From Mandarin to Valet Public Service?

State sector reform and problems of managerialism in the New Zealand public service

Abstract

Managerialism—the notion that the primary skills required to manage any specific organisation are a generic set of managerial skills—is now widespread in the New Zealand public service. Managerialism was enabled by the 1988 State Sector Act, especially that part establishing the fixed-term contracts and appointments of chief executives. The consequences have been a decline in departmental expertise and a public service which acts as a secretariat for the government of the day. Thus, New Zealand has shifted from a mandarin to a valet public service. Managerialism is identified by top appointees who lack specialist skills and sector experience, short employment durations, and the manner in which the State Services Commission has managed the reform process thus far.

Keywords managerialism, state sector reform, fixed-term chief executive contracts, valet

Managerialism is an ideology of management which has spread worldwide across the private and the public sectors. It is one of several core components of the loosely defined New Public Management model, which has been very influential in New Zealand (see Boston, 2016). Indeed, New Zealand is generally agreed to have adopted a relatively strong version of the New Public Management model, a move which was followed by few other countries.

According to managerialist ideology, the role of a manager is to organise generic inputs to produce generic outputs. Perhaps the core belief of managerialist ideology is that the tasks of coordinating organisations share strong and important generic aspects. Running a museum is pretty much the same as running a hospital, or a Ministry of Defence, or an economic agency. Hence, the task of enhancing performance of all organisations can be driven by the application of generic management notions (Klikauer, 2015, pp.1104, 1107). These generic skills are embodied in a class of people. To such a class, experience, knowledge and skills relevant to the core area of any specific organisation are nugatory, or at least secondary.
The implication of the generic skills view of coordination is that the need for managers in a particular job to possess a great deal of specific knowledge – be that knowledge technical, organisational, societal or institutional – is very limited. The consequence is that high job turnover, and low amounts of job-specific organisational expertise, of managers is not perceived as a significant problem.

Because managers often lack such forms of experience, knowledge and skills, their comparative advantages in practice lie in controlling all forms of information flows passing up and down through the hierarchy. Those who have experience, knowledge and skills are a threat to be downgraded and isolated from other information and from decision making where necessary, and eliminated where possible. Managerialism is also often 

This shift to fixed-term contracts … [has] had serious adverse consequences in terms of undermining both free and frank advice and … department[s] having a strategic policy view independent of the government of the day.

associated with unrelenting corporate restructuring, as this is one of the generic skills many managers come to possess. Managerialism, of course, thrives best in an environment where outputs and outcomes are multiple, costly to observe and considerably lag behind changes in inputs and organisational forms. Under these circumstances, accountability for decisions is notably weak. A manager acquires a reputation as an efficient ‘change manager’ for his or her restructuring – altering the coordination of inputs – regardless of whether the change has borne genuine fruit. As long as that person cleaves to the received wisdoms of the managerial class, they can move on to the next such project or organisation with no fear of owning much in the way of negative consequence on their cv.

However, the problem of managerialism is not acknowledged at any point in the State Services Commission’s discussion document provided as background to inform the ongoing process of state sector reform which commenced in 2018; indeed, the opposite. The document envisages a bigger dose of the same problematic medicine:

The performance of agencies does need core of leaders with long experience and deep knowledge in a particular role or function. However, our judgement is that to date the pendulum has swung too far in that direction and greater mobility and flexible deployment is needed for the development of system leaders. (State Services Commission, 2018, p.30)

Intriguingly, the above paragraph proposes that there has been a discernible trend in recent history towards public leaders with long experience and deep knowledge of a particular role or function which, sensibly, now needs to be balanced out by more mobility and flexibility. Many would argue that the historical trend post-1988 has been in a diametrically opposed direction. The short version of the same document also suggests that a commitment to a permanent restructuring mindset is desirable: ‘What if we could rearrange our Public Services like building blocks? Imagine how quickly and easily we could shift our people and resources to cope with changing times and needs.’

Just, indeed, imagine! This article takes the opposite view. Public services are not, even as a metaphor, generic building blocks for the commission to reconfigure at will in response to always imperfectly perceived changed times and needs. If such a vision were implemented it would likely worsen, rather than solve, the managerialism which has led to the problems identified above.

The State Sector Act 1988 changed the constitutional balance between the public sector and the executive

In comparison with other developed countries, New Zealand is recognised as having a very powerful executive branch. There are relatively weak formal checks and balances on the executive provided by the legislature or the judiciary, or by local government, which has limited powers and is legally subordinate to central government.

In these circumstances some of the necessary constraints on the powerful executive branch are thought – in theory at least – to be provided by several different supporting government institutions. The first important constraint on the executive is via the democratic will of the people, expressed over a relatively short three-year electoral term. A second major constraint is high legislated levels of transparency imposed upon the executive by the Official Information Act 1982 and the Public Finance Act 1989. The last constraint is one which is directly related to the topic of this article: a major constitutional constraint on executive power in New Zealand is the quality and professionalism of senior public
servants, including the auditor-general, the ombudsman and the state services commissioner, as well as their agencies.

Key features of the public service reforms surrounding the 1988 State Sector Act were the delegation of managerial powers to the chief executives of government departments and a redefinition of the relationship between ministers and departments. The state services commissioner was given responsibilities for making these arrangements work. Of particular importance were the protection of ministerial decision-making rights, and the professional independence of policy advice and management of the department.

In ensuring that these arrangements were not undermined by inappropriate politicisation, attention was given to the arrangements for selecting and appointing chief executives. In the 1988 act and prior legislation there were apparent safeguards against the politicisation of the management of the public service. A major shift, however, was embodied in section 38(1) of the State Sector Act. Here the act changed the employment relationship from permanent employment of chief executives to a situation where chief executives were given a maximum employment contract of five years (in practice, contracts have ranged between three and five years, with total maximum tenure typically being eight years). The rationale for employing chief executives on radically different terms from most of their staff is somewhat opaque.

There are two places for possible political pressures in this appointments process. Prior to any search for candidates, ministers confer with the state services commissioner about the skills required for each chief executive position. The commissioner then hires on the basis of criteria developed not for the long term but by (and for) the minister of the day. At the other end of the process, having made a recommendation for a chief executive, there is a further political hoop for the commission to jump through: before being signed off by the governor-general, the state services commissioner’s decision then goes through Cabinet for approval.

There is further scope for political pressures following appointment. Once chief executives are in place, ministers are consulted on their performance expectations at the start of the performance year, and at the end of the annual cycle give their feedback to the commission.

Over the years and exploiting these parts of the 1988 act, ministers have arguably slowly acquired more influence over chief executive appointments, and hence directions of public sector agencies, without any public discussion of the constitutional implications of such changes.

That greater political influence resulted from the shift to fixed-term chief executive contracts is perhaps not, in retrospect, surprising. Academics Christopher Hood and Michael Jackson were drawing the same, and in this case predictive, conclusions decades ago:

> Emphasis on term contracts for public managers weakens the impact of experience and independent advice on public policy making. … such a system can produce the conditions for ‘groupthink’ … a term-contract approach … is not likely to create the qualities of independence and dissent that are needed to provide antidotes to groupthink. (Hood and Jackson, 1992, p.121)

Reappointment is another route to politicisation. In the last few decades most governments have lasted several terms; the last three completed governments have lasted three terms. This pattern means chief executives know that there is a good chance that their term will expire, and reappointment become a prospect, under the executive wing of the government of the day.

At the same time, the independent power of departmental chief executives vis-à-vis ministers has been undermined by other consequences of managerialism. As they nimbly flit from agency to agency and job to job on their path upwards, chief executives no longer have the mana – the wisdom, knowledge and experience garnered by a long career within the agency they ultimately run – to resist the ministerial power.

To illustrate the explicit recognition of this constitutional power shift towards the executive, it is worth paying attention to a speech by Jonathan Coleman, at the time minister of state services (Coleman, 2013). As a representative of the executive, Coleman presented the New Zealand practice of having the minister sign off the ‘person specification’ to guide a chief executive appointment as a major improvement to the Westminster model because it increased ministerial influence in the senior appointment process. In his speech Coleman also extolled the virtues, from an executive perspective, of the fixed-term employment contracts for chief executives: it gets them to perform and implement directions set by ministers. Lastly, and without apparent irony, Coleman commented favourably on the political neutrality of the New Zealand public service.

This shift to fixed-term contracts, and the playing out of its implications over time, have had serious adverse consequences in terms of undermining both free and frank advice and the notion of a department having a strategic policy view independent of the government of the day. The result has been a transformation of the public service from a body with a circumscribed but important degree of independence into a secretariat for the government of the day. Indeed, largely because of this change in the nature of the employment relationship at the top, the last three decades have, arguably, seen a transition from a mandarin to a valet public service.

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Table 1: Employment durations in current job of state sector chief executives, as at 07/08/2019, N=34, years

<table>
<thead>
<tr>
<th>Mean</th>
<th>Median</th>
<th>Minimum</th>
<th>Maximum</th>
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<tbody>
<tr>
<td>2.2</td>
<td>1.9</td>
<td>0.1</td>
<td>7.2</td>
</tr>
</tbody>
</table>

Source: State Services Commission, 2019

Table 2: Employment durations in current job of state sector senior leadership teams, N=202 (excluding chief executives), years

<table>
<thead>
<tr>
<th>Mean</th>
<th>Median</th>
<th>Minimum</th>
<th>Maximum</th>
</tr>
</thead>
<tbody>
<tr>
<td>2.3</td>
<td>1.9</td>
<td>0.1</td>
<td>13.0</td>
</tr>
</tbody>
</table>

Source: State Services Commission, 2019
The system of fixed-term chief executive employment also delivers major power to shape the public service to the kingpin in the appointments process, the state services commissioner. With more than 30 departmental chief executives on the books, a commissioner will be involved in more than six appointments or reappointments per year on average (sometimes more), or one every eight weeks. If in the job for eight years, he or she will likely have appointed or reappointed every other chief executive bar him or herself.

Senior appointments, specialist expertise and managerialism

With the arrival of fixed-term chief executive appointments and the growth of ministerial influence over the process, a further pattern has been the significant number of senior appointments of people who, arguably, lack significant dimensions of sector- or institution-specific expertise. As already mentioned, this shift to inexperience has also contributed to a change in the balance of constitutional power between the public service and the executive branch.

The problem of the devaluation of deep sectoral or subject expertise, reasoned thought and informed policy advocacy in government is endemic. The devaluation of specialist expertise can be illustrated at the very top. The head of the government’s largest economic agency, the Ministry of Business, Innovation and Employment, has a background not in public policy analysis and economics but in service delivery and human resources. The most recent previous secretary to the Treasury, who left the agency and New Zealand recently under a bit of a cloud, was appointed with an extremely modest knowledge of New Zealand society, institutions and culture. While past heads of the Treasury have had postgraduate qualifications in economics (typically a doctorate), his highest qualification in economics was an undergraduate degree.

The new appointee, while bringing with her stronger economic qualifications, has virtually no knowledge of New Zealand’s society, institutions and culture.

The person running Te Papa, our national museum, is not trained in museums and heritage, but previously ran a district health board in south Auckland. Not surprisingly, he has been restructuring, the third time in five years this has happened at Te Papa, partly by sacking people with long tenure and expertise. The role of the chief archivist, the custodian of another core part of our national memory, has been reduced to a third-tier management position in the Department of Internal Affairs. The current incumbent has a background in information technology, not archives.

The most recent experience of the person recently appointed to run the Ministry for Primary Industries – a role which requires advising government on complex policy issues dealing with interactions involving agriculture, science, economics and the environment – was running the Department of Corrections. The most recent appointment to run the Ministry of Justice, while a very experienced public servant, is not a qualified lawyer.

We have a chief statistician, who recently resigned because of the bungled 2018 census, who is not a statistician. We have a chief executive of LINZ who has no background in mapping or surveying. We have had a recent Ministry of Foreign Affairs and Trade chief executive who lacked both international relations and core public service experience. We have a chief executive at Defence with no background in foreign affairs or in the military. We have a chief executive of the Ministry for the Environment with no training in science or the environment.

In addition to numerous appointees lacking what might seem to some to be necessary specialist expertise, chief executives have had limited opportunity to acquire these institutional and subject-specific skills on the job. Table 1 shows that of the 34 departmental chief executives, the average chief executive has been in his or her job for only two years. If chief executive positions are complex ones with a high degree of specificity, requiring long learning curves on the job, this short mean job duration is highly problematic.

Perhaps, while not being present at the highest level of the organisation, the institutional experience is held among other members of state sector senior leadership teams? This possibility was addressed by collecting data on that group for examination. Two hundred and thirty senior managers from matching departmental senior leadership teams were
identified by name from the respective departmental websites. Between 7 and 12 August 2019, LinkedIn and the Google search engine were used, where possible, to identify the person’s duration in the position. Twenty-eight senior managers’ current job durations were unable to be identified in the data collection process; however, data are still available on 202 of them – just over 84%. What is striking in examining the patterns in the senior leadership data, as Table 2 shows, is how similar senior leadership teams are to their chief executives on average in their job durations. They have very low mean job durations, similarly about two years. Again, these people are likely to be in complex jobs with long learning curves.

Managerialism and restructuring
Managerialism is a major force behind the endless restructurings identified as a problem by my colleagues Masashi Yui and Bob Gregory (2018). Yui and Gregory show that between 1960 and 1987, as illustrated in Figure 1, on average 3.8 government departments were restructured a year. Following the introduction of the State Sector Act, the figure has risen to 8.1 departments annually on average between 1988 and 2017. The last decade has seen 6.5 departments restructured annually on average. It is noteworthy that internal restructurings are beyond the scope of Yui and Gregory’s study, but it is almost certain that they too rose following the 1988 act.

Why so much restructuring? Lacking in specialist skills and institutional knowledge, generic managers have few tools in the kit, bar restructuring. Hence, restructuring becomes reflex. Restructuring kills valuable networks, eliminates core institutional knowledge and demoralises staff. In short, the ability to offer reasoned independent advice is eroded. Because of high interdepartmental turnover rates, often managers do not remain in their agency to allow the full fruits of their restructuring actions to be assessed. Even then, gains from restructuring are difficult to observe, making accountability a challenge.

The ad hoc restructurings identified here as a consequence of managerialism have resulted in a lack of long-tenured staff in most agencies, loss of institutional memory, and elimination of a clear pathway of promotion in one agency from hiring as a graduate to the top position. They have contributed to the systematic corrosion and devaluation of specialist advisory and delivery expertise at all levels of government.

The lack of expertise – in terms both of institutional knowledge and subject skills – among generic managers means they get little respect from their staff for having been there and done that, have little ability to provide knowledge leadership, and lack skills to perform necessary staff training and guidance. Expert knowledge on the 2019). A brief consideration of current departmental annual reports and briefings to incoming ministers, full of photographs and glossy pages but light on genuine content, and comparing them with similar reports 30 years ago, illustrates this dimension of the problem. Further research on these issues would be interesting.

The 2018 state sector reform process as an illustration of the managerialist problem
Not surprisingly, many serious problems in the public service have been reflected in the current state sector reform process as it has

The result has been a transformation of the public service from a body with a circumscribed but important degree of independence into a secretariat for the government of the day.
Table 3: Gross staff turnover rates by central agency and by state services commissioner, annual percentages, 2001–18

<table>
<thead>
<tr>
<th>Commissioner</th>
<th>Public service</th>
<th>Treasury</th>
<th>State Services Commission</th>
<th>DPMC</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wintringham, 2001–04</td>
<td>18.2</td>
<td>22.8</td>
<td>31.4</td>
<td>20.0</td>
</tr>
<tr>
<td>Prebble, 2005–08</td>
<td>20.8</td>
<td>23.0</td>
<td>33.3</td>
<td>22.4</td>
</tr>
<tr>
<td>Rennie, 2009–16</td>
<td>16.7</td>
<td>23.3</td>
<td>37.4</td>
<td>18.7</td>
</tr>
<tr>
<td>Hughes, 2017–18</td>
<td>17.0</td>
<td>28.1</td>
<td>31.8</td>
<td>23.6</td>
</tr>
</tbody>
</table>

Table 4: Declining stakeholder satisfaction with Treasury, selected indicators, 2015 and 2017

<table>
<thead>
<tr>
<th>Indicator</th>
<th>2015</th>
<th>2017</th>
</tr>
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<tbody>
<tr>
<td>Overall satisfaction with how Treasury interacts</td>
<td>63%</td>
<td>53%</td>
</tr>
<tr>
<td>Overall trust in Treasury</td>
<td>68%</td>
<td>61%</td>
</tr>
<tr>
<td>Staff were well informed</td>
<td>75%</td>
<td>66%</td>
</tr>
<tr>
<td>Overall confidence staff do a good job</td>
<td>77%</td>
<td>68%</td>
</tr>
<tr>
<td>Satisfaction with Treasury leadership role</td>
<td>48%</td>
<td>34%</td>
</tr>
<tr>
<td>Treasury challenges thinking on critical issues</td>
<td>58%</td>
<td>48%</td>
</tr>
</tbody>
</table>

Source: Treasury, 2017

institutional knowledge is likely to be critical to the success of the project.

Additionally, staff turnover has direct and indirect costs, of between 90% and 200% of gross salary (Hom et al., 2017). There are the costs of bringing a new person up to speed in an organisation, including on-the-job learning, training and extra management time. Furthermore, the morale of and engagement by those who don’t leave may decline. Then there are the considerable costs of lost built-up skills, routines and networks of those who leave.

Considering capacity to drive high-quality reform in another of the central agencies, there have been several recent trenchant criticisms of Treasury’s capacity. One commentator has recently concluded that within Treasury ‘technical expertise has declined, … technical expertise is no longer highly respected in Treasury, and … some teams in Treasury do not view analytical and quantitative skills as being important in policy work’ (Crampton, 2018). Indicators of stakeholder satisfaction with Treasury, which were already weak in 2015, have declined further in 2017 (see Table 4). The deterioration in stakeholder satisfaction has occurred despite Treasury staffing increasing significantly by 17% from 232 policy analysts in 2015 to 272 policy analysts in 2017 (State Services Commission (n.d.)).

In an environment of limited analytical capacity, the ‘once in a generation’ reform opportunity has been led by the state services commissioner. While a very experienced public servant, having worked across a range of departments, the current commissioner’s employment has largely been in agencies where the primary role was service delivery, with policy secondary (Health, Social Development and Education). His career success has most notably involved successfully managing departments mired in public controversy out of controversy, away from critical public and political attention. Unsurprisingly, given how rare such opportunities are and where the commissioner has worked, he has little background in leading analytically complex, central agency-driven structural reform. The commissioner has not yet developed a wide reputation for overcoming these limitations by surrounding himself with and listening to challenging, ideas-driven people.

The current senior leadership team at the State Services Commission is very much built in the mould of their leader. Of the eight people on it, five (including the deputy state services commissioner and the following other deputy commissioners: system and agency performance; workforce and talent management; Office of the Head of State Services; corporate services) worked for the commissioner at some point during his time as chief executive of the Ministry of Social Development between 2001 and 2011. Equally, 25%, or six (Corrections, Education Review Office, Education, Primary Industries, Social Development, Social Investment Agency) out of 24, permanent or acting chief executive appointees of the current commissioner had previously worked for him at the Ministry of Social Development. Such patterns of senior appointments raise serious questions about systemic commitments to diversity.

There is little specialist expertise to drive reform at the top of the commission. Only one of the commission’s senior leadership team has experience in a central agency other than the commission, and then as a legal officer not as a policy analyst, and none seems to have worked as a policy analyst at the commission.

The original project leader of the reform process was a previous deputy commissioner, with no central agency experience prior to his appointment. After several months running the once-in-a-generation policy project, he left to help oversee aspects of the Provincial Growth Fund. Project leadership was delegated to another ex-Ministry of Social Development employee under the commissioner’s reign there, on short-term secondment from New Zealand Customs. Following this person’s return to his seconding agency, responsibility for leading the reform project was handed to a third person, a brand new deputy commissioner. This person had no central agency policy experience before her appointment.

It is therefore unsurprising that the policy documents arising out of such a generic environment, replete with high staff churn and with leadership lacking relevant experience, proved to be so limited in terms of problem definition, grasp of the evolution of the historical institutions, and analytical depth and nuance (see Chapple, Boston and Petrie, 2018 for a discussion).
Conclusion
Managerialism seems to be widespread in the New Zealand public service, playing a significant role in transforming the public service from constrained independence with a focus on free and frank advice into, arguably, something approximating a secretariat, suitable for short-term policy implementation for the executive of the government of the day. As one public sector recruitment consultant summarised to me the message she was getting from the public service in terms of their staff needs in 2015: ‘the government wants doers, not thinkers’.

A key legislative change driving the managerialist ideology has been identified here as the shift to fixed-term employment contracts for chief executives in the 1988 act. This change enabled the associated increasing politicisation of the appointments process and the decline of a truly public service into a secretariat. The system took time to change in this direction, as those at senior levels who had internalised the norms of the old system gradually retired. Short-term contracts at the top of the pyramid have eventually bred short-termism as an organisational goal. Always keeping the minister of the day happy has become the core priority. The state sector reform initiatives from 2018 have failed to address, let alone address, this major problem.

The old public service staff training model of ‘build, not buy’ has been nearly universally abandoned for the buy-and-churn managerialist option, with the tone being set at the top. Indeed, buy-and-churn is positively celebrated with happy adjectives like ‘nimble’, ‘fleet-footed’ and ‘responsive’. In perusing material from the commission, it seems that the official view is that more buy-and-churn and more generic management is desirable.

Those in the public service who privately have concerns about the dominant managerialist ideology (and there will be some) – almost by definition those with more independent, creative and imaginative minds – keep their heads down and collect their pay, as expression of their voice will not be career-enhancing, or exit the public sector pool. Groupthink is reinforced.

Even if eliminating the worst of managerialism becomes a focus for change, it will not readily be rooted out of the public service for years, since its minions, embodying the managerialist norms, are firmly ensconced in situ among serried ranks of senior and middle management.

Acknowledgements
My title derives from a characteristically pungent description of the journey of the public service since the 1988 state sector reforms by Len Cook, formerly chief government statistician. This article draws on several other sources. The first is the 2018 submission on state sector reform I co-wrote with colleagues Jonathan Boston and Murray Petrie, with a significant input also from Alex Matheson. Alex drew our attention to the important implications of Jonathan Coleman’s 2013 speech. I have received additional comments from both Jonathan and Murray. None, however, are responsible in any way for the article. The piece also draws on my participant-observer experience as a junior and middle-level public servant at the Reserve Bank, Department of the Prime Minister and Cabinet, Department of Labour and Ministry of Social Development at various points between 1987 and 2013. I acknowledge informal conversations on the topics discussed here, too many to count, which I have had with literally dozens of current and former public servants, at all levels, from the most junior policy analysts to former chief executives. Again, they bear no responsibility for where I have taken the ideas arising from our discussions. Lastly, I thank Josh Hyslop for his very helpful research assistance.

References
Across the world, biodiversity is plummeting. The numbers are unprecedented and they are terrifying: estimates are that we are now losing species at 1,000 to 10,000 times the background or natural rate. Nowhere is the loss of biodiversity more pronounced than here in New Zealand.

Mike Joy, IGPS newsletter editorial, April 2019

In its much awaited first well-being budget, New Zealand’s coalition government missed a major trick in not making unemployment one of their central well-being priorities.

Simon Chapple, IGPS newsletter editorial, June 2019

The current tax and transfer system does not achieve the fairness and justice the Tax Working Group was asked to consider. Nor does it promote economic efficiency or environmental sustainability.”

Michael Fletcher, IGPS newsletter editorial, August 2019

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