

REFORMING THE STATE SECTOR

Building a new public sector architecture

With a proposal to review the State Sector Act currently before parliament and a public consultation process underway, CARL BILLINGTON explores the thinking behind the proposed reforms and the implications this has for the public sector.

A brief history

The framework for New Zealand's current public service administration dates back to 1912, with the Public Service Act – framed as an antidote to government interference in public service employment and personnel matters.

The Public Service Act aimed to create an environment that enabled New Zealand to build a “non-political, unified, career Public Service”.¹ The Act introduced clearer authority structures and brought leadership and employment matters under the responsibility of a Public Service Commissioner.

This laid the framework for a professionally run and politically neutral public service. The introduction of the State Sector Act in 1988 provided the next step by introducing a greater focus on accountability.

Through the State Sector Act, the Crown Entities Act, the Public Finance Act, and the various amendments that followed, the reforms of the 1980s and 1990s brought much greater public visibility and accountability to public sector organisations. However, by focusing public agencies on their individual objectives and responsibilities, it led to a highly segmented and siloed public service.

This lack of integration and flexibility is the key target for the proposed reforms.

Taking the next step

“A lot has changed in the last three decades, and we need to look further ahead than the next four years. This is about putting our system on a more enduring, dynamic footing that can provide a foundation for the next 30 years,” Chris Hipkins, Minister of State Services, explains.

“It’s not about romanticising the past or demonising the present. We have a darn good system, one to be proud of – but you can also see it straining at the edges.



Chris Hipkins

“This process is about asking what kind of public service we want for New Zealand and positioning our system more flexibly to ensure we can continue to deliver the services and support New Zealanders expect,” Hipkins adds.

“While the State Services Act and the Public Finance Act represented a necessary shift from a focus on inputs to one of outputs, the shift we really need to make in the system now is to one that’s built around outcomes.”

To help prompt that shift, Hipkins introduced the State Sector and Crown Entities Reform Bill earlier this year and has now introduced a proposal to review the State Sector Act.

What the reforms aim to achieve

“The world has changed dramatically in the last 30 years, but the legislation that frames the public sector hasn’t,” Hipkins explains.

“By now we have a really good handle on what’s working well and what isn’t. We need a much more joined-up public sector – particularly in our interactions with customers.

“The accountability within the system is now working really well when it comes to measuring outputs like the services and products we deliver. However, it starts to strain when you ask it to measure outcomes. There are some really big things we need to achieve as a country, and successfully tackling some of those issues requires a joined-up effort. Having the system in place to enable this is critical.

“Our citizens want it, and our frontline staff are definitely up for it, but the legislative framework the sector is built on isn’t,” Hipkins adds.

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For Hipkins, this is much more than a small conceptual shift or some form of internal housekeeping exercise for the public sector – it has real-world impacts that will directly affect, and potentially improve, the daily lives of New Zealanders.

“When I first became an MP, I constantly heard from people going through our citizenship process who literally had to go in to the Immigration Office and have a whole lot of forms printed out that they then had to walk over to hand in at DIA. It drives people mad – why can’t they submit everything in one place and then we sort it out?” Hipkins recalls.

“With the advent of the digital age, expectations are even higher. People should be able to just provide the information in one place and it’s shared with the rest.

“One area where we have achieved this is the online ‘birth portal’ where you can register the birth of a child, request a birth



¹ Report of the Royal Commission of Inquiry on the State Services in New Zealand 1962, P N Holloway (known as the McCarthy Report)

certificate and IRD number, and inform MSD if required – all in one place.

“We’ve made it work, but it requires a lot of manual effort behind the scenes to make it happen. What I’m interested in is how we build that sort of integration and connectedness into the system.

“The ‘no wrong door’ idea has been a great catchphrase. Now we need to put that into practice and enable and embed it within the framework of our system. That’s what these reforms are about,” Hipkins adds.

“It’s about seeing those sorts of services operating in a joined-up way and being able to reconfigure ourselves around the best way to meet citizens’ needs.”

Westminster Lego?

Hipkins points to the United Kingdom’s Westminster system, which ours draws its roots from, as a much more flexible way of structuring the sector.

“The public service for the United Kingdom is much more pliable than ours, with a built-in ability to reconfigure and rearrange people and teams to create the capability and capacity they need, where they need it.

“In his autobiography, former British MP Ed Balls describes how he became the Minister for Education and Children and overnight a new department was established. To do something like that in New Zealand would require a whole suite of restructures and disruption,” Hipkins adds.

“I’ve said before that their system is more like a set of Lego blocks that can be rearranged and reconnected as required. Ours isn’t like that, but it needs to be.”

“It’s not just a question of updating the Act; it’s not a matter of tinkering. We’re trying to operate under the architecture that was built in the 80s and 90s. It was crucial at the time, but it’s outlived its usefulness now and needs to be overhauled.”

For Hipkins, this reform is about creating greater flexibility, consistency, and cohesion in the underlying framework of our public sector. “It’s about overcoming the systemic silos and using the right organising structures to enable the right outcomes. We need to be able to employ the right option for the right task, and we need greater flexibility in the range of legislative options we have available to us,” Hipkins explains.

Not a big bang

“I don’t see this as a big-bang change. I also don’t see it as a hugely political exercise. It’s a modernisation exercise that aims to establish a more enabling framework that will put our system on a more enduring path for the next 30 years – regardless of the government of the day.

“We’re after a long-term, enduring shift that we plan to implement in many small ways over time. Taking a more considered

approach allows us to avoid disruption and to test the strengths and weaknesses of different ideas before we implement them.

“We’re working closely with Grant Robertson’s review of the Public Finance Act and the introduction of the Wellbeing Budget. We’re also talking with the previous government, so everyone is in the loop. I’d like to think we could manage this as a cross-party initiative.”

Does it go far enough?

Bob Gregory, Emeritus Professor at the Victoria University of Wellington School of Government, welcomes the proposed reform but contends we need to go further.

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Bob Gregory

For Gregory, it’s not just the legislative structures themselves that need revisiting but also the paradigms and ways of thinking they embody.

“One of the things you can see with the reforms of the 80s and 90s is that they were essentially written by economists – they embody a narrow theory as to how public organisations should operate that is based on economic assumptions,” Gregory explains.

“That body of theory was useful at the time, but it’s also limited, and we haven’t yet gone back to revisit the theoretical framework behind the legislation.

“You’re always in the business of balancing trade-offs between different approaches and values – prioritising between efficiency, economy, effectiveness, equity, and humanity. That’s just the nature of the business,” Gregory adds.

“I’d suggest we might need to start emphasising some of those other values a bit more. We’ve certainly given efficiency a fair crack.”

Unintended consequences

Gregory recognises both the necessity and the value of the approach that was taken at the time but highlights some of the legacy challenges it’s left us with.

“It was a good initial step. It forced government departments to focus on their knitting and be more accountable for what they were set up to do and the outputs they produced. That was really important; many of them hadn’t done that before.

“The challenges began when we started to

ask how all those outputs contributed to the broader policy outcomes we’re seeking. Chief executives were held accountable for their ability to produce specific departmental outputs, so that’s what they did. What we eventually learned was that the basic structure of the system was fragmentation,” Gregory explains.

“It was a step forward at the time, but it’s become a significant barrier now.”

Asked whether legislative reform is the way to achieve these changes, Gregory responds: “It’s part of it, but it’s not the full story. It’s also cultural and attitudinal. Legislation itself doesn’t drive change, but it creates the space within which change can happen. Currently our legislation limits that change by driving our silos.

“Legislation should embody and manifest the key values and aspirations New Zealand wants for its future. I think it’s very, very important that we protect and promote the essential values of public service in this country.

“The public sector needs to maintain its status as a politically independent, politically neutral institution, displaying zero tolerance of corruption. That needs to be embedded in law so that key conventions like political neutrality and free and frank advice are preserved. The Treaty of Waitangi also needs to be kept front and centre in this as well,” Gregory adds.

“With so many public servants making so many micro-decisions that affect people’s lives, if we’re not really clear about our shared values, and if we fail to build them into our structures, we risk embedding institutional biases and prejudice that can unconsciously disadvantage different citizens and communities against others.

“It’s about getting really clear on the type of society we want in New Zealand and how our state sector should reflect the values we think are important for a fair and humane society. I think we’ve lost some of that in the last 20 or 30 years.”

Managing our evolution

For Peter Hughes, the State Services Commissioner, this is simply the next stage in the evolution of our public management system. Reflecting on the trajectory of the public service to date, Hughes sees three key steps being taken.

“When I came into the public service in the 1980s, it was a classic Weberian bureaucracy. Even so, it was a huge advance on the prior system of patronage and corruption where politicians simply gave key roles to friends and family members.

“The Public Service Act brought a much needed degree of structure and order, due process, and an equity of treatment that many countries around the world still don’t have. However, it lacked accountability.”

That led to the reforms of the 1980s and 1990s, which Hughes describes as the next evolutionary step – transitioning from a bureaucratic model to an output-focused managerial model.

“That was a huge advance. It freed the system up and unlocked the human talent in the system, releasing innovation and creativity, and it gave us a focus on clients, products, and services,” Hughes explains.

“It’s easy to forget that, when we did this, New Zealand led the world. As we began to shift away from the bureaucratic model, there were lots of people telling us it couldn’t work.

“The public sector needs to maintain its status as a politically independent, politically neutral institution, displaying zero tolerance of corruption. That needs to be embedded in law so that key conventions like political neutrality and free and frank advice are preserved. The Treaty of Waitangi also needs to be kept front and centre in this as well.”

“Despite that, under the old bureaucratic model, it took six weeks to grant someone an unemployment benefit. With this new managerial model, we got to the point where you could walk in with your application and walk out with confirmation the same day.

“This was a giant step forward, but it wasn’t joined up. Today people need government to deliver more than just products and services. They want us to help solve some really complex problems and help make their lives better. This requires a level of connectedness and flexibility that our system just doesn’t enable,” Hughes adds.

Reconnecting with our core

Ultimately for Hughes, this is about much more than just a rewrite of the legislation – it’s about recapturing and reconnecting with the core essence of public service.

“In terms of the public sector as a whole, we’re trying to do three key things. Firstly, reconnecting with the ‘spirit of service’ that’s referred to in the Act – recapturing the ideal of public service. The idea that the reason we’re all here is to serve the individuals, the families, and the communities that make up New Zealand.

“It’s about bringing the best of our hearts, minds, resources, and time to the needs of others – being totally focused on the needs of the customer, the citizen. Approaching our work with humility on one hand, but proudly using our skills and experience to make the world a better place.

“We’re looking to foster this spirit of service across the entire sector and protect in legislation the key elements that enable the public service to carry out its constitutional role: political neutrality, free and frank advice, merit appointments, open government, and a sense of stewardship,” explains Hughes.

“The second aspect is joining up to deliver better outcomes and services. This aspect is perhaps the easiest to understand but the hardest to achieve. We’ve made some great progress using technology to get joined up.

Smart Start, for example, enables citizens to register birth events, with all 12 required agencies, in one go. It’s a great service, but it took a lot to get there, and we’ve already identified 17 other life events that need a similar approach.

“I’m talking with a number of chief executives on our Social Wellbeing Board at the moment, and there’s particular issues we’re looking at tackling together. We’ve been looking at ways to pool our funding and temporarily bring people together, but the current legislation prevents us. If we were the private sector, we’d simply create a joint venture, pool our resources, put a team together, and bring something to the market. This needs to change,” Hughes contends.

“The two big enablers here are data and digital. Joined-up data enables a whole view of the client, their family and whānau, and their community across each agency they deal with. Digital delivery means the information can be accessed anywhere, anytime and in almost any form. I see data as the engine of better outcomes and digital as the engine of better services.

“Finally, the third element is enabling the public service to operate as a modern, agile, and adaptive system. This is about recognising that in today’s constantly changing context, your ability to adapt is your ability to succeed.

“We need to be able to take the public service apart and put it back together again in different ways depending on the context. We need to build more interoperability across the service. Currently we have departments that manage data, digital platforms, and finances in bespoke ways that were not built to connect,” adds Hughes.

“The challenge now is that, as we move up the maturity curve, we increasingly strain against the architecture of the previous paradigm. We’ve reached the point now where we need to reset the architecture. That’s what we’re trying to do with the rewrite of the State Sector Act.

“We’re re-weighting the framework so it prioritises the system as well as the individual department. Some argue what we really need to focus on is culture and behaviour. They’re right, but we’ve reached a point where the architecture is holding us back, so we need to address that.

“We need to take the next step and design a system that makes the sort of collaboration and agility we’re talking about possible. Our job is to give our public servants a system that empowers people to make this happen and supports and rewards them when they do,” Hughes explains.

The process from here

The government’s discussion document, outlining the proposed changes and inviting feedback, was released on 4 September. You can find this on the parliament website.

We asked Peter Hughes to explain how the process would work and what would happen should the Bill successfully pass into law.

“Assuming the Bill succeeds, the day after it passes into law, nothing will change. This is not a restructure – it’s not about dismantling all the machinery of government. What we are doing is providing the tools and support to enable new possibilities so we can work the way we need to – and embedding that flexibility in our legislation,” explains Hughes.



Peter Hughes

“Those possibilities then need to be activated to make a difference. You’ll see the change take effect when someone decides they want to do a joint venture or create a joined-up initiative around another life event. None of this will mean very much upheaval at all.

“We’re still going to have government departments, with core staff and core business – but we’ll be able to align our effort and services and collaborate in ways that just haven’t been possible before,” Hughes adds.

“We need to take the next step and design a system that makes the sort of collaboration and agility we’re talking about possible. Our job is to give our public servants a system that empowers people to make this happen and supports and rewards them when they do.”

“I really think this will put New Zealand back at the leading edge internationally. I can’t think of any other country that’s done this on an end-to-end basis like we’re about to do. But we’re New Zealand. That’s what we do.”

Some likely outcomes from the reforms?

- Fewer, more streamlined crown entities?
- More flexible deployment of leaders and staff across the sector?
- More temporary cross-agency collaborative teams?
- A code of ethics for the entire public sector?
- Greater opportunities for staff-led collaboration initiatives?