutions, philanthropists and states and territories. It will see the Commonwealth collaborate on specific, innovative projects to deliver measurable outcomes for communities experiencing disadvantage.

Beyond feedback in the policy process, stakeholder engagement also provides valuable qualitative data that can complement quantitative analyses.

For example, Treasury undertakes a stakeholder liaison program to inform macroeconomic forecasts.

This program seeks stakeholder views about the economic outlook and underlying trends.

Insights from stakeholder liaison were especially valuable throughout the COVID-19 period.

The consistent flow of information to the Treasury from the banking sector for example, was crucial in understanding the financial circumstances of those most affected by health restrictions.

The review into the Reserve Bank of Australia emphasised the importance of stakeholder engagement for Reserve Bank Board members.

It has been a pleasure to visit some businesses while on my short visit to Adelaide and I am especially grateful to my fellow board member Carolyn Hewson in developing our program and undertaking the meetings.

Moreover, we are incredibly grateful for the time businesses have given us.

Data analysis

Data analysis – as a source of evidence – has been transformed in recent years. Improved computing power and improved access to data have revolutionised our ability to derive insights from large and complex datasets.

By way of example of this transformative power, in 1993 when I joined the Australian Bureau of Statistics, I could have easily spent a day generating a table of data from the Census, and I would have had to sit in person at the ABS building to run the program on a mainframe. And sadly, I would likely have made small errors in the code and been required to run the request a number of times.

Today, the same table can be generated in seconds sitting at a computer anywhere in Australia.

Reflecting that, the public release of data from the 1991 Census had a few hundred tables, whereas the 2021 Census release had more than 2.5 million.

And the datasets that are now available go well beyond the Census.

For example, the ABS's longitudinal, linked data assets, including the Person Level Integrated Data Asset (PLIDA) and the Business Longitudinal Analysis Data Environment (BLADE), enable comprehensive analysis of economic, social, and health outcomes over time.

These data assets link information from administrative sources and surveys, providing a rich resource for policy analysis and evaluation.

For example, using the data from the Australian Taxation Office's Single Touch Payroll system – which streamlines employers' reporting to government agencies – we can follow over 10 million Australian jobs from one year to the next.

And by linking that to other data holdings we can see how people's careers evolve according to the fortunes of their firm, and across key life events such as leaving university or becoming a parent.[4]

Analysing these datasets can help us gain a deeper understanding of the factors driving social and economic outcomes and design more targeted and effective interventions.

---

[4] See Treasury Working Papers: Andrews, D., Deutscher, N., Hambur, J. and Hansell, D. (2019) 'Wage growth in Australia: Lessons from longitudinal microdata'; Andrews, D., Deutscher, N., Hambur, J. and Hansell, D. (2020) 'The career effects of labour market conditions at entry'; and Bahar, E., Bradshaw, N., Deutscher, N. and Montaigne, M. (2023) 'Children and the gender earnings gap: evidence for Australia'.

Currently there are around 350 active research projects accessing ABS-hosted integrated data assets in the ABS DataLab.

In his recent speech at the University of Oxford's Health Economics Research Centre Australian Statistician Dr David Gruen AO outlined projects that have utilised the data.[5]

One example was the use of PLIDA and the Australian Immunisation Register to identify groups with low-vaccine uptake who speak languages other than English. Using this data the Department of Health and Aged Care generated evidence on take-up rates that helped inform better targeted and more timely communication campaigns, digital translations, and community outreach activities to lift vaccination rates.

An additional benefit of these data assets, especially as they mature, is that we are better placed to assess whether programs are having their intended effects even where those benefits may sit outside traditional economic data or may be realised well into the future.

For example, economic research has increasingly shifted from a focus on the work disincentives of means-tested transfers to consider their broader benefits.

A clear example of this is Anna Aizer et al (2022), who focus on the major safety net programs for children in the United States. That work highlighted how economic analysis of social safety nets has traditionally focused on behavioural responses – such as, work disincentives – which in turn became the focus of policymakers. However, better access to linked data has opened the door to examine the *long-run benefits* of such programs to children – such as educational attainment, and earnings in adulthood. This research highlights that once these longer-term benefits are considered many safety net programs are cost-effective, even if there are shorter-term costs and issues.[6]

---

[5] Gruen D. (2024) *Data linkage and integration to improve the evidence base for public policy: lessons from Australia*, Address to the Health Economics Research Centre, Nuffield Department of Population Health University of Oxford, United Kingdom, abs.gov.au/about/our-organisation/australian-statistician/speeches/data-linkage-and-integration-improve-evidence-base-public-policy-lessons-australia, accessed August 2024.
[6] Aizer, A., Hoynes, H. and Lleras-Muney, A. (2022) 'Children and the US Social Safety Net: Balancing Disincentives for Adults and Benefits for Children', *The Journal of Economic Perspectives*, 36(2), 149–174.

Access to such data, and improved analysis of costs and longer-term benefits is likely to change the way policymakers view and design a range of social programs, including health, disability and support for people facing unemployment.

Better use of our data assets also has the potential to improve our regulatory systems – ensuring regulation is fit for purpose.

A good example of this is the proposed arrangements for merger reform.[7]

The current model for regulating mergers relies on voluntary notification and the ACCC winning court cases. This 'enforcement' based system is costly, but also likely results in too many anti-competitive mergers getting through.

The proposed merger reforms include provisions for an 'administrative model' built around evidence of harms. The ACCC will have enhanced powers to identify and stop mergers that are likely to substantially lessen competition but will also have new responsibilities to act transparently, process all other merger notifications quickly, while always relying on evidence of economic impacts.

Under these new arrangements, most mergers will not need to notify, except for those that cross thresholds set to capture the small set of mergers the ACCC has previously identified as potentially imposing anti-competitive harms on the community.

A very small number of mergers below the thresholds will still pose risks to the community and the ACCC will need different data sources to ensure these are not missed.

Another example of the data analysis enhancing competition analysis is the work undertaken by Treasury's Competition Taskforce in collaboration with the Department of Infrastructure, Transport, Regional Development, Communications and the Arts on the Aviation White Paper.

---

[7] A consultation paper on the reforms to merger rules and processes was released today. See the Australian Government The Treasury (2024) 'Reforming mergers and acquisitions – notification thresholds', https://treasury.gov.au/consultation/c2024-562395.

This work has developed a detailed evidence base on how aviation competition has evolved over time and its impact on consumer welfare. The analysis shows, in detail, that the presence of an additional airline on a route leads to airfares that are 5 to 10 per cent lower, falling further with each additional airline on the route. Not only is there a level effect, but increasing competition can also lower price growth. Both are novel results for the Australian market.[8]

Data analysis can also help us better understand challenges within our organisations.

One of Treasury's current Sir Roland Wilson Foundation Scholars, Nu Nu Win, along with her co-authors examined promotion prospects across the Australian Public Service. Using employment data they find promotion prospects of women, staff with a disability, Indigenous staff, and staff of non-English speaking background in the Australian Public Service were lower compared to other staff with similar skills, experience, education and other attributes.[9]

Nu Nu's research has helped drive initiatives, such as the APSC's *Culturally and Linguistically Diverse Employment Strategy and Action Plan*, which will help ensure we have a diverse public service that can best serve the needs of modern Australia.[10]

There are many more examples that highlight the significant role data can play at all stages of the policy process, including using experiments and quasi-experiments.

Randomised trials

Where randomised trials are feasible, well-designed, and complemented by other evidence, they are one of our best means of generating high-quality evidence about causal relationships.

---

[8] Majeed, O., Breunig, R. and Domazet, A. (2024) 'How competition impacts prices: The Australian aviation sector', Treasury Working Paper, https://treasury.gov.au/publication/p2024-553588, accessed August 2024.

[9] Breunig, R., Hansell, D. and Win, N. (2023) 'Modelling Australian Public Service Careers', IZA Discussion Paper No. 16549.

[10] Australian Public Service Commission (2024) *APS Culturally and Linguistically Diverse Employment Strategy and Action Plan,* https://www.apsc.gov.au/publication/aps-culturally-and-linguistically-diverse-employment-strategy-and-action-plan, accessed August 2024.

We have seen some powerful examples where improving the quality of evaluation through trials has allowed governments and service delivery agencies to save money and make better calls about where to invest.

A famous example in the field of international development is the conditional cash transfer payment introduced in Mexico in the late 1990s, known at the time as PROGRESA. Fearing that the program may not survive a change of government, the Mexican government subjected the program to a randomised trial. The credible evidence of PROGRESA's success supported its continuation for the next two decades (albeit under different names). It also led to the adoption, and further testing, of cash transfer programs in many other countries around the world.[11]

But high-quality trials are not only seen overseas – we have a remarkable example of sustained evidence-informed policy making here in Australia.

Starting in the mid-1990s, a series of 4 groundbreaking randomised trials in Canberra tested the impact of restorative justice as a diversion from the standard court system. These tests compared the many consequences of crime and justice for victims and offenders randomly assigned to have cases prosecuted in court or diverted to a restorative justice conference.

Across experiments, victims and offenders who went through the restorative justice conferences had higher perceptions of procedural fairness than those who went to court. And for violent juvenile offenders, recidivism rates were substantially lower among those who were diverted into restorative justice conferences than the usual court process. However, reoffending was similar in the other 3 trials, suggesting that the effectiveness restorative justice may be dependent on the type of crime or offender.[12]

---

[11] See Banerjee, A. and Duflo, E. (2012) 'Poor Economics: A Radical Rethinking of the Way to Fight Global Poverty' *PublicAffairs*; and Schultz, P. (2004) 'School subsidies for the poor: evaluating the Mexican Progresa Poverty Program', *Journal of Development Economics*, 74(1) pp 199-250.

[12] Sherman, L., Strang, H. and Woods, D. (2000) *Recidivism patterns in Canberra reintegrative shaming experiments (RISE)*, Canberra, Australia: Australian National University, Research School of Social Sciences, Centre for Restorative Justice, https://webarchive.nla.gov.au/awa/20171112233316/http://www.aic.gov.au/criminal_justice_system/rjustice/rise/recidivism.html, accessed August 2024.

The Canberra trials inspired further research, across 8 trials, in the United Kingdom. These found a 27 per cent reduction in reoffending for offenders who received restorative justice *in addition to* normal justice processing.[13]

The accumulated evidence from these trials led to the adoption of restorative justice in the ACT and in most other Australian jurisdictions, predominantly for juvenile offenders. In addition, these trials remain an important source of evidence for policymakers in other parts of Australia and the world.[14]

These examples demonstrate how well-designed experimental studies can build a better evidence base for future decisions. Importantly, as Assistant Minister Andrew Leigh has outlined, randomised trials don't need to be expensive, complicated or time consuming. And there are many examples of practical trials in government that take less than a year and don't cost millions of dollars to deliver. [15]

Forecasting and modelling

Our economic models have a key role to play in bolstering the evidence base we can draw upon.

Tyler, T., Lawrence S., Heather S., Barnes, G. and Woods, D. (2007) 'Reintegrative shaming, procedural justice, and recidivism: The engagement of offenders' psychological mechanisms in the Canberra RISE drinking-and-driving experiment', *Law & Society Review* 41(3), pp553–585, https://openresearch-repository.anu.edu.au/items/f85fbf6e-3aa5-48df-9dda-e33384498e92, accessed August 2024.

Strang, H, Sherman, L, Woods, D. and Barnes, G. (2011) *Experiments in Restorative Policing: Final Report on the Canberra Reintegrative Shaming Experiments*. Canberra: Regulatory Institutions Network https://webarchive.nla.gov.au/awa/20140212001916/http://www.aic.gov.au/criminal_justice_system/rjustice/rise/final.html, accessed August 2024.

[13] Strang, H. (2017) 'Experiments in restorative justice' in Drahos, P. *Regulatory Theory: Foundations and Applications* (Chapter 28, see especially pp 493-94). https://press-files.anu.edu.au/downloads/press/n2304/pdf/ch28.pdf, accessed August 2024.

[14] Further insights about crime and justice will become available with the development of the Criminal Justice Data Asset, which combines data from the 8 states and territories on criminal offenders from police records, criminal courts, and the corrective services systems.

[15] It is also worth noting despite the benefits of randomised trials in understanding what works, concerns are often raised about ensuring trials are conducted ethically – if we think a policy is effective, how can we toss a coin to decide who receives it? However, we often don't know whether our social policies will be effective – and here we can learn from the medical research profession and recognise that if we don't evaluate with a treatment group, we are effectively extending the policy to everyone without rigorously testing it. Leigh A. (2010) 'Evidence-Based policy: summon the randomistas?', *Strengthening evidence-based policy in the Australian Federation: Roundtable proceedings*, vol. 1, pp. 215–226. Canberra, ACT, Australia: Productivity Commission.

They can help us understand what the economic outlook may look like in the coming months and years, and how some of our key macroeconomic indicators might fare.

They can help test which set of alternative policies is most likely to achieve the desired objective, and the distributional impacts of these across individuals, households, communities and businesses.

And they can help us understand the risks and opportunities that climate change presents.

Our models have become increasingly sophisticated, drawing in more complex relationships underpinned by richer data sources, faster computing power and software packages.

Over the past 18 months, reflecting an investment from the Australian Government, Treasury has built up new capability in climate modelling to better understand both transition risks and opportunities, and the physical impacts of climate change which are becoming more prevalent.

Our new capability allows projections of impacts to be made at the global and national levels, as well as within specific sectors of the Australian economy.

We have used this modelling capability to provide new insights into the physical impacts of climate change, which were included in the *2023 Intergenerational Report* – the first Australian Government analysis to do so since the seminal Garnaut Review to government in 2008.

We have enhanced our whole-of-economy model frameworks, improving our computable general equilibrium modelling by allowing for economic agents who make decisions that incorporate expectations about the future – rather than looking backwards.[16]

This allows for a more realistic depiction of business decisions, particularly in relation to technology adoption as we transition to net zero.

---

[16] Carlton F., Gustafsson L., Hinson M., Jaensch J., Kouparitsas M., Peat N., Quach K., Wende S. and Womack P. (2023) *Modelling Industry Specific Policy with TIM: Treasury's multi-sector dynamic general equilibrium model of the Australian Economy*, Treasury Technical Paper, August 2023.

The impact of climate change on industries, communities and regions is – and will remain into the future – highly heterogeneous.

We can allow for this within our frameworks by drawing on highly granular Australian data on physical climate risks and aggregating this within a general equilibrium model to produce economy-wide estimates.[17]

Features of an evidence driven policy environment

Established practices and procedures, entrenched interests, and risk aversion contribute to the persistence of outdated or ineffective policies.

Overcoming this inertia requires a concerted effort to promote a culture of continuous improvement and learning.

Using examples from the Australian Public Service, I will outline 5 ingredients that can help ensure high-quality evidence routinely informs government policy decisions.

1. Ensuring evidence is of high quality

I am not going to talk about quality standards for all forms of evidence.

Instead, I want to emphasise one area – the quality of impact evaluation evidence. This evidence can establish convincing claims about the cause-effect relationship of programs on their intended outcomes.

The Australian Government announced the establishment of the Australian Centre for Evaluation (ACE) within Treasury in the 2023–24 Budget. ACE aims to expand the quality, volume, and use of evaluation across the Australian Public Service.

One way in which the centre operates is through partnerships with departments.

---

[17] However, a note of caution before we become too enamoured with our sophisticated models. It is worth remembering what the British statistician George Box said, '[t]he most that can be expected from any model is that it can supply a useful approximation to reality: All models are wrong; some models are useful'. Box, G.E., Hunter, W.G. and Hunter, J.S. (2005) *Statistics for Experimenters*, 2nd Edition, Wiley, New York.

To date, agreements have been forged with the Departments of Employment and Workplace Relations, Health and Aged Care, Social Services and most recently, Education.

Importantly, improving the quality of evidence should also look across many high quality evaluations of impact.

This can give us more confidence in the effect and more information about whether a program is likely to work in a particular place and time.

Systematic reviews or meta-analysis that synthesise evidence from several studies are often considered the most reliable forms of evidence.

One model of how to do evidence synthesis is the Australian Living Evidence Collaboration's 'living guidelines' for medical care. These guidelines are syntheses of relevant studies that are rapidly updated when new evidence becomes available to help researchers and clinicians stay up to date with best practice.

Not all randomised trials provide equally robust evidence though, and it is important to keep this in mind when doing evidence synthesis.

The GRADE framework can be used to rate individual studies on a scale of how confident users should be that the findings are correct, from very low to high.[18]

There are tools for rating evidence synthesis as well. The AMSTAR checklist for rating systematic reviews can help determine which evidence synthesis should be trusted, and which should not.[19]

2. Building a culture that values evidence

Ideally, using high quality evidence should become part of the way policy is delivered, and decisions are made.

---

[18] GRADE is short for 'Grading of Recommendations, Assessment, Development, and Evaluations'. For more information see https://bestpractice.bmj.com/info/us/toolkit/learn-ebm/what-is-grade/, accessed August 2024.

[19] AMSTAR is short for 'A MeaSurement Tool to Assess systematic Reviews'. For more information, see https://www.bmj.com/content/358/bmj.j4008, accessed August 2024.

Building such a culture requires action on several fronts, including:

- *people* who are curious

- *organisations* that value experimentation and learning, and

- *support systems* that ensure evaluation, monitoring, and expert analysis.

The Australian Public Sector Commission's Professions model – which focuses on the attraction, development, retention and deployment of specialist capability in the public service – is an example of such a support system.

The model has developed strong networks for the data, digital and HR professions across the Australian Public Service. A new Evaluation Profession will be launched in partnership with the Australian Centre for Evaluation later this year.

3. Ensuring our institutions value high-quality evidence

Trust in public institutions is critical for a thriving democracy. Building trust requires transparency and openness in decision making – including the evidence used to support decisions.

We are fortunate in the Australian Public Service to have several well established and respected evidence institutions.[20]

The Australian Government is also contributing to the international evidence infrastructure. Treasury recently coordinated the Australian Government's input to a Blueprint for Internation Collaboration on Evidence in partnership with the governments of the United

---

[20] Areas of government dedicated to evidence, such as:
- those providing access to data, data analysis and research (including the Australian Bureau of Statistics, Australian Institute of Health and Welfare, Australian Institute of Family Studies and Australian Bureau of Agricultural and Resource Economics and Sciences), those providing enabling services and oversight (including the Office of Impact Analysis and the Australian Centre for Evaluation), independent analytical bodies (such as the Productivity Commission and Parliamentary Budget Office) and those that support research funding (such as the Office of The Chief Scientist and Australian Research Council).
 - Arrangements that require evidence to be embedded into the Budget Process Operational Rules and the Australian Government Guide to Policy Impact Analysis.
 - Communities and professions, including data and digital professions, and the evaluation and economics community of practices.
 - And last, bespoke initiatives such as the Australian Public Service Commission's Trust in Government Survey.

Kingdom, United States and Canada. This blueprint aims to reduce duplication of effort in generating evidence and is due to be launched at the Global Evidence Summit in Prague in the coming weeks.

4. Providing access to data and investing in IT infrastructure

In addition to our institutional assets, the Australian public sector is increasingly benefitting from high quality data assets and supportive IT infrastructure.

But we still need to think carefully about what we need to measure to properly understand the impact of our policy and programs.

Collecting and accessing the right data is critical. Where we focus on the wrong metrics, or don't acknowledge their limitations, they can lead us down the wrong path – what we measure affects what we do.

The 2009 Stiglitz-Sen-Fitoussi Report stressed that progress is more than increases in income, wealth, or production.[21] However, a broader focus on defining and measuring progress has remained a challenge.

Traditional indicators of progress such as GDP have long been the focus of public debate and remain a vital part of measuring progress. However, these metrics are not holistic, and they fail to capture the many ways through which society and living standards progress over time.

Treasury led the development of the Government's *Measuring What Matters* Statement – the first iteration of Australia's national wellbeing framework and last Friday the ABS released the second dashboard.[22]

The Measuring What Matters Wellbeing Framework enables the government to measure a broad range of indicators that together encapsulate the lived experience of Australians over time.

---

[21] Stiglitz, J., Sen, A. and Fitoussi, J. (2009) 'The measurement of economic performance and social progress revisited: Reflections and Overview', SciencesPo Publications 2009-33, *SciencesPo*.
[22] See abs.gov.au/statistics/measuring-what-matters, accessed August 2024.

Not surprisingly, the first report illustrates the challenges in obtaining up-to-date data. This is part of the journey to show where we need better data sources and encourage a more open, holistic, and informed debate.

5. Building capability and networks

It's important to ensure the public service has the capabilities and networks to drive better evidence generation – including engagement with experts from outside the public service.

Here it would be remiss of me not to discuss the critical role of researchers and academics.

Academics, researchers, and think tanks are a crucial part of evidence-informed policy debate.

Often at the forefront of specialist subject matter and methodological techniques, they can help challenge and push our knowledge further – and provide an important platform where ideas can be contested openly.

The role of our academic community cannot be understated in helping solve some of our biggest policy challenges.

Researchers and academics play a key role in training and capacity-building, equipping policymakers and practitioners with specialist expertise and knowledge.

Collaboration among researchers and policymakers is essential to ensure evidence is relevant, timely, and applicable to policy deliberations.

Within Treasury, we are always looking for opportunities to increase our engagement with academics and experts.

We look for opportunities to bring academics in house, including through our Treasury Research Fellowship program, we look at opportunities to partner on work, for example through the Competition Review.

We actively encourage staff to participate in workshops and conferences, and expose our own work to scrutiny, including the Australian Conference of Economists, which was hosted here in Adelaide earlier this year.

Earlier this year, the ACE in partnership with the Australian Education Research Organisation, launched a new *Impact Evaluation Practitioners Network* to bring government and external impact evaluators together.

Conclusion

In my opening remarks I noted the importance of trust in the policy making process in underpinning our democracy and economic and social outcomes.

In the face of major environmental, demographic, geopolitical and technological challenges, evidence-informed policy making will be critical to maintaining trust in government and the market economy.

And importantly we are better placed than ever to develop this evidence with new data sets and much enhanced computing power.

However, to rebuild trust we must also be humble. We need to be humble about what we know, and what we don't know, acknowledge the limitations of our evidence, and acknowledge that evidence evolves, and we learn more as we go.

It is worth remembering that it was conventional wisdom that a higher minimum wage resulted in fewer jobs – then in 1994, economists David Card and Alan Krueger used a natural experiment to show that, in the real world, this does not always happen. Since their groundbreaking work, a significant body of literature has largely confirmed these findings.[23]

An example closer to home was the 'obsession' by policymakers, in particular the Treasury and the RBA, with the Current Account Deficit (CAD) in the 1980s and early 1990s. Policies were repeatedly framed around reducing the CAD and the twin deficits hypothesis, despite the cogent 'consenting adults' arguments led by John Pitchford, Max Corden and Tony Makin.

---

[23] Dustmann, C., Lindner, A., Schönberg, U., Umkehrer, M., and vom Berge, P. (2022) Reallocation Effects of the Minimum Wage, *The Quarterly Journal of Economics*, 137:1, pp267–328; Cengiz, D., Dube, A., Lindner, A. and Zipperer, B. (2019) 'The Effect of Minimum Wages on Low-Wage Jobs', *The Quarterly Journal of Economics*, 134:3, pp 1405–1454; and Harasztosi, P., and Lindner, A. (2019) 'Who Pays for the Minimum Wage?', *American Economic Review*, 109 (8): 2693–2727.

As Ian Henderson points out, it took a fresh perspective from Treasury Secretary Ted Evans AC to shift this policy debate in official circles in a substantially productive direction.[24, 25]

Governments and public institutions will always need to make decisions, and these decisions should be informed by the best available evidence – when they are, citizens are more likely to trust the policy changes needed for a prosperous and inclusive society.

Even more importantly, they are more likely to trust the policy process if it is undertaken in an open and evidence driven manner, because when it turns out we were wrong, they will accept the reasonableness of being wrong on some occasions.

Perhaps the poet W.H. Auden put it best when he said, 'We may not know very much, but we do know something, and while we must be prepared to change our minds, we must act as best we can in the light of what we do know'.[26]

---

[24] Henderson, I. (2001) 'Ted Evans to the Rescue', *Agenda – A Journal of Policy Analysis and Reform*, vol. 8(3), pp 277-288.

[25] Reserve Bank of Australia Deputy Governor John Phillips was also instrumental in shifting the policy debate, see Gruen, D. and Stevens, G. (2000) 'Australian Macroeconomic Performances and Policies in the 1990s' in Gruen, D. and Shrestha, S. (ed.), *The Australian Economy in the 1990s*, Reserve Bank of Australia, pp 32-72.

[26] I have taken inspiration from Assistant Minister Andrew Leigh who has drawn on this quote in Leigh, A. (2018) *Randomistas: How Radical Researchers Changed Our World*, launch speech, https://www.andrewleigh.com/launch_speech_randomistas_how_radical_researchers_changed_our_world, accessed August 2024; and Leigh, A. (2024) 'Evidence-based development', Address to the Asian Development Bank Institute Research Conference, Manila, Philippines, https://ministers.treasury.gov.au/ministers/andrew-leigh-2022/speeches/address-asian-development-bank-institute-research-conference, accessed August 2024.