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Editorial Note

Whereas most of the articles in the previous issue of *PQ* were on matters relating to climate change, to coincide with a conference on the topic, in this – the sixth issue of the journal – we return to our normal editorial policy of having items on a variety of subjects, in fact, five topics in all.

In the first article, Nick Matsas discusses an issue which is attracting considerable attention on the part of practitioners and academics, that is, how to achieve inter-agency collaboration in pursuit of desirable policy outcomes. In this article, the author looks at the difficulties faced when one agency is responsible for statutory provisions which are normally the responsibility of another. The case study is that of the requirement placed on the Civil Aviation Authority to administer the Health and Safety in Employment Act in regard to ‘aircraft in operation’. This complex issue raises interesting questions about the interaction of differing professional competencies, in circumstances where the expertise required to administer the purposes behind legislation is located in separate agencies, which might be at risk of working at cross-purposes.

Nick’s article is based on a research paper he wrote on the subject during his studies for the Master of Public Policy degree in the School of Government, VUW, and for which he was awarded the Holmes Prize in 2005, awarded annually by Sir Frank and Lady Nola Holmes for the best research paper or thesis on an issue of public policy or public management of importance to New Zealand. Nick himself was deeply involved in this issue as a practitioner, and his article provides an excellent example of how hands-on experience can be constructively combined with academic reflection.

The second article is also based on graduate research conducted under the aegis of the School of Government. This piece is derived from author Jo Cribb’s successful PhD thesis on how New Zealand community organisations perceive their accountability obligations when they provide goods and services under contractual arrangements with central government. In the article Jo raises questions about the utility of agency theory in shaping these relationships and suggests that stewardship theory, which acknowledges the need for mutual trust, may address what she sees as limitations of the current contracting regime. In this age of ‘out-sourcing’ with its attendant issues of accountability Jo’s article, and the thesis on which it’s based, provide very interesting insights and propositions, not all of which will sit well with those who believe in the utility of agency theory.

Mike Reid, Claudia Scott and Jeff McNeill jointly provide the third article in the issue, in which they report on and discuss strategic planning practices observed among a group of 19 New Zealand local authorities participating in a Local Futures research project funded by the Foundation for Research, Science and Technology, and based at the School of Government. The research is investigating the planning effects of the Local Government Act 2002, which requires every local authority to prepare a Long Term Council Community Plan. In this interim report the authors stress the importance of linkages among units of local and central government for effective whole-of-government approaches to policy development and service delivery, and speak of both optimism and pessimism in regard to the long-term consequences of this legislative requirement.

In the fourth contribution, Goldie Feinberg-Danieli and Zsuzsanna Lonti discuss the results of their on-going research into union and non-union wage differentials in the New Zealand Public Service. Their findings run counter to those which they say are almost uniformly found internationally: employees on collective agreements in the NZPS earn substantially less than employees on individual contracts. The authors here offer some preliminary explanations as to why this is so, but will be using multivariate analysis in seeking a clearer causal picture.

Finally, Robin Gauld discusses what he calls the ‘multi-faceted and nebulous idea’ of e-government. He offers conceptual clarification of this idea, traces its developmental phases – with reference to Britain, Australia and the United States. While accepting that the emergence of e-government is inevitable and desirable, Robin is perhaps more cautious than others are about how information and communications technology will change governmental operations in New Zealand in the years ahead.

To conclude, co-editor Jonathan Boston and I, together with the other members of *PQ*'s editorial board, welcome not only unsolicited articles for consideration for publication but also any comments that readers may wish to offer. Regarding the articles, the journal's editorial policy is summarised on the back cover of this issue.

We're always very pleased to hear from *PQ*'s readers.

Robert Gregory
Co-Editor

Implementing Cross-Cutting Policy in New Zealand: Health and Safety for Aircraft in Operation

Nick Matsas

Cross-cutting policy issues have been defined as issues ‘involving or affecting the work of more than one agency or sector’ (Review of the Centre Advisory Group, 2001). It has not always been straightforward to make progress with these types of issues, partly because of the artificial boundaries created by legislative regimes, budget vote structures, agency administrative structures and differences in professional paradigms and boundaries. One method of implementing cross-cutting policy that has been used in New Zealand is to designate an agency to administer a statute for a particular sector, where the act is normally administered by another agency. An example of this is the designation of the Civil Aviation Authority of New Zealand (CAA) to administer the Health and Safety in Employment Act 1992 (HSE Act) for ‘aircraft in operation’.

A case study by the author (Matsas, 2005) of the CAA’s implementation of the HSE Act for aircraft in operation indicates that:

- it is difficult to design a perfect implementation structure when applying law across agencies and sectors where the relevant expertise to administer the law competently and safely resides in different agencies;
- bottom-up implementation processes such as negotiation are essential to achieve cross-cutting policy objectives in the cross-cutting implementation environment;
- a skilful performance on the part of the implementing officials is essential to achieve cross-cutting policy outcomes; and
- agencies implementing cross-cutting policy need to evolve to accommodate the new policy objectives they pick up through mechanisms such as agency designation.

This article will look at the background to this policy issue, and discuss these factors in more detail.

Occupational health and safety in aviation – the policy problem and proposed solutions

The issue of occupational health and safety for transport workers has been discussed for some time. The landmark Robens Committee in the United Kingdom in the early 1970s expressed some irritation at transport workers being excluded from the terms of reference of their review of the British occupational health and safety system, because of the ‘many obvious connections between safety and health at work, public safety, transport safety and environmental pollution’. (Robens et al., 1972, p.xiv). They nevertheless noted in their conclusions that occupational health and safety and transport safety regimes should be kept separate.

In New Zealand, the 1988 Advisory Committee on Occupational Safety and Health recommended that all workers be covered by occupational health and safety legislation (ACOSH, 1988). However, due to a concurrent review of the civil aviation system and the enactment of the Civil Aviation Act 1990, crew on aircraft were excluded from both the 1989 Health and Safety at Work Bill and the Health and Safety in Employment Act 1992.

The policy problem was that although aviation safety legislation covered the safety of the aircraft, it did not give the employers of aircrew a legal duty to protect them from harm that was not directly related to the safety of the aircraft. Aviation workers’ unions were concerned that aircrew could experience poorer health and safety outcomes because of the lack of legal duties of obligation on their employers.

The government acknowledged this in 1997, in its response to a select committee inquiry into the administration of the HSE (Department of Labour, 1997). The response stated that ‘the Government notes that the basic issue is that flight attendants and other aircrew do not have the same rights and obligations as other employees in New Zealand, and that their employers do not have the same responsibilities as other employers in respect to occupational safety and health’.

Following this, the Department of Labour sought a solution to the problem. Initial options included administrative solutions and statute amendment. Administrative solutions were quickly discarded, as they had been tried unsuccessfully in the period following the commencement of the HSE Act. At that time the government requested the CAA to include occupational health and safety requirements in civil aviation rules, but did not amend the Civil Aviation Act 1990 to make such additions to the rules legal. As a result, no additions to rules were made.

The only remaining option was to amend existing law. Most of the debate between 1997 and 2001 centred on whether the Civil Aviation Act 1990 or the HSE Act should be amended, whether the Department of Labour or the Civil Aviation Authority should administer the requirements, and which agency should provide support.

The issue of expertise was also considered. The Department of Labour had expertise in occupational health and safety, but not in aviation safety. Aviation industry representatives were concerned that if the Department of Labour were the agency administering health and safety law for aircrew, they would not understand aviation in general, or the links with the existing aviation safety system. The CAA likewise did not have expertise in occupational health and safety, and aviation unions were concerned that, if the CAA were the lead agency, health and safety issues for groups such as flight attendants would not be treated as seriously as overall flight safety.

The proposed structure that emerged following the consultation period involved an amendment of the HSE Act to include aircrew, to be administered by the Department of Labour with expert assistance from the CAA. The Minister of Labour introduced the Health and Safety in Employment Amendment Bill in Parliament in 2001. A memorandum of understanding

was drafted between the Department of Labour and the CAA for the provision of expert advice on aviation to the Department of Labour.

This implementation structure was changed after the Amendment Bill was introduced into Parliament. The new bill also repealed parts of the Maritime Safety Act that replicated HSE Act provisions. To allow the Maritime Safety Authority (now Maritime New Zealand) to retain their occupational health and safety role on ships, a new Cabinet paper recommended an ‘Agency Designation’ option, whereby Maritime New Zealand could be designated to administer the HSE Act for ships. Agency designation essentially gave the designated agencies’ chief executives the same powers under the HSE Act as the Secretary of Labour, but only for that agency’s specific area of expertise. It was not long before aviation sector stakeholders recommended that the designation option also apply to the CAA, and this became the final recommendation of the select committee considering the legislation.

The final result of this process was that Parliament passed an amendment to the HSE Act in December 2002 to include aircrew, and the Prime Minister designated the CAA to administer the HSE Act for ‘aircraft in operation’ in May 2003. Dedicated funding was provided to the CAA for their HSE Act role, and two experienced health and safety inspectors were seconded to assist with the implementation.

The achievements of the policy process

The policy process achieved some essential outcomes. Legislation was passed that placed new requirements on aviation employers in terms of health and safety practice. A government agency was made responsible and accountable for implementing the new law. Expertise in occupational health and safety was made available to CAA through staff secondment and the signing of a memorandum of understanding between the Department of Labour and the CAA. Dedicated funding was provided to the CAA for HSE Act administration, so funds would not need to be diverted from aviation safety administration for the new policy venture.

The amendment also changed the ‘one act, one authority’ philosophy recommended in the Robens Report in 1972, and which had been adopted in New Zealand. Instead it created a system of multi-agency

administration of the HSE Act for both general and specific sectors.

From the perspective of the CAA, it created a 'one authority, two act' system, where the CAA administers two statutory safety systems established under the Civil Aviation Act and the HSE Act. Implementing the HSE Act in this environment is different from ground-based sectors, where there is no other safety legislation to take into consideration. The main implementation problems are to reconcile the differences, overlaps and boundaries between the two statutes, and the differing philosophies and practices between aviation safety and occupational health and safety.

From the perspective of the aviation operators, both a 'one authority, two act' and 'two authorities, one act' system was created. Aviation employers have two safety statutes to comply with, with the HSE Act being administered by two different agencies for ground- and air-based activities. Problems for the implementing agencies are centred on the quest for efficient, effective and error-free delivery of services.

The policy development process therefore solved the initial policy problem regarding occupational health and safety coverage for aircrew. The price for this was the creation of a potentially complex administrative system, a situation that arguably could not have been avoided, even if other policy options had been adopted. This being the case, how can an implementation system such as this be made to work to achieve the desired policy outcomes of both a safe civil aviation system and safe and healthy aircrew?

The solution to implementation is through 'bottom-up' mechanisms such as negotiation. The role of the implementers, those people described by Lipsky (1980) as 'street level bureaucrats', is to negotiate their way through the complexity and apparent contradictions, and end up doing the right thing in order to achieve the desired outcome. This supports theories of implementation such as those proposed by Sabatier (1993) and Lane (1993), which acknowledge both top-down and bottom-up implementation mechanisms.

The role of implementing officials in cross-cutting implementation

The role of the officials in implementing cross-cutting policy solutions such as agency designation includes:

- reconciling conflict and overlap in statutory and administrative regimes;
- managing stakeholder expectations;
- achieving effectiveness and efficiency in service delivery;
- managing the risks inherent in the implementation system; and
- making fair, balanced and unbiased decisions.

Reconciling conflict and overlap in statutory and administrative systems

One of the difficulties with the implementation of the HSE Act in the aviation environment was that an aviation safety system established by the Civil Aviation Act already existed. The government clearly did not intend the HSE Act to override the Civil Aviation Act, and neither did it intend that the HSE Act, as applied to aircrew, remain unused. The question for the implementer is how to manage the boundaries, overlaps and potential contradictions between the two statutory regimes, and decide when one act or the other should be used.

Conflicts can arise over the application of the different legal tests in the two acts. It is possible to apply the HSE Act's legal test of 'all practicable steps' to a situation covered by a civil aviation rule made under the (now changed) test of 'safety at reasonable cost', and find that the rule does not meet the same standard. Taking into account the HSE Act's 'non-designation' clause, the implementing officials need to decide whether there is a conflict between the two statutes, and if so, determine how it can be resolved.

Legislation is also an enabling instrument, and as such it creates possibilities for dealing with particular issues. One possibility identified early in the implementation of the HSE Act in the aviation sector, for which a guideline is being developed, regarded fatalities in agricultural aviation. An agricultural aviator died in late 2001 after the load of damp lime he was attempting to sow became stuck in the aircraft hopper. The lime was damp due to inadequate protection from the weather in storage on the farm airstrip.

Under the Civil Aviation Act, the responsibility rests with the 'pilot in command' to refuse to sow the lime if he or she is not satisfied the situation is safe. This can mean the aviator loses business if another aviator accepts

the risk. If the HSE Act is applied, responsibility for safety can also rest with the farmer requiring the service, as the farmer has duties as a 'principal' under the HSE Act that he or she did not have under the Civil Aviation Act. These duties could include ensuring adequate protection from the elements for bulk materials stored at the airstrip prior to use. The HSE Act can therefore be used in a way not possible with the Civil Aviation Act to deal with what is essentially an aviation safety issue rather than an occupational health and safety issue.

How far does the implementer go in exploring these possibilities? If an action is possible under the HSE Act that does not override the Civil Aviation Act, is it ethical not to use that provision? At what point, however, is there a risk of undermining the already established aviation safety system? This presents a dilemma for the implementing officials, and some caution is needed.

Reconciling tensions in stakeholder expectations

Reconciling tensions in stakeholder expectations is normal business for any government agency. In the labour market there is tension between the expectations of employer groups and the expectations of unions of how a government agency will formulate or implement policy.

In a cross-cutting situation such as agency designation, the government itself as a stakeholder can create tensions in what is expected of an agency in terms of policy outcomes. This is demonstrated by the expectation for the CAA to implement new processes to achieve health and safety outcomes while maintaining and improving the effectiveness of the civil aviation system. While these tensions can lead to smarter ways of working, which improve the efficiency and effectiveness of government agencies, they do need to be recognised and managed by the implementing officials.

Effective and efficient delivery of services

The 'one act, multiple authorities' and 'one authority, two acts' situations outlined above have a direct impact on service delivery. Cross-cutting policy issues are arguably inherently inefficient to deal with - they do not fit neatly into a single agency's service delivery system, and require the skills, knowledge and networks of other agencies. The goal of the implementer of cross-cutting policy is therefore to deliver *effective* services as *efficiently* as possible.

Effectiveness is achieved through skilful interaction and intervention by the people visiting aviation employers. Efficiency is dealing with the areas of overlap in the service delivery systems that bring the right skilful people to the client.

To improve the efficiency of service delivery, some analysis has to be made of the different agencies that have an interest in a workplace, and the contact that people with differing expertise need to have with the employer. As we have seen, both the CAA and the Department of Labour have an interest in an employer for administering the HSE Act for both 'aircraft in operation' and all other business operations. The CAA also has an interest in the employer as an aviation operator under the Civil Aviation Act and rules. This potentially means three different groups visiting a single employer at different times, and, in a worst case scenario, placing contradictory requirements on an employer. Efficiency can be improved in two ways: through better coordination and communication between these groups, and possibly through some amalgamation of service delivery.

The coordination and communication option is relatively easy to put in place, both formally through memoranda of understanding between agencies, and informally through developing and maintaining well-functioning internal and external relationships.

Amalgamation of service delivery is harder to achieve. Within the CAA, some amalgamation of HSE Act and Civil Aviation Act requirements can be achieved – for example, in the accident reporting required by both acts. Quality systems required by the civil aviation rules can be extended to include HSE Act hazard management.

CAA auditors could be trained to carry out health and safety audits during the same visit. Although it is efficient, and many aviation operators would prefer one visit from the regulator, it may not be effective, as aviation safety issues could dominate the visit, leaving little time for occupational health and safety issues. Expertise and interest in health and safety issues on the part of auditors primarily employed to carry out aviation safety functions may be variable.

Alternatives include training CAA auditors to carry out 'screening' HSE audits, and for specialist staff to also visit clients and carry out fuller inspections. This

diminishes returns on efficiency and the reduction in compliance costs for operators, but delivers the service more effectively.

Redesigning the system to minimise or prevent inter-agency overlaps is problematic. The Prime Minister's designation of the CAA to administer the HSE Act could be extended so that all activities of an aviator were administered by the CAA. However, this would shift the CAA from their core role of aviation safety, and mean that they would need to administer the HSE Act for areas removed from their expertise, creating a significant business risk. They would probably be less than enthusiastic about such a prospect.

Management risks

Potential areas of risk in the implementation of the HSE Act for 'aircraft in operation' include risks of unintended consequences, implementation failure and error.

The aviation industry raised concern about the risk of unintended consequences in the form of a catastrophic aviation event in the early stage of the policy formulation process. Aviation safety is based to a large degree on the philosophy of open reporting of errors to the regulator and other aviators as a means of learning about situations that could have led to an accident. Aviators were concerned that the HSE Act was inappropriate to regulate aviation, particularly because of the fear that it would be enforced aggressively in that environment, would close down the open reporting system as a consequence, and ultimately increase the risk of accidents. The notion of the regulator as a contributor to accidents is supported by Reason (1997), whose model of accident causation forms the theoretical basis of air accident investigation in New Zealand and overseas.

How seriously should an implementer take these arguments? There is obviously little value in an implementer vigorously enforcing occupational health and safety law if it compromises aviation safety culture. There is also little value in overcompensating for this risk and achieving nothing in implementing the new policy. The ideal of course is to achieve both aviation safety and occupational health and safety, and to implement the HSE Act in aviation in a way that at worst is neutral in its effects on aviation safety, and at best complements and reinforces aviation safety.

The main mechanism for the implementing officials to find their way through this is to negotiate with both aviation safety people and other stakeholders to establish the appropriate standards that can be used if enforcement is contemplated.

Tied in with this is the risk of error. With cross-cutting issues, there is an almost complete certainty that erroneous views or assumptions will be held by stakeholders, policy actors and implementers at some stage of the policy formulation or implementation process. The way in which policy developers and implementers deal with the risk of error can determine whether this is a short-lived or persistent phenomenon.

Reason categorises error into 'active' and 'latent' failures. Active failures include skill-based slips and lapses, such as losing attention and not hearing vital information, or forgetting to tell someone something important. Active errors also include mistakes such as the misapplication of a rule, or making decisions based on wrong or incomplete information.

Active failures on their own can cause serious consequences, but are most dangerous when combined with latent failures. Latent failures are the failures of the organisation itself rather than the individual people in it, and can include sustained management failures such as not building the right capability into an organisation, or the failures with communication and learning within an organisation.

An active knowledge-based error could occur in the form of a health and safety inspector writing an improvement notice for an issue where the 'improvement' violates a civil aviation rule requirement. Although many aviators would detect this immediately and would complain, a latent failure would be the inability of the CAA to correct the knowledge deficit of the health and safety inspector to ensure that the mistake would not occur again.

The best defence against error in policy development or service delivery is having people who are open and frank in their communication, who are careful with the assumptions they make, who do not cover up mistakes, who have good organisational and cross-organisational awareness and will go the extra mile to open and reopen communication with regulatory partners and stakeholders.

Making fair, balanced and unbiased decisions

As we have seen, implementing officials need to exercise considerable judgement to arrive at the appropriate decisions and actions in implementing cross-cutting policy. What can affect the way those decisions are made?

Organisations such as the CAA have a centre of gravity created by the work they have carried out over a period of years, the professional groups within the organisation, and the norms of professional practice. This creates what writers such as Halperin (1974) describe as an organisation's 'essence'; that is, the views of the organisation's dominant group of its missions and capabilities, and the expertise, experience and knowledge necessary for the organisation to fulfil its mission.

A potential dilemma for an organisation such as the CAA is where people with an aviation background judge a new policy through the lens of their professional mind-set. However, this is not a black-and-white issue. The CAA employs aviation experts precisely for that background, and the advice these people can give. To ignore that advice because it disagrees with a policy direction is foolish.

At the grass-roots level, the designation of the CAA to administer the HSE Act for aircraft in operation is not about overlap or conflict in statutory regimes, or the efficiency or effectiveness of service delivery systems. It is mostly about two professional paradigms, practices and the accompanying knowledge sets interacting one with the other. For any measure of real success to occur with this type of implementation, both aviation safety people and occupational health and safety people have to be able to learn to think inside and outside their professional 'world-views'. A mechanism of negotiation between these world-views is necessary so that if a decision on implementing the HSE Act is required, all factors will receive a fair and open hearing.

Good decision making in a cross-cutting policy environment will therefore draw from both professional paradigms, and will take legal possibilities, risks, stakeholder expectations, and desired organisational and whole-of-government outcomes into account. This requires skilful performance from implementing officials. It also provides an evolutionary stimulus for both professional groups and the organisations they work for. Perhaps an indicator for the successful implementation of the HSE Act for aircraft in operation

is the degree to which occupational health and safety becomes part of the CAA's essence in the medium term.

Conclusion

The case study of the implementation of the HSE Act for aircraft in operation shows some of the difficulties with designing a policy solution for cross-cutting policy problems. Because of the legislative systems already in existence, and the location of wells of expertise in separate agencies, policy solutions such as agency designation will result in a certain degree of overlap and conflict between possible legislative requirements and administrative systems.

This can be resolved by the implementer acting as a negotiator, where negotiation is needed to resolve legal overlaps and conflicts, stakeholder expectations, the balance between effectiveness and efficiency of service delivery, the management of risks, and the ability to make fair and balanced decisions. The implementing officials need to exercise their role with skill and care to balance these and arrive at the right decisions and actions to achieve policy outcomes.

Agency designation also provides a stimulus for agency evolution, in that to fulfil these new roles competently, the agency needs to adapt to the changing nature of the work it is required to perform.

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Agents or Stewards? Contracting with Voluntary Organisations

Jo Cribb

Introduction

In order to escape a violent partner, take a disabled child swimming, get information about government services or extinguish a rural house fire, New Zealanders will generally interact with a voluntary organisation. In many areas of government voluntary organisations play an important delivery and operational role. A modest estimate (based on data from only 14 government departments) suggests that at least \$650 million of public social services are delivered each year by voluntary organisations via government contracts (Community and Voluntary Sector Working Party, 2001).

Agency theory was a foundational component in the design of New Zealand's state sector reforms in the 1980s and 90s. It has been strongly influential in shaping the contractually-based working relationship between government agencies as providers of funding for services and the community organisations that deliver those services on their behalf. Contracting between government agencies and voluntary organisations can, however, be fraught (Office of the Auditor General, 2003). Officials often find specifying what they wish to be delivered in the prescribed manner for contracts a challenge. Contract outputs risk becoming checklists for delivery and, as such, are not linked to the effectiveness of the service or outcome desired and create opportunities for 'creaming' the 'easiest' clients and tasks. From a voluntary sector perspective, small organisations often find the compliance costs of reporting onerous. As a result, newly-established voluntary organisations that provide services addressing emerging needs (such as those of refugee communities) can be excluded from funding and contracting processes.

This article, which derives from the author's doctoral research at Victoria University of Wellington's School of Government (Cribb, 2005), raises questions about the assumptions on which the current contracting

system is based. It suggests that better outcomes may be achieved by a more discriminating application of agency theory in the design of contractual relationships between government agencies and community organisations, and by the application of an alternative model - one founded on stewardship theory.

The agency basis of current contracting practice

Voluntary organisations have existed in New Zealand since the beginning of colonisation. Scholars conclude that they have been dependent on state funding since the earliest years of organised government. Prior to the 1990s, the most common method of state funding for voluntary organisations was a system of grants and subsidies not usually attached to specific services. The early 1990s, a time of rising fiscal debt, saw a rethink of what was the appropriate size and function of the state. New Zealand's public management system, drawing on economic and administrative theories, was restructured (Boston et al., 1996). Several aspects of the restructuring altered how government agencies approached their relationship with voluntary organisations. In particular, based on insights from agency theory, the assumptions government agencies made about voluntary organisations changed.

For agency theorists, social and political life can be understood as a series of contracts. Principals delegate tasks, using contracts, to agents. Agents undertake work on principals' behalf in return for rewards. The focus of the theory is the contract governing the relationship between principal and agent and determining how the contract can be made as efficient as possible (Eisenhardt, 1989). Agency theorists interpret broadly what constitutes a contract. Contracts may be 'classical': arm's-length, formal and explicit. They may also be 'relational': implicit, open-ended, incomplete and based on obligations (Boston et al., 1996).

Two problems can arise from contractual relationships: *goal conflict*, as the goals of the agents and their principals are usually different (Eisenhardt, 1989); and *information asymmetry*, as the agent often has more information than the principal about the task at hand. Under such conditions, it is difficult and expensive for the principal to verify what the agent is doing. The focus of agency theorists is on minimising the impact of these problems for the principal.

Agency theory, drawing on its neo-classical economic roots, assumes that individuals are 'rational, self-interested utility maximisers'. As such, the interests of the principal and agent are bound to conflict because each party is assumed to be trying to maximise its personal benefits (Eisenhardt, 1989). Even if principals and agents have similar goals, assumptions about the nature of individuals leads to the conclusion that agents will shirk by producing outputs at a higher cost than required or producing outputs of a lower quality than specified. This is termed *moral hazard*: a lack of effort on the part of the agent. Agents may also claim that they have skills and capacity to deliver that they actually do not. *Adverse selection* may occur as principals contract with agents who have misrepresented their abilities (Eisenhardt, 1989).

Principals have a number of options available to them to minimise the risk of their agents shirking, cheating or operating with guile. They can provide incentives for the agent to operate according to the principal's wishes, monitor the agent's actions to ensure they are doing so, and sanction the agent if their performance is not satisfactory.

Agency theory was influential in the restructuring of a number of relationships within the public service. Purchase agreements between ministers and chief executives for the purchase of services from government departments were introduced, as were performance agreements between chief executives and the State Services Commissioner. The contract model was also applied to the relationship between government agencies and voluntary organisations. The Treasury was a powerhouse of the state sector restructuring. Briefings written towards the end of the restructuring period showed that Treasury officials were concerned about the quality of services delivered by voluntary organisations. Government, the papers concluded, needed to be vigilant about regulating and monitoring voluntary organisations' delivery to

reduce information asymmetries and ensure they did not shirk. The development of contracting policies and practices was based on such assumptions (New Zealand Treasury, 1995).

Grant-based funding ceased for many voluntary organisations in the early 1990s and was replaced with contracts for the delivery of services. Government agencies attempted to specify what services they required, introduce monitoring regimes, and sanction poorly performing organisations by not renewing their contracts. Clear objectives in contracts were designed to ensure voluntary organisation providers focused on results. Reporting on the objectives would provide good information to government agencies about the provider and the quality of the service (Boston et al., 1996).

Overlaying the introduction of contracting was the pressure to reduce government spending. Competition between providers was encouraged. Voluntary organisations were often required to tender. Market pressures were sought to ensure efficiency of service delivery. A drive to increase transparency and accountability was also an important aspect of the restructuring. Accountability was interpreted as answerability and took the form of formal reporting against specified measures (Mulgan, 2003). Enhanced accountability was seen as a way of developing more efficient and effective organisations and service delivery.

By the mid-1990s, voluntary organisations with a funding relationship with government had become service providers. Many had a formal, 'classical' contract with government. What they were required to provide, in what quantity, at what quality and price - all this was specified in the contract.

Voluntary organisations' experience of contracting

The great majority of voluntary sector managers and board members surveyed in my doctoral research, which focused on four community organisations of differing types, focused their attention on their relationships with their clients. They felt they were most accountable to their clients for the quality of the services they provided. They generally identified their relationship with government as a hindrance. Contracting and funding agreements with government agencies were seen to be driving down standards of care. Poorly designed

programmes, irrelevant performance measures and a piecemeal approach to service provision were seen to detract from the quality of service they could provide to their clients.

Respondents' perceptions of how they were viewed and treated by government officials were uniform. They felt that officials treated them as 'poor cousins'. They perceived that their skills were not recognised, their ideas and suggestions not valued and their concerns not considered valid. And they perceived that they were being treated as agents, while, on the other hand, officials were operating as if they were principals

More specifically, respondents perceived that:

- * They were viewed as inferior, while officials saw themselves as experts. There was no negotiation or dialogue about the contents of the contract or funding agreement. (Agency theory assumes that the principal has a superior position in regard to the agent and will work to maintain the power imbalance. Indeed, principals enact mechanisms to control agents – such as financial incentives and monitoring regimes – and ensure power asymmetries.)
- * Officials did not trust them. They expected the respondents to try to defraud the system or produce poor quality work. The integrity and expertise of respondents was not recognised. (One of the key tenets of agency theory is the assumption that agents have different interests from those of the principal and will seek to better themselves at the principal's expense.)
- * The main form of communication between respondents and officials was monitoring reports. The relationship was distant and paper-based. (Agency theory promotes external monitoring as a mechanism to control agents)
- * Reporting focused on specific outputs that were often irrelevant to service quality or organisational performance. (Detailed pre-specification of contracts is another tool agency theorists promote to control agents.)
- * Contracting was an economic tool used to try to maximise efficiency. Respondents perceived that officials took a 'take it or leave it' approach focused on competition between providers to drive down the price of service delivery.

Are the assumptions of agency theory valid?

At its core, agency theory predicts that agents will have different aims from their government funders (the principals), that they will operate opportunistically and with guile to achieve their own aims, and that they will shirk as much as possible. In this research it was found, however, that respondents had similar high-level goals to officials. Officials and respondents both aimed to achieve positive outcomes for recipients of their services. Respondents saw that their primary accountability obligation was to their clients, and they perceived themselves to be going the 'extra mile' at their own expense to fulfil it. They saw themselves working for clients in the face of barriers created by the contracting process. Rather than shirking by attempting to provide less service than required, as agency theory predicted they would do, respondents were actively fund-raising to increase levels of service provision, independently of the funding provided by government officials.

International studies have drawn similar conclusions. For example, Rasmussen et al.'s 2003 study found that government officials and voluntary sector managers shared a client focus. Indeed, agency theorists have similarly come to accept that the assumption of goal conflict may not always be valid. Eisenhardt (1989) concedes that goal alignment may occur in highly socialised or clan-orientated firms, or in situations where self-interest gives way to selfless behaviour. As goal conflict decreases, so does the need for in-depth monitoring. Agents will behave in a manner acceptable to the principal regardless of the level of monitoring.

Agents or stewards?

It may be timely to consider an alternative approach. Stewardship theory takes as its starting point the assumption of goal alignment, and is increasingly seen as an important framework for structuring relationships (Block, 1996).

The origins of the concept of stewardship are biblical. Stewards, as valued employees who are entrusted with running households, are mentioned in both the Old and New Testaments. Stewards were seen as servants of someone or something greater than themselves, were committed to their work, and had the discretion to take risks on behalf of their masters.

Proponents of stewardship theory argue that pro-organisational and collective behaviours are of higher utility than the individualistic, self-serving behaviours assumed by agency theory (Dicke and Ott, 2002). Put simply, if the organisation does well, its members will do well, so they invest their energy in their organisation's success (Davis et al., 1997). People will thus put the organisation's needs first. They are not assumed to want to shirk or act opportunistically, as agency theory has it. Instead, they are motivated to work to achieve the organisation's goals (Block, 1996).

Stewards, like others, have basic survival needs, such as a regular salary. The differences between a self-interested agent and a steward are in how these survival needs are met. Stewards realise that there is a trade-off between personal and organisational needs, and choose to work for organisational needs. By doing so, stewards assume their personal needs will be met (Davis et al., 1997). Some theorists acknowledge that stewards may work for altruistic reasons – unselfish concern and devotion to others – without expected return. Dicke and Ott (2000) argue that altruistic motives best explain voluntary organisations and their employees, as employees are selected and socialised to care about and serve clients.

Less controlling organisation structures and mechanisms are needed for stewards. Extending the autonomy of stewards maximises the benefits of their behaviour. Informal and intrinsic accountability mechanisms, rather than 'hard' legalistic or mechanistic ones, are best suited to stewards: the promulgation of professional standards, peer review, and mechanisms that build a sense of internal responsibility (Dicke and Ott, 2000). Control can be counter-productive because it signals that the steward is not trusted with a level of discretion. Such control will lower the motivation of a steward to work for the organisation (Davis et al., 1997).

If a stewardship approach were to be adopted to guide the government-voluntary sector contracting relationship, a number of changes would occur. Stewardship theorists would see current accountability mechanisms, such as monitoring, audit and reporting, as superficial. They would instead focus on ensuring that goals are shared. This would mean government agencies would take the time to understand what the voluntary organisations were trying to achieve, how they were doing it and where there was a congruence of goals.

When it had been identified that goals were shared, the contracting process could begin. There would be a large investment of time at the beginning of any relationship.

If, after discussions with a voluntary organisation, it were clear that the organisation had different goals from those the officials were trying to achieve (or that it was not capable of delivering what was required), officials would seek another provider. In practice, this might mean that organisations currently contracting with government would not be offered future contracts: a potentially difficult and politically volatile situation.

Once a relationship had been established, voluntary organisations would be trusted to get on with the job. Performance measures focusing on measuring outcomes for clients would be jointly developed over time. Blanket controls and 'boilerplate' contracts would not be used. Non-financial motivations would be acknowledged. Knowledge generated from the performance measures would be used to modify service delivery. Dialogue between parties would focus on delivery problems, and potential improvements or innovations. The information asymmetries that are problematic in principal-agent relationships would still exist: the staff of voluntary organisations have more information about service delivery than officials. Under a stewardship framework, such asymmetries would not be seen as a potential source of risk for principals (such as an avenue for inflating contract prices), but rather such knowledge would be seen as expertise that should be incorporated into policy processes.

The additional time made available to officials by the reduction of detailed monitoring of contracts could be used by them to provide long-term strategic guidance, and research on effective service delivery and the attainment of outcomes. The stewards (voluntary organisations) would be freed from detailed reporting and the provision of government-designed piecemeal programmes to do what they do best – that is, deliver in-depth services to clients. The principals (officials) could support this through research, development and investment in strategy.

Officials could choose to contract better with fewer organisations, given the resource-intensive nature of establishing relationships. This would not be without risk for the voluntary sector. Fewer organisations might receive funding. A trusted 'inner circle' could develop. Under such circumstances, new organisations might be

excluded. Organisations receiving funding could also find it difficult to maintain their unique qualities as they developed a close relationship with government, as predicted by neo-institutionalists (DiMaggio and Powell, 1983).

Of benefit to the voluntary sector, however, would be the increased investment government agencies could make in building the capacity of voluntary organisations. In particular, officials might seek to improve the ability of voluntary organisations to monitor how well they are doing in fulfilling their mission, so that they could self-regulate. Evidence indicates that these organisations have little capacity to monitor closely their own performance.

A number of conditions would need to be met if stewardship theory were to effectively govern the government-voluntary sector relationship. Voluntary organisations would need sophisticated systems of performance management and self-criticism to ensure that they were working towards the shared goals. This author's research and other studies have found that internal performance measurement is a weakness, and that the level of self-regulation needed to ensure that such organisations are working to enhance the public good is not present.

Both parties need to be interested in each other and looking for better ways to serve the public (that is, to have an effective focus on outcomes). The author found that most respondents believed that officials had little interest in them and that the contracting process was mainly about delivering outputs for clients rather than outcomes.

Government needs to recognise that it puts up cultural barriers to working with voluntary organisations. The report of the Community and Voluntary Sector Working Party (2001) provided specific examples of such barriers operating in the New Zealand context. These included the speed at which policy makers expect the voluntary sector to respond to draft documents. A number of organisations reported that they were unable to participate in policy processes in a meaningful way. Umbrella organisations, which seek feedback from their constituencies before engaging with government agencies, saw themselves particularly hampered by the short timeframes allowed. The speed and demands of the political cycle provide one example of a cultural barrier for voluntary organisations that prioritise discussion and consensus.

Moreover, government agencies need to be prepared to share decision making. For the Community and Voluntary Sector Working Party, this meant providing genuine opportunities for organisations to comment on policy and involvement in the early stages of policy development. Respondents' perceptions of the contracting process as a 'take it or leave it' one suggest that this is still a long way off.

Time is also needed to develop shared expectations and sensible performance measures. Experimentation will be needed. However, as demonstrated by the example of a contract in the recent Auditor General's report on the government contracting processes, practices currently do not result in shared expectations:

There was no 'meeting of minds' on the part of the Ministry and [the voluntary organisation it contracted with] as to the length and expected outcomes of the contract. The parties were confused over the length of the contract and the expected outcomes during the term of the contract. (Office of the Auditor General, 2003, p.59)

The way forward?

In theory, adopting a stewardship rather than an agency-theory frame may address many of the limitations of the current contracting regime. However, the reality is much more complex.

Stewardship theory is untested, particularly in voluntary sector research, and the enthusiasm with which some of its proponents advocate this approach makes their claims seem too good to be true. As Arthurs and Busentiz (2003, p.155) argue, 'stewardship theory paints an excessively rosy picture of the steward'.

Government agencies need to make voluntary organisations accountable for taxpayers' money. They need to be seen to be in control (Dicke, 2002). As guardians of the public purse, public agencies take what can be considered a risk-averse approach. The mechanisms of external control, such as monitoring and reporting, can be seen to provide the needed assurance to both ministers and the public that taxpayers' money is being used effectively (Davis et al., 1997). Being accountable for taxpayers' dollars is one example of the different set of pressures that officials as opposed to voluntary organisations operate under.

Another pressure originates from the three-year political cycle and the associated changes in policy and programmes. Such change will make it difficult for officials to establish committed long-term relationships with voluntary organisations. A regime built on the assumption that providers should be allowed a high level of discretion is unlikely to be feasible in this context. Public accountability systems can be seen as a trade-off between discretion and assumed innovation and efficiency, on one hand, and the need for control on the other. Increased control comes at an increased cost: the resources needed to monitor behaviour, as well as reduced levels of innovation and the performance improvements that can result from such innovation.

At the heart of the debate is the issue of how much discretion agencies can allow their providers: how far can they trust them? Finding the balance between control and trust is the key question for any alliance, and there are no easy and obvious answers. Both come at a cost to the organisations involved. For a relationship based on trust to develop, government agencies and voluntary organisations will need to become familiar with each other. Trusting relationships are only formed between actors who have established close bonds. The interests of the parties must be aligned. As previous discussions of agency theory have shown, when each party is self-interested and working towards different goals, control becomes a central feature of the relationship, at the expense of, or as a substitute for, trust (de Leon, 2003). For trust to develop in a relationship a sense of shared higher-level purpose is needed. Trust is also most likely to eventuate when parties have taken care and time in choosing their partners.

However, in trusting voluntary organisations, government agencies will be implicitly accepting the risks associated with being dependent on them for the delivery of services. Trust implicitly involves loosening mechanisms of control, and relying on voluntary organisations to deliver services of an acceptable quality. Such interdependence increases the vulnerability of government agencies (particularly to poor performance by voluntary organisations) and increases the potential for betrayal or harm from voluntary organisations (such as the potential for being defrauded). Understandably, such risk is not readily acceptable to either public sector managers or politicians.

In sum, stewardship theory is based on assumptions that may portray more accurately than does agency theory the government-voluntary sector contracting experience. But it is certainly not to be regarded as any sort of panacea, and if it were to be applied as slavishly as agency theory was in the late 1980s and early 90s, it too would give rise to all sorts of unintended, and often undesirable, consequences. The least that can be said is that, given the importance of the contracting relationship for the delivery of public services, there needs to be much more exploration of the validity of the assumptions upon which government agencies and voluntary organisations enter into contractual relationships.

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Strategic Planning Under the Local Government Act 2002: Towards Collaboration or Compliance?

Mike Reid, Claudia Scott and Jeff McNeill

Introduction

By July 2006 all 85 local authorities expect to have their 10-year Long Term Council Community Plans (LTCCPs) signed and sealed, and passing muster with an unqualified audit report. The new Local Government Act 2002 (LGA 2002) has provided councils with general empowerment and introduced a new purpose (section 3) for local government: to 'promote the social, economic, cultural and environmental well-being of communities now and for the future'.

Local Futures is a five-year Foundation for Research, Science and Technology-funded research project on strategic policy and planning, based at the School of Government. Its focus is on strategic policy and planning in local government and the impact of the LGA 2002 on strategic planning capability and performance.

This article reports on some changes to strategic planning practices observed in the 19 councils participating in the Local Futures project as they prepared transitional LTCCPs under the new legislation. The implementation of the LGA 2002 is further detailed in *Local Government, Strategy and Communities*, a monograph which will be published by the Institute of Policy Studies in late May.

Of particular interest are changes to strategic planning practices and the degree to which the LGA 2002 will meet its intended objectives: enhanced community participation, better strategic planning practices and a whole-of-government approach to strategy and policy. The legislation will be reviewed in 2007 to determine whether it is 'fit for purpose' or in need of improvement.

LGA 2002

Under the LGA 2002, each local authority in New Zealand must prepare a Long Term Council Community Plan which articulates the economic, social,

environmental and cultural outcomes desired by its community. In addition to outlining the council's 10-year financial strategy and how it will be funded, the LTCCP links high-level 'community outcomes' to the council's outputs and activities.

As Tim Shadbolt, Mayor of Invercargill, said simply: 'Parliament has the right to force us to have a Long Term Council Community Plan - whether we want to do one or not' (*Southland Times*, 25 March 2006). The new legislation places new pressures on authorities, requiring them to adopt the roles of facilitator, negotiator and catalyst in strategy development. However, achieving outcomes for communities often requires alignment of the strategies and activities of other councils, central government agencies, and organisations in the private and community sectors.

Strategic planning in organisations and communities

Bryson, a well-known writer on strategic planning in public and not-for-profit organisations, defines strategic planning as 'a disciplined effort to produce fundamental decisions and actions that shape and guide what an organization (or other entity) is, what it does and why it does it' (Bryson, 2004, p.6). Strategic planning in local government settings has been historically associated with land-use planning, the preparation of district plans, and the use of zoning and other regulatory instruments to govern resource users' activities.

Following the consolidation of local government numbers in 1989 the majority of councils voluntarily adopted strategic plans, which were primarily organisational strategies. Two in particular, Manukau and Porirua, took an innovative approach, with strategic planning characterised by the extensive involvement of the community and other agencies. Both councils were engaged in what Bryson would describe as 'collaborative

strategic planning', which more recently McKinlay (2005) has called 'community strategic planning'. Officials working on the development of the LGA 2002 were familiar with the Porirua and Manukau models, and they are reflected in the requirements of section 81 of the Act, which prescribes the community outcomes process.

Collaboration among organisations is a key element of successful strategic planning in an environment with highly fragmented units of government and service delivery. Chris Huxham, a prominent writer in the field, speaks of the need for 'collaborative thuggery' to beat off those whose behaviours put the collaborative advantage at risk (Huxham, 2003).

Strategic planning for communities is different from strategic planning in organisations. It requires councils to facilitate community conversations in order to identify, aggregate and prioritise the community's preferences. Community strategy works within an environment of pervasive ambiguity, where multiple agencies contribute to goals and where accountability is diffuse.

Strategic planning and strategic thinking

Mintzberg (1998) suggests that strategic planning is about analysis - breaking down a goal into steps and formalising them so that they can be implemented, and articulating the expected consequences of each step. He defines strategic *thinking* as an activity which is concerned with synthesis rather than analysis. It requires intuition and creativity to formulate a coherent vision of where an organisation should be heading.

Liedtka observes that strategic thinking is generally intuitive, experimental and disruptive and reaches beyond what purely logical thinking can achieve (in Lawrence, 1999). The tensions between strategic planning (which creates alignment) and strategic thinking (which disrupts alignment) must be managed to develop strategies which assist communities to both adapt to and shape the future.

Community outcomes

The LGA 2002 requirement that councils facilitate a community outcomes process was designed to meet a number of objectives, some of which are not complementary. There is a steering function concerned with setting strategic direction, and an accountability

function concerned with ensuring that general empowerment is used to fulfil community expectations and with giving local government a key role in fostering collaborative governance.

Councils have used various processes to identify community outcomes. A number of areas, such as Taranaki and Southland, adopted regional approaches which conferred advantages in dealing with issues that crossed territorial jurisdictions, in enabling the involvement of external stakeholders, and also in improving internal capacity. There was also variation regarding the role of officials and elected members, and the extent to which councils approached their communities with a 'blank sheet' or a draft set of outcomes.

Many of the policy levers required to achieve identified outcomes are held by agencies external to the councils, especially central government. Many outcomes address issues of health, education or social equity, but New Zealand local authorities have a relatively narrow task profile in these areas and represent a very small share of public expenditure (less than 10%). Whether or not LTCCPs will have a measurable effect on the achievement of community outcomes may in the end depend on the quality of the relationships established with central government agencies and other stakeholders.

Most outcomes of the 19 councils researched are explicitly or implicitly related to the four categories of well-being specified by the Act. Two-thirds of the councils surveyed have specified outcomes relating to the health of their communities; a third seek educated communities; safety and access to essential services are other commonly desired outcomes. Economic outcomes are often phrased in generous terms, such as 'thriving', 'strong', 'secure', 'robust', 'buoyant', 'prosperous' and 'wealthy'. Environmental outcomes included clean water and air, and sustainable use of resources. The elusive concept of cultural well-being inspires more limited ambitions: 'vibrant' is an adjective chosen by four councils. 'Culture' for some councils seems to mean either district identity or discretionary activities such as recreation, rather than embracing every aspect of 'the way we do things around here'.

Most councils set about half a dozen outcomes, though some had significantly more. The variation reflects the different levels at which outcomes are pitched. Carterton,

for example, identified just four generic high-level community outcomes, though it also recognised its more geographically specific transport and communications issues:

- Access to transport and communications systems that best meet the diverse needs of the district.
- Clean land, water and air for present and future generations.
- Buoyant local economy.
- A safe, healthy and educated community.

Central Hawke's Bay set nine prioritised community outcomes:

- A lifetime of good health and well-being.
- An environment that is appreciated, protected and sustained for future generations.
- Safe and secure communities.
- Transport infrastructure and services that are safe, effective and integrated.
- A strong, prosperous and thriving economy.
- Strong regional leadership and a sense of belonging.
- Supportive, caring, inclusive communities.
- Communities that value and promote their unique culture and heritage.
- Safe and accessible recreational facilities.

These generalised aspirations sometimes mask specific local issues. For example, the upbeat 'A lifetime of good health and well-being', conceals several pressing public health issues: poor reticulated water and waste water systems, a shortage of general practitioners, and perceived poor access to primary and emergency health services.

Some councils have grasped the fact that LTCCPs do not commit them to delivering all of the specified community outcomes, and have sought the help of other, more appropriately equipped agencies. The councils themselves can take on various roles, such as lead agency, partner or facilitator, with various degrees of active involvement. Western Bay of Plenty clearly differentiates its roles in the pursuit of various community outcomes: for example, it says it is the lead agency in ensuring 'efficient and safe' infrastructure and services; a partner in securing 'a variety of living and

working opportunities'; a facilitator of coordination between 'organisations which provide services'; and an advocate in respect of some more elusive goals - 'good education facilities', 'a positive community spirit' and a 'healthy and safe lifestyle'.

Several councils provide or subsidise assets such as medical centres for private sector use in order to achieve specific outcomes. For example, the Hurunui District Council owns three of the district's five medical centres and the medical practitioners' residences in several towns. The Grey District Council plans to build a medical centre to make the district more attractive to workers; its rationale concerns economic development rather than health outcomes *per se*.

All the councils have tried to determine what strategic issues face their communities as a basis for justifying activities designed to secure particular outcomes, but in some cases there is an apparent desire to put a positive light on the community and to not 'frighten the horses'. Many chose to categorise their issues explicitly or implicitly within the economic, social, environmental and cultural areas of well-being specified by the Act.

Strategic planning practices

Practices showed considerable diversity across our sample of 19 authorities. Some promoted a culture of innovation and engagement, while others reflected a minimalist approach centred on compliance. Their approaches to the relationship between their community outcomes and the four elements of well-being provide a good example. Some councils put considerable effort into linking the community's outcomes to the four areas of well-being specified in the Act, often spreading outcomes evenly across them. Other councils made little or no specific link with them.

Underlying the LGA 2002 is the assumption that local authority boundaries provide a good way of articulating community interests in particular outcome areas. This may not necessarily be the case. Similarly, if the outcomes are to be important in shaping priorities one must expect that outcomes will be tailored to reflect differences across jurisdictions.

In fact, most councils have maintained a high-level focus in specifying outcomes. Doing so may have eased the burden of linking council outputs and activities to outcomes, but it has produced remarkably similar

strategic plans. Such plans offer limited local guidance regarding the distinctive character, preferences and priorities of individual communities. Also of concern is the limited attention plans are giving to possible trade-offs required to meet the competing demands of different stakeholder groups.

At the same time, some councils have reflected a strong compliance orientation. The community outcomes in many of the transitional LTCCPs were written by council staff and councillors, though often inspired by earlier strategic planning efforts and community consultations.

Facing growth

Many councils specified particular issues, such as transport and growth or decline, separately from the well-being framework. These were frequently the issues perceived as overwhelmingly important, with extensive ramifications, and often especially intractable - in some cases having implications for the viability of the communities in question. Such issues typically emerged acutely in districts facing population growth or decline. We look here at two growth councils to illustrate the range of responses councils took to these daunting issues within the framework afforded by the legislation.

Facing growth: Waipa and Western Bay of Plenty District Councils

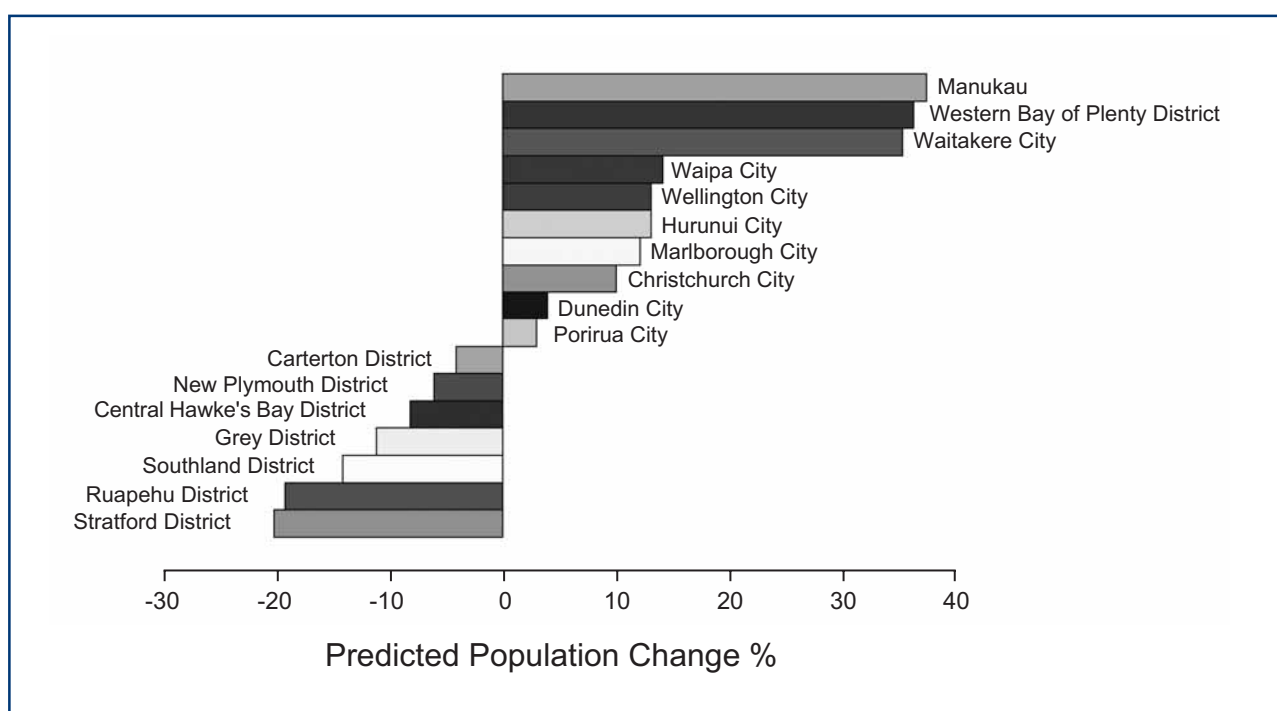
Waipa and Western Bay of Plenty District Councils serve superficially similar growth districts, so they face a similar dominant issue, but they have taken quite different strategic decisions in response.

Waipa district in the central Waikato is agriculturally-based. Two milk processing plants provide employment, along with agricultural service industries. Hamilton, which is outside the district, also provides significant employment.

Western Bay of Plenty district is a third larger than Waipa, and forms the hinterland surrounding the port city of Tauranga. It too is rural, almost half the district being forested, and less than 1% urban. Agriculture and horticulture (often on lifestyle blocks), along with forestry, form the economic base of the district. Tauranga is the major manufacturing and service centre for the region and a major provider of employment.

The two councils share many characteristics: both serve prosperous, medium-sized rural-based districts, each with about 40,000 inhabitants, and each adjacent to a much larger city that is growing - Hamilton and

Figure 1: Projected population growth 2001-21 for the 17 participating city and district authorities (medium growth scenario). Statistics New Zealand data.



Tauranga. Hamilton is predicted to experience a 26% growth in population and Tauranga a 46% increase between 2001 and 2021. In both instances significant population growth is generated outside their boundaries by inward migration. Yet the two councils have addressed this urban growth pressure in completely different ways.

Waipa District Council

The Waipa District Council believes the economy of the district will continue to depend on agriculture and its support industries, so it emphasises the need to protect the region's environment, production base and soils, controlling development to maintain a high-quality rural lifestyle. This means confining industry and residential development to specified areas.

The council has undertaken strategic planning since the early 1990s. Key issues and community wishes have been established and incorporated into district plans. With the passage of the LGA 2002, however, the council decided to undertake a full consultation exercise in preparation for the 2004-14 LTCCP. A questionnaire sought the views of all households and businesses and some 400 community groups and stakeholders. The council endeavoured to play the role of facilitator, providing a blank canvas rather than offering its own views.

From the 400 responses, 22 outcomes were distilled and grouped under five high-level goals: 'sustainable Waipa', 'healthy community', 'economic security', 'liveable Waipa' and 'vibrant and strong community'. In the LTCCP document the council does not specify the roles of other entities such as central government and regional government, though the plan notes partnerships with others which are important to achieving the outcomes.

The LTCCP sets out in matrix form the linkages between the council's seven 'significant activities' and its high-level goals. Each significant activity contributes to more than one goal: environmental services, for example, contributes to them all. The LTCCP reviews each of the significant activity programmes for the 2003/04-20013/14 period, including any major initiatives planned, performance measures and a 10-year budget. All the district council's activities are included in the LTCCP, which has become its key planning and financial control statement. Inflation and growth forecasts are built into the projections, so any variations from the LTCCP must be specified and justified.

While much of the LTCCP covers the provision of services and the regular upgrading of infrastructure, overriding strategic issues are how to manage growth in the district to reflect the residents' wishes and how to limit rate increases. This entails limiting land fragmentation by zoning, channelling industry into dedicated areas, and limiting the number of lifestyle blocks and confining them to clusters, thus avoiding the need to provide major infrastructure to support fragmented growth. The council also wants to channel new development so that community centres are preserved, for example by putting new retail facilities in town centres rather than on their outskirts.

Western Bay of Plenty District Council

The Western Bay of Plenty District Council has generally welcomed growth, and addressed the related issues on a sub-regional scale in partnership with the Tauranga City Council and Environment Bay of Plenty. A jointly-produced SmartGrowth plan, approved in 2004, governs land use and the efficient provision of infrastructure and services.

SmartGrowth calls for urban and industrial development to be located in specified areas. Infrastructure, environmental protection and lifestyle-related measures follow from SmartGrowth land-use decisions. They lead into planning for the provision of regional transportation corridors, local roads, water supply, and waste water treatment and disposal. While SmartGrowth was formally approved after the LTCCP was finalised, many of the supporting programmes are anticipated in the LTCCP.

Since the LTCCP was published the council has also worked with Tauranga City and the regional council to develop a SmartEconomy strategy, a parallel document to SmartGrowth. It concludes that a more skilled workforce and more investment in employment opportunities are needed. It also calls for more recreational and cultural opportunities, and initiatives to achieve these ends are being developed.

In response to the outcomes specified as desirable by the community, the Western Bay of Plenty District Council set out a plan of action in the LTCCP under four strategic headings:

- Leadership

- Building communities
- Protecting the environment
- Supporting the economy.

Leadership is treated as an overarching activity governing the other three.

Strategy is one thing, funding another. Central government has shown some interest but is yet to make any financial commitment. Environment Bay of Plenty (which has a major holding in the Port of Tauranga) is clearly viewed as a source of significant funding, as are two other councils in the district.

While all the council's activities are included in the LTCCP, a few go to the heart of the big strategic issue of rapid growth in the region: sustainable development, transportation, Tauranga and the port, water supply and waste management. Lack of funding by central government is among the risks of the strategy, since the district council cannot provide needed infrastructure, including such major items as a second harbour bridge, from its existing revenue base.

Similarities and differences

The two councils have chosen quite different approaches to their strategic planning, which they had both initiated well in advance of the LGA 2002. Waipa chose to undertake its planning alone, independently of its large neighbour, and sought to maintain its existing character, envisioning the future as a better version of the present. Western Bay of Plenty recognises that its future will inevitably be dominated by Tauranga, and so has taken a cooperative approach, seeking involvement in shaping the forces that will determine its future. Its planning document is outward-looking, because central government funding is critical to realising the strategy.

While Waipa also recognises that growth is its main strategic issue, it seeks to slow it to a pace that is manageable and acceptable to the community. While the Waipa council participates in various regional forums, it has not apparently joined regional efforts to address growth issues. Waipa is more conservative and cautious; its preference is to maintain the status quo as far as possible, reflecting the community's wishes.

Both councils appear to have adequate strategic planning and decision-making mechanisms. Clearly, Western Bay of Plenty is the more progressive in approach, and the

more comprehensive in its community consultation and strategic planning. It probably also has a greater planning capability - but then it needs it. Key questions are whether Waipa's approach to development is sustainable in the longer term, and whether Western Bay of Plenty will regret so readily accepting the apparently inevitable.

The central government-local government interface

The relationship between central government and local government has been strengthened over recent years. However, large questions remain about the potential for whole-of-government strategy to develop, given difficulties in aligning central and local government strategies and priorities, and the fact that central government itself lacks much of a framework to guide or participate in the development of LTCCPs.

Strategy at the central government level is often sectoral rather than overarching, and alters with a change in government. Local authorities need to collaborate with many separate agencies, and central government's interest and willingness to engage with local authorities is not mandated. The complexity of the relationship has been increased by applying the same outcome-based planning approach to both territorial and regional councils, and there are some tensions between the strategic implications of the LGA 2002 and the Resource Management Act.

The government has responded to these issues by introducing measures to improve communication and reduce duplication. Four ministries have been asked to provide a lead, each in relation to one of the four categories of well-being specified in the LGA 2002:

- Economic well-being: Ministry for Economic Development (MED)
- Cultural well-being: Ministry for Culture and Heritage (MCH)
- Social well-being: Ministry for Social Development (MSD)
- Environmental well-being: Ministry for the Environment (MfE).

The ability and propensity of the ministries to actively engage with councils varies greatly. MSD has a regional capacity, and actively engages with territorial local authorities. MCH, a small ministry, has had to rely on

an engagement strategy run from its national office. MED appears to have a determined preference to engage only at a regional level.

The Department of Internal Affairs has a mandate to coordinate the government's interface efforts and has a small team of regional staff facilitating engagement. Within the bureaucracy there is also a Central Government Department Group which provides a forum to discuss central/local government engagement issues, a grouping of the four 'outcome' ministries, with Internal Affairs again looking at engagement issues, and a Deputy Secretaries Group that coordinates overall engagement, including the government's urban affairs and sustainable cities initiatives. The recent establishment of an Auckland office by several ministries has the goal of fostering greater alignment of priorities and efforts by central government towards the sustainable economic and urban development of the Auckland region.

Achieving a whole-of-government approach is also limited by the diversity and capacity of local authorities, which is perhaps also responsible for the failure of central government to undertake a systematic programme of devolution. The limited articulation of national whole-of-government strategies linked to economic, social, environmental and cultural outcomes also makes it difficult to contribute to these outcomes at local and regional levels. However, the government appears to be establishing a growing number of national policy statements and service standards. These may paradoxically limit the ability of communities to pursue different or contradictory outcomes in efforts to cater for diversity in communities, or at least recognise the value of doing so.

Auditing the future

For the first time – possibly anywhere in the world – each draft LTCCP must be audited before being released for public consultation, and again after the consultation process is complete and the final plan adopted. The draft audit focuses on the quality of information behind each council's 10-year financial and activity forecast, and the assumptions underlying the information. Councils have found the audit of the draft plan a major logistical challenge and smaller councils have expressed considerable disquiet about the cost – for some it represents a more than 1% rates increase.

The audit has required councils to look more closely at the quality of their long-term plans and financial projections, and particularly the quality of the asset management plans. It is clear that relationships between some councils and auditors are strained because of different expectations about reasonable compliance in terms of both the processes and content of a council's LTCCP. At the time of writing 77 of the 85 councils' draft plans had been audited, and only two have received seriously qualified audits. The danger is that planners will write plans for the auditors rather than plans for communities.

Perhaps not surprisingly, the larger councils tended to have specialist staff working on the process, had more engagement with stakeholders, and tried more innovative approaches for consulting and engaging with communities. The larger councils also had a longer history of collaborative planning. The Office of the Attorney General has agreed to examine the LTCCP process once it is complete, to evaluate its approach and decide whether amendments are needed before the next LTCCP, which will be adopted by most councils in July 2009.

Conclusion

Whether the articulation of community outcomes and strategic plans adds value to communities will depend on whether they foster cooperation and collaboration among units of local government and central government, thereby achieving the synergies needed for whole-of-government approaches to policy development and service delivery.

When central government mandates strategic planning for local governments there is a risk that concerns about compliance and passing muster with the auditor can thwart creative strategic thinking. Under current arrangements, collaboration and engagement by central government departments is voluntary rather than required. Some local authorities believe that similar long-term planning frameworks should be mandated at central government level.

There is optimism and pessimism about the long-term impacts of the legislated changes. If successful, the mandated strategic planning process will enable communities to become more innovative and capable of thinking and acting strategically. The value added from community strategic planning depends on an

ability to draw effective linkages between community outcomes, council outputs, and strategies of other key organisations which influence outcomes. In this respect the way in which local government strategic planning does or does not link to central government strategy is crucial.

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Local Government, Strategy and Communities is the first major publication of the Local Futures Research Project, a FRST-funded five-year project on strategic policy and planning in local government, based at the School of Government, Victoria University of Wellington. The book provides information and analysis on changing strategic planning practices under the Local Government Act 2002. Particular attention is given to the experiences of 19 participating local and regional councils as they worked with their communities to prepare a 10-year Long Term Council Community Plan (LTCCP) by 1 July 2006.

The authors have raised important policy issues surrounding the role of local government in New Zealand; the merits and demerits of strategic planning in community settings; and experiences between central ministries and local government aimed at encouraging a more whole-of-government approach to strategy development.

Local Government, Strategy and Communities provides a valuable source of information and analysis for those interested in local government, strategic planning and network governance. The authors have provided a spur to further questioning and debate about the policy and planning changes, and have identified strengths, weaknesses and challenges arising from the new legislation.

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The Union and Non-Union Wage Differential in the New Zealand Public Service

Goldie Feinberg-Danieli and Zsuzsanna Lonti

Introduction

What do unions do? The major objective of unions is to improve the terms of conditions of employment for their members. At the same time, unions have a considerable impact on the employment conditions of not only their own members but non-unionised workers as well. One of the most important employment terms unions negotiate is wages. As a result, wage bargaining has been identified as a primary function of unions, and differences in wages between union and non-union members are considered an important measure of union power. In most countries this differential is called the 'union/non-union' wage differential. In New Zealand, however, there are employees who are union members but are not covered by collective agreements, contrary to the more common occurrence in other countries (e.g. the United States and Canada), where non-union members are often covered by collective agreements. Therefore, in New Zealand the differential should be more precisely called the 'collective versus individual' wage differential. In this article we focus on the raw 'collective' wage differential, but due to convention we still call it the 'union' wage differential.

There is a large body of empirical research internationally on the union/non-union wage differential, using both micro- and macroeconomic models. Those studies almost uniformly conclude that union members receive higher wages than their non-union counterparts. We explore whether this is the case in the New Zealand Public Service (NZPS) as well.

Due to data limitations the union premium has not previously been calculated in New Zealand. The New Zealand State Services Commission's (SSC) Human Resource Capability (HRC) survey - the only available source of individual-level data in New Zealand on collective agreement coverage and union membership - allows us to examine the differences in average wages

between NZPS employees who are employed on individual agreements and those employed on collective agreements. The HRC survey of 2005¹ collects a wide range of information on people employed in the NZPS, including all permanent and temporary employees, at the same time excluding those who work on a casual or as-required basis, and chief executives. The data was collected by the SSC from all 35 public service departments, which employed approximately 40,000 full-time and part-time employees in 2005. Of those employees, 54% were covered by collective agreements and 58% of them were union members.

We find that in the NZPS, employees on individual contracts earn significantly higher wages than those who are covered by collective agreements, contrary to the experience of other countries. Looking for the factors contributing to this phenomenon, we carry out comparisons of average wages of employees on individual versus collective agreements by gender, employment type, occupation, ethnicity, age, tenure and employer size. The negative union wage differential persists across most employee subgroups. We also provide some preliminary explanations for our unusual findings, although without carrying out further empirical work the reasons for the existence of the negative union wage premium cannot be ascertained.

Brief history of employment relations in the NZPS

A brief overview of employment relations, and specifically the role of unions, in the NZPS since the mid-late 1980s, when major restructuring of the service started, is essential in order to understand the climate that NZPS employers, unions and employees operate in today.

1 The 2005 survey reflects the New Zealand Public Service as of 30 June 2005. We would like to thank the State Services Commission for allowing us access to the data.

Prior to 1988, employment relations in the service were centralised. The SSC acted as the government's central employing agency of staff, negotiating and monitoring their employment conditions. NZPS employee organisations were allowed to register as trade unions for the first time under the Labour Relations Act 1987. These registered unions enjoyed the exclusive right to represent the group or groups of workers defined in the union's membership rules in negotiations for an award or agreement (Walsh et al., 2001). Public sector unions enjoyed a high level of membership.

The process of decentralisation in the service had begun with the State Services Act of 1988. Under this act, chief executives became employers of their staff, and occupational bargaining was replaced with departmental-level agreements as the primary means of pay fixing, an arrangement that continues to this date. Management positions, at all levels, were removed from collective bargaining coverage, which was replaced by fixed-term individual contracts.

Further major changes occurred in the industrial relations environment in New Zealand, including its public service, with the introduction of the Employment Contracts Act (ECA) in 1991. The ECA showed an explicit preference for individual contracts over collective bargaining in establishing conditions of work. Discrimination on the grounds of membership or non-membership of a union was prohibited. Unions were not considered different from any other non-trading body corporate; union membership was voluntary and employees could authorise any bargaining agent to negotiate individual or collective contracts. This resulted in a dramatic decline in union density² across all industries. While in 1991 union density was 42.3%, by 1999 it had declined to 17.5%; however, the decline in union density was smallest in the public and community services. Public servants were encouraged to leave collective contracts in favour of individual contracts, which led to a considerable reduction in union membership and to sizeable wage differentials between the more senior, highly-skilled public servants and those in the lower paid occupations. Furthermore, where a collective contract was in place employers often extended the same conditions to non-union employees, creating fertile ground for 'free-riding' (Harbridge and

Honeybone, 1996). Unions, including public service unions, became weak and deeply compromised (Walsh et al., 2001).

The employment relations climate changed again with the introduction of the Employment Relations Act 2000, which gives unions a monopoly over collective bargaining, promotes the concept of 'good faith' bargaining and supports multi-employer bargaining. However, bargaining is still completely decentralised in the NZPS, where there is exclusively single-employer bargaining. Still, each department has full control over the determination of wages and other conditions for their staff. At the same time, departments are advised by the SSC to avoid setting precedents or implementing proposals that have a likelihood of 'flow on' to other parts of the service.

The size and determinants of the union wage differential in other countries

Collective bargaining is the most important tool unions use in New Zealand to achieve gains for their members. Wage bargaining is identified as a primary function of unions. However, unions have a considerable impact on the rewards of not only their own members but non-unionised workers as well. Unions often play a significant role in improving minimum standards for all employees and set a pay standard that non-union employers often follow; this is called the 'union spillover effect'.

It is well established internationally that unions generally obtain higher wages for union members, creating a 'union premium' that often non-members receive as well (e.g. Freeman and Medoff, 1984; Belman and Voos, 2004). However, Peetz (2001) finds that Australian employees on individual contracts often experience superior terms and conditions to those of employees on collective agreements, so in fact having a 'non-union premium'. He argues that employers may offer employees a higher wage through individual contracts than is available through collective bargaining for the same type of work in order to induce employees to forsake union coverage. This impact of the unions is called the 'union threat effect' and has been identified in other jurisdictions as well.

Union/non-union wage differentials were estimated for several countries, and a number of factors were also

2 Union density equals union membership divided by total employed labour force.

identified that explain the size of the gap. Economists differentiate between ‘gross (or raw) wage differential’ and the ‘adjusted (net) wage differential’, being the differential when differences in various individual and workplace characteristics are adjusted for. These adjustments usually reduce the raw differential substantially.

The magnitude of the union wage premium varies from country to country. Due to data constraints, the union wage premium has not been calculated in New Zealand. For Australia, the most recent study puts the net union/non-union wage differential at between 1% and 6% (Wooden, 2001), using various assumptions for union activities. In the US the net union wage premium has been estimated in the range of 15-20% (Blanchflower and Bryson, 2004). In the UK the net union wage premium amounts to around 5% (Metcalf et al., 2001). In Canada most recent estimates put the gross union wage differential at 14% and the net, adjusted differential at 7% (Fang and Verma, 2002).

In the literature, both employee characteristics - such as age, tenure, occupation, race, sex, education, skill-level and marital status - and industry and firm characteristics - e.g. firm size, geographic location, firm-level bargaining - were found to have an impact on the size of the union wage premium. Freeman and Medoff (1984) established that in the US the union wage differential was largest for the youngest, low-tenured and lowest paid workers, and smallest for prime-aged, long-tenured and the highest paid employees. The union wage effect was also larger for non-whites than for whites, for blue-collar workers than for white-collar workers, and for males compared to females. However, the union wage differential fell with firm-level contracts (decentralised bargaining, for example, having a negative effect) and the size of the work site.

An almost universal finding is that union/non-union wage differentials are larger for lower-skilled than for higher-skilled workers (e.g. Freeman, 1982; Mishel and Walters, 2003). Only one study (Hirsch and Schumacher, 2001) has concluded that union wage effects are highly similar across workers with different levels of skills.

Hansen (1998), focusing on the US, found that the union/non-union earnings ratio was greater for women than for men and for blacks and Hispanics than for whites. In a recent study, Blanchflower and Bryson

(2004), who updated Freeman and Medoff’s earlier, 1984 study, conclude that in the US, variation in the industry-level union wage premium remained; that the state-level union premium varied less than the occupation- and industry-level premium; and that union workers remained better able than non-union workers to resist employer efforts to reduce wages when market conditions were unfavourable.

Findings are somewhat contradictory on the impact of union density on the size of the union wage premium. Card (2001) finds that, in spite of falling union density in the US, union/non-union wage differentials from 1973 to 1993 have been largely unchanged. At the same time, Bellman and Voos (2004) argue that falling union density in the US from 1979 to 1996 has been accompanied by a decline in the union wage premium. Blanchflower and Bryson (2004) suggest that the relationship between union density and union wages depends on the level of density. They argue that a strong effect would be achieved when density is higher than 40%. Wooden (2001) has also shown that in Australia, strong union presence - where the majority of workers are covered by collective agreements - confers a wage advantage in the order of 15-17%, which applies to members and non-members alike. Peetz (2001) has pointed out that in voluntarist regimes collective bargaining is strengthened when union density is higher; but while it is possible in many regimes to have union members who are not covered by collective bargaining, in such circumstances unions are largely ineffective in achieving gains for their members. In more recent research, Waddoups (2005) suggests that where union density is high it is likely that the provisions of negotiated collective agreements will extend to similar, non-unionised employees. In his findings not only do workers receive a premium for union membership, but the union premium is higher in a high-density industry.

We came across only a few studies focusing on the union wage premium in the public sector. There seems to be a consensus in the US and Canadian literature that the union differential is lower in the public sector, and, more specifically, in central government, than in the private sector (Freeman and Medoff, 1984; Bender, 1998). However, Blanchflower and Bryson (2004) found that the public sector wage premium was similar to those in the private sector. Kornfeld’s 1993 study of Australian union wage premiums finds that the union premium exists primarily in the private sector, and he concludes

that public sector unions in Australia tend to raise wages for all employees in the public sector.

In summary, the literature shows that in most instances union workers receive higher pay than comparable non-union workers, with the size of the premium varying over time and across countries. The following factors have been identified in contributing to the size of union/non-union wage differential: union density, collective bargaining coverage, size of establishment, industry, region, age, gender, race, occupation, education, term of agreement, ethnicity, marital status, and tenure with current employer and in a given occupation.

Analysis: what is happening in the NZPS?

Our analysis is based on the SSC's 2005 HRC survey data. In the survey, wages are defined as the annual full-time base salary as of 30 June 2005. From the explanatory variables that had been identified in the literature we were able to compare the average wages for employees on individual versus collective agreements by gender, age, ethnicity, occupation, term of employment, hours of work, the union the employees belong to, tenure and the size of the employer.³

Table 1 contains the basic descriptives for the variables that our research focuses on. It shows that the NZPS employed 40,325 employees in 2005. Of these, 59% of the workforce are female, and 54% are employed on collective agreements, while 58% are union members. Almost 60% of the employees are New Zealand European and 16% are Maori. Ninety per cent of the workforce are permanent employees and work full time. Most NZPS employees work for large organisations with 500 or more employees. The largest occupational group is associate professionals (34.6%), followed by professionals (29.2%). Clerks constitute 17.5% of the workforce, while corporate managers represent almost

10%. The bulk of the employees are in the 30-50 age group. Surprisingly, almost 21% of the workforce have less than one year's experience with their department and 28% have only one to three years' experience. This means that almost half of the NZPS employees have quite limited experience with their department, while fewer than 30% have more than 10 years' experience. However, as employees often move across departments, people might have more experience within the service.

Slightly more women (55%) are employed on collective agreements than men (53%), while only 16% of the employees on fixed-term contracts are on collectives. Seven per cent of union members are on individual contracts; 55% of full-time employees and 42% of part-time employees are on collectives. The unionisation rate for Pakeha (53.6%) is quite similar to the overall unionisation rate of the public service workforce (54.3%), while Maori are somewhat more highly organised (61.3%). The Public Service Association (PSA) is the largest union in the sector, representing 76% of union members. There are a few other unions that operate in some departments and compete with the PSA, such as the National Union of Public Employees and Taxpro. A small proportion of employees are members of other unions, for example the Central Amalgamated Workers' Union, Finsec (the country's financial sector union) and the New Zealand Educational Institute.

Unionisation seems to be positively related to employer size: the larger the employer, the higher the ratio of employees on collective agreements. There seems to be a strong association between age and being on collectives, as well as between tenure and unionisation. This means that the older a person is, the more likely it is that he or she will be on a collective. The same applies to tenure: the more tenure a person has, the more likely he or she will be unionised. From the various occupations, the 'other workers' group, which contains mainly tradespeople, is the most highly organised (73.8%), followed by associate professionals (66%) and clerks (63.8%); 42% of professionals are on collective agreements. Corporate managers are the group least organised, with one in five corporate managers on collectives. This is still considered a high ratio considering the concerted efforts by various governments to push corporate managers onto individual contracts since the inception of state sector

3 Ethnicity categories include: New Zealand Maori; New Zealand European; Pacific Island; Asian; other European; and Other. 'Occupation' is based on the New Zealand Standard Classification of Occupation at the two-digit level. However, we created more aggregate occupational categories, as follows: legislative and administrative workers; corporate managers; professionals; associate professionals; clerks; and all other workers. 'Term of employment' includes two categories: (1) fixed – limited (contract/agreement with a specified end date) and (2) open (permanent employee). 'Hours of work' differentiates between full-time employees with more than 30 hours per week and part-time employees with less than 30 hours per week. 'Tenure' is employment with a department.

reforms in the late 1980s. Differences in unionisation rates between the various occupational groups might also reflect a negative relationship between job responsibilities and being on a collective. In sum, these results point to significant compositional differences between unionised and non-unionised workers - by age, tenure, occupation, full-time/part-time status and employer size – that could explain part of the wage gap.

Table 2 compares mean wages for employees on collective and individual agreements by gender, agreement term, union membership, hours of work, employer size, occupation, age, tenure and ethnicity. In contrast to most of the findings of the international literature, but in line with a relatively recent Australian study (Peetz, 2001), we have found that a substantial negative union premium exists in the NZPS. On average, NZPS employees on collective agreements earn 23% less than those employed on individual contracts. Only in the case of part-time employees do those on collective agreements earn more than those on individual contracts – the union premium for them is 5% – and employees in the occupational group ‘other workers’ – which covers mainly blue-collar workers – earn roughly the same irrespective of whether they are employed on collective or individual agreements. Further, looking at the data by occupation, the differential is largest for diplomats (-50%), followed by corporate managers, where those on collectives earn 30% less than managers on individual contracts. There is a substantial negative differential (-10%) for professionals, and there is a small (-3%) differential for both associate professionals and clerks. In the white-collar occupations the size of the differential seems to be related to the amount of responsibility required for the job. This is in line with the findings of Peetz (2001), who similarly found that in Australia employees on individual contracts earn more than those on collectives, and linked this to occupational differences. Many previous studies also show larger union gains for blue-collar workers than for white-collar workers (Card, 2001; Mishel and Walters, 2003), and this is substantiated in the NZPS data as well.

Our results seem also to be in line with the literature’s finding that the union/non-union wage differentials are larger for lower-skilled than for higher-skilled workers (Freeman, 1982; Mishel and Walters, 2003). The twist in the NZPS results is that lower-skilled people on

collectives still earn less than their colleagues on individual contracts, but the negative differential is smaller for the lower-skilled occupational groups than for the higher-skilled ones. At the same time, union density might also be related to the size of the union/non-union wage differentials by occupation; like ‘other workers’, associate professionals and clerks are all highly unionised.

In terms of gender, males on collective agreements earn 30% less than males on individual contracts, while for females the negative union differential is smaller: -17%. This is in line with the findings of the international literature that unions provide greater gains for females than for males (Hansen, 1998). In the absence of multivariate analysis we could only speculate about the reasons for the significant difference in the differential by gender. One contributing factor might be occupational differences across the genders: females congregating in lower paid occupations while males more typically hold more senior and managerial positions, which command higher salaries. At the same time, senior and managerial employees are more likely to be employed on individual contracts.

Turning to employer size, the smaller the organisation, the larger the negative union premium. In organisations with fewer than 100 workers, employees on collective agreements earn 33% less than employees on individual agreements, while in organisations with over 500 employees workers on individual agreements earn 21% more than their counterparts on collectives. This might be related to union representation, as smaller organisations have much lower union density than larger ones.

Looking at the size of the differential by age, it has been established in the literature that the union wage effect is largest for the youngest workers and smallest for prime-aged workers (Freeman and Medoff, 1984). Our findings are consistent with those results. Although in the NZPS a negative union wage differential exists for all age groups, it is smallest for those 25 years of age or younger (-2.4%), and steadily increases until the 51-55 age group (-34%), then slowly declines to -25% for those aged over 61. The same pattern is followed with tenure, although the differences between the various groups are less pronounced: people with less than one year of tenure on collectives earn 20% less than people with more than 20 years of service, who earn 36% less on collectives than on individual contracts.

By term of agreement, open-term employees on collective agreements earn 26% less than their counterparts on individual contracts. In comparison, employees on fixed-term agreements who are covered by collective contracts earn 19% less than employees on collectives.

Finally, by ethnicity, our literature review shows that the union/non-union earnings ratio in the US was greater for blacks and Hispanics than for whites, meaning that unions provide more gains for groups that are traditionally disadvantaged in the labour market (Hansen, 1998). We concur with those findings, although a negative union premium still exists for both Pakeha and Maori in the NZPS. However, the gap is wider for Pakeha (-25%) than it is for Maori (-18%).

Conclusion

We set out to compare the wages of NZPS employees on collective versus individual agreements. We calculated the raw average collective/individual wage differential and compared the differentials for major subgroups of employees. Contrary to the general findings in the international literature, employees on collective agreements in the NZPS earn substantially less than employees on individual contracts. The negative wage differential persists across most employee subgroups. However, New Zealand public sector unions seem to deliver better results for part-timers, blue-collar workers, young workers and lower-skilled white-collar workers, groups that are traditionally disadvantaged in the labour market. Alternatively, the relatively little bargaining power these employee group members have individually could be reflected in the differentials.

Our results show that, in spite of the relatively high unionisation rates in the NZPS, unions in this sector are not able to deliver higher wages to their members than employees on individual contracts can negotiate for themselves. Our work is only the first step in documenting the union/non-union wage differential in the New Zealand public service. We plan to carry out multivariate analysis, including decomposing the raw union/non-union wage gap, which will allow us to separate out the impact of compositional differences between union and non-union members on the wage differential from the impact of unions. In the meantime, we could only speculate on the reasons for the unexpected findings.

Most unions in the public sector were established relatively recently (since 1987), and under the award system public sector employees and their associations had enjoyed a sheltered existence. It is most likely that the decentralisation of collective bargaining to the departmental level, combined with prolonged budget constraints imposed on departments by successive governments, contributed as much to the loss of bargaining power of public sector unions as did the decidedly anti-union stance of the Employment Contracts Act. The ECA did weaken unions, and most unions were not ready and did not have the time to develop tools to deal with the drastic changes. While public sector unions were more successful than other New Zealand unions in keeping members, their declining union power might be reflected in the wage outcomes of their negotiations. During the ECA period, many public sector unions were not able to negotiate wages as part of collective bargaining. Even in 2003, around 50% of the public sector collective agreements did not include wages. At the same time, it has been well established (Walsh et al., 2001) that the drastic changes in the economic and employment relations environment from 1987 created increased income inequalities in New Zealand society, providing higher returns for highly educated professionals and declining real incomes for lower-skilled employees. This general tendency could be reflected in the stronger bargaining position of professionals and managerial employees on individual contracts in the NZPS.

Table 1: Individual, job and workplace characteristics of the NZPS (2005)

	Employees	Collective	Individual
No. of employees	40,325	21,879	18,446
Women	23,843	13,107	10,735
Men	16,480	8,772	7,708
Open-term	36,612	21,281	15,331
Fixed-term	3,713	598	3,115
Union member	23,281	21,653	1,628
PSA	17,664	16,367	1,297
Full-time	36,733	20,357	16,376
Part-time	3,592	1,522	2,070
Employer size (ees):			
≤ 100	339	47	292
101-500	3,130	1,008	2,122
501+	36,856	20,824	16,032
Occupation:			
Corporate managers	3,89	763	3,132
Professionals	11,779	4,976	6,803
Associate profs	13,960	9,206	4,754
Clerks	7,047	4,497	2,550
Legislative and admin.	110	2	83
Other workers	3,078	2,272	806
Age:			
≤ 25	3,285	1,551	1,734
26-30	4,323	2,051	2,272
31-35	5,061	2,540	2,521
36-40	5,573	2,969	2,604
41-45	6,230	3,483	2,747
46-50	5,568	3,231	2,337
51-55	4,412	2,626	1,786
56-60	3,218	1,995	1,223

≥ 61	1,873	1,210	663
Tenure (years):			
0	8,353	2,736	5,617
1-3	11,448	5,529	5,919
4-5	4,556	2,656	1,900
6-9	4,888	2,928	1,960
10-19	7,278	5,357	1,921
20+	3,801	2,673	1,128
Ethnicity:			
Pakeha	23,446	12,578	10,868
Maori	6,252	3,831	2,421

Table 2: Comparison of mean wages and the collective/individual wage differential

	All (\$)	Collective (\$)	Individual (\$)	Wage Differential (%)
Total	50,884	44,569	58,376	-0.24
Women	47,103	43,193	51,878	-0.17
Men	56,349	46,624	67,416	-0.31
Open -term	51,430	44,749	60,705	-0.26
Fixed- term	45,001	38,154	46,911	-0.19
Union member	45,699	44,537	61,155	-0.27
PSA	45,206	43,962	60,904	-0.28
Full-time	52,067	44,911	60,962	-0.26
Part-time	38,791	39,986	37,911	0.05
Employer size (ees):				
≤100	88,213	61,237	92,555	-0.34
101-500	66,250	54,111	72,016	-0.25
501+	49,236	44,069	55,948	-0.21
Occupation:				
Corporate managers	84,676	58,354	91,089	-0.36
Professionals	58,988	55,156	61,790	-0.11

Associate profs	41,889	41,333	42,965	-0.04
Clerks	38,744	38,1	39,756	-0.04
Legislative & admin.	170,506	95,839	194,796	-0.51
Other workers	41,599	41,730	41,232	0.01
Age:				
≤ 25	35,369	34,928	35,763	-0.024
26-30	43,011	39,766	45,940	-0.13
31-35	48,770	43,512	54,067	-0.20
36-40	51,867	44,643	60,104	-0.26
41-45	53,691	45,933	63,526	-0.28
46-50	55,687	46,922	67,806	-0.31
51-55	57,728	47,681	72,501	-0.34
56-60	56,700	47,853	71,132	-0.33
≥ 61	50,910	45,442	60,892	-0.25
Tenure (years):				
0	44,811	37,305	48,467	-0.23
1-3	48,450	41,254	55,190	-0.25
4-5	51,494	43,894	62,120	-0.30
6-9	54,499	45,759	67,555	-0.32
10-19	53,780	47,748	70,560	-0.32
20+	60,612	51,856	81,363	-0.37
Ethnicity:				
Pakeha	52,578	45,453	60,825	-0.25
Maori	45,400	41,803	51,094	-0.18

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E-government: What Is It, and Will It Transform Government?

Robin Gauld

E-Government uses improved Internet-based technology to make it easy for citizens and businesses to interact with the government, save taxpayer dollars, and streamline citizen-to-government communications.

Bush (2002)

We see e-government enabling a transformation in the way government operates and delivers results for New Zealanders.

Mallard (2003)

Like many trends that influence public policy and administration, 'e-government' is a multifaceted and nebulous idea, easily applied to a range of different situations, across the entire gamut of government and society, and with differing intentions. There are wide-ranging claims made for e-government, considerable hopes pinned on it, and substantial commitments – financial and otherwise – made to it. The concept has been embraced by political leaders; it is being used to drive changes to the public sector, and to legitimise investment of public money in information and communications technology (ICT). An important question, however, is what 'e-government' is, and what shape an 'e' government might have. This article overviews the concept, the developmental phases of e-government and some international and local policy developments, and speculates on the impact of ICT on the future shape of government.

What is e-government?

E-government might be defined as: (1) ICT, and, specifically, internet and web-enabled public service activity; and (2) the explicit coordination and oversight by central government of this, and of public sector ICT strategy and policy development.

Expectations of e-government

There are varying e-government expectations, both practical and theoretical.

Managerial

Through a managerial lens, ICT is viewed as a tool of efficient administration, responsive to the needs of the 'new [knowledge] economy'. Information flows are two-way, between government and consumers, and service-centred, although the primary focus is on improving intra-government information exchange and capacity to deliver on government objectives. The logic of the system is 'service delivery', and policy and information presentation. A primary expectation is that ICT will integrate information from disparate sources, and reduce public service staff as website information replaces the need for them. A related expectation is that availability of government information and services will increase.

Government coordination and transformation

A second set of expectations revolves around the notion of government coordination and transformation - that ICT will reverse government 'fragmentation' while centralising control of information and policy activity. The hope is that ICT will break down walls between the many agencies often involved in delivering services as they become interconnected. For the public, confusion over which agency to approach will be reduced. In keeping with this, the relevance of individual government departments will come under scrutiny, particularly where websites become the focus of, and point of interaction for, users of specific services. For example, in any developed country, children, the elderly and welfare recipients will each obtain services from a range of agencies, such as education, welfare, employment, social work and health. Web 'portals' that integrate information about and provide links to services

for specific groups provided by disparate agencies promise to provide 'one stop' service and a focus for government agencies.

A further expectation is that public administration and policy making will undergo a fundamental transformation to the 'e-government paradigm' (Ho, 2002). In the e-government paradigm, work is routinely conducted beyond the physical boundaries of individual agencies. Networks of policy makers from across and beyond government with relevant expertise around policy issues are assembled and function in cyberspace. The result, in theory, is increased collaboration, improved policy capacity and a heightened customer service focus, as well as reductions in the 'gap' between high-level central government policy makers and those implementing policy at the frontline of service delivery. With the focus away from individual departments, governments need to examine how their agencies and policy work should be structured, funded and monitored (Fountain, 2001). For instance, should agencies remain independent administrative units, or should mergers and downsizings that align with web-based and electronic service delivery be pursued?

Participation

The idea of participation frames a third set of e-government expectations. There are two variations on this theme. The first is consultation, in which ICT is viewed as a tool for developing better policy responses to electronically-articulated public needs. A core aim is to boost public education and involvement in policy and public service design. Following this, interest groups, agencies, associations and individuals may all interact and develop advocacy coalitions within cyberspace and use information in the quest to influence government. E-government may also extend to the development of electronic democratic arrangements such as voting and referenda systems, opinion polling, advisory groups, electronic public meetings and other feedback mechanisms.

The second variant stems from theories of 'deliberative' or 'direct' democracy. From this perspective, an e-government aim is enhanced deliberation, participation and, ultimately, democracy. Unlike the consultative (and managerial) model, where the state maintains a position of control, in the deliberative model the government's role is minimised to that of regulating infrastructure

and mediating public exchange. Deliberation, in its purest form, conceives of political processes as governed by a shared aim of achieving consensus, with no one interest or player exerting undue pressure or influence on proceedings. Information flows are complex and operate across an array of forums, including discussion groups, email list servers, interactive websites, mobile devices and so on. Researchers have found that the existence of the 'digital divide', between those who do and those who do not have ICT access, undermines the potential for deliberative democracy (Thomas and Streib, 2005; Wicklund, 2005). Universal computer access and capacity to contribute are, therefore, crucial.

Fulfilling the expectations

E-government clearly has elements relevant to both internal (within and across government and its agencies) and external (interactions between government and society) functions, with widespread implications for the structure of the state. Of course, the expectations outlined above are simply that, and no country in the world is presently anywhere near fulfilling them. Furthermore, meeting these expectations hinges on the preferences and priorities of politicians and the public, as well as a variety of other factors, the evidence for which is mixed. These include:

- that ICTs and the information made available via them are user-friendly;
- that the information that agencies might encounter in their data gathering is readily accessible and digestible; and
- that the public and businesses have access to computers and prefer to interact with government services in this way.

Research shows that United States citizens actively use email and the internet for 'informational' services such as recreation and tourism. However, 'transactional' e-government services are much less used, with, for example, only 15% of tax forms submitted online (Reddick, 2005). In addition, those who visit government websites are more likely to be university-educated and well off than those who do not, confirming a digital divide (Thomas and Streib, 2005).

Goals such as reducing fragmentation rely not only on robust ICT development and the availability of technologies that assist inter-agency collaboration. Also

required is the building of good working relationships between groups and agencies involved in service delivery, as well as the identification of issues and services conducive to inter-agency delivery. Without tight inter-agency coordination, service users may be led to believe they are being provided with a seamless service, only to find that, if difficulties arise, they still have to deal with individual agencies. Similarly, there is no example yet in the world of ICT driving a genuinely integrated government whose separate agencies are not identifiable. Whether transparency will increase is also questionable: it may be that only information deemed relevant or tailored for public consumption will be placed on websites; that much of the internal email communication and work that feeds into policy will not be placed in agency archives; and that the increased volume of available information will serve to confuse the public.

Naturally, in keeping with ICT advances, procurement and application, and the development of public policy, e-government is an evolutionary process. Some parts of government will be more digitised than others, and some expectations will be easier to achieve. The factors affecting this include strategic commitment to ICT procurement strategies and website development, financial and human resources, and, of course, the nature of activity (some departments, such as those responsible for immigration and tax collection, will have more public interaction than others, such as finance). E-government development also relies on the commitment of government and its agencies - the extent to which the 'e' means simply computerising of existing government functions rather than transforming organisations - as well as public trust and satisfaction with electronic systems. Finally, political leaders may promote some dimensions of e-government more than others. Researchers in Austria found that politicians there readily promoted 'e-government' for improving administration, but showed minimal interest in developing 'e-democracy', as this would reduce their power and control (Mahrer and Krimmer, 2005).

E-government developmental phases

Various writers (e.g. Layne and Lee, 2001) have discussed the 'phases' of e-government development. In the first phase, attention is on electronic cataloguing of information. This phase involves government

departments creating websites providing information about services, downloadable forms and documents, and contact details.

The second phase, moving towards 'two-way' communication, involves development of more sophisticated websites that link internal systems with online presence, allowing citizens to interact with government. For example, many transactions, such as paying of fines, registering for services and completing tax returns, will be conducted electronically. Here, close attention must be paid to security issues and technical detail. Systems for online transactions, for instance, need to be designed to ensure public confidence. Furthermore, data must be automatically transferred to the correct internal systems.

In the third phase, often termed 'vertical integration', local agencies and their services become connected with central systems so that any interaction with a local service is automatically relayed to relevant central agencies. This phase sees the development of 'portal' websites that feature related services from a range of central and local agencies. Examples include financial and business services (featuring both government and the private sector), welfare and health, and customs and immigration.

The fourth phase sees genuine 'horizontal integration' of government services. To clients, any walls between services and agencies will not be apparent, as systems have become fully integrated and interactive. Instead of the public having to navigate agencies (or portals) to obtain or transact with various services, these take on a seamless quality, with people having 'one stop' access to services. This, of course, may have implications for the structure of government, as Silcock (2001, p.90) suggests: 'in some cases, new departments will have formed from the remains of predecessors. Others will have the same names, but their interiors will look nothing like they did before e-Government.'

Most of the world's governments have reached at least the first phase. Many have moved into the second. The first two phases can be seen as 'add-ons' to existing public sector structures and work. The third and fourth phases require more sophisticated ICT, while the fourth also necessitates substantial public sector work redesign. The hurdles to achievement of vertical and horizontal integration are, therefore, much greater than the simple

email and web presence required for the first two phases. Implicit in phases three and four is also an assumption that the technology and the technical personnel implementing them are available, capable and reliable, and able to fulfil promises.

A brief review of international e-government developments

Many governments have launched wide-ranging and ambitious e-government programmes. This section outlines developments in Australia, Britain, the United States and New Zealand. Each country shares a comparable history of embracing ICT, considering it to drive prosperity, improve efficiency and create seamless citizen-focused services. Each has issued successive e-government strategies and established a coordinating office. Each faces several challenges.

Australia

Australia was early and swift in embracing the e-government concept. In 1997 the government announced that all Commonwealth agencies should aim to have appropriate services available online by December 2001; that electronic payments would become the normal means for the Commonwealth government by 2000; and that a government-wide intranet would be created.

In 2000 the Commonwealth government unveiled its Government Online strategy. This outlined eight 'strategic priorities', such as taking 'full advantage of opportunities provided by the internet'. Government Online also provided information on data standards and information exchange protocols with which agencies were expected to comply.

An updated strategy was issued in 2002, reinforcing the desire for secure and trustworthy cross-government service integration. Notably, each Australian state government has its own e-government office, leading to several state differences and militating against interoperability. Moreover, a recent Audit Office report noted that key agencies were failing to measure the effectiveness of their ICT advancements, and were thus unable to determine whether services had improved or whether the government was getting good value for money (Australian National Audit Office, 2005).

International studies have ranked Australia a world leader in e-government, though Australian developments are still in their infancy. While most Commonwealth and state government departments have achieved the first two developmental phases outlined above, movement into the next two stages – vertical and horizontal integration – remains largely in the planning and piloting phases.

Britain

In Britain, 'e-government' was first highlighted in 1996 with the release by the Conservative administration of Government.Direct. Since then, e-government has been central to New Labour's 'modernisation' programme, which aims to centralise and coordinate policy making, build more responsive and collaborative government and engage with the public. In 2000 the government announced that all appropriate services should be electronically available by 2005, a target largely achieved. A succession of new institutional arrangements have been introduced, including the creation of an e-minister, an Office of the e-Envoy (replaced in 2004 by the Office of E-Government) and individual departmental 'information age government champions'.

Future British priorities include ensuring that online services are accessible and universally used (2004 data showed that three-quarters of UK citizens had never visited a government website), and that web-enabled services change how people interact with government.

There is much hinging on future British e-government developments, as e-government was, in 2004, directly linked to an estimated loss by 2008 of over 84,000 civil service positions. This is predicted to result from reducing administrative costs and 'back office' functions (Brown, 2004).

In tandem with e-government, the New Labour government has also put considerable effort into developing 'joined-up government' (JUG), another strand of the modernisation programme. JUG corresponds with and is in part driven by e-government developments. JUG essentially refers to the achievement of horizontally- and vertically-integrated public sector activity.

The United States

In 1993 the US National Performance Review (NPR) viewed ICT as an essential factor in the 'reinvention' of

government. By 1998, ICT application was claimed to have reduced the federal workforce by 351,000 people and saved \$US137 billion (Fountain 2001, p.21).

From 1998 e-government work became more service-oriented and focused on developing 'virtual agencies' that bring together disparate services, and inter-agency e-government initiatives. By 2000 a wide range of virtual agencies (with services ranging from those relevant to the elderly and children to those for business, state services and education) had established a web presence via the federal FirstGov portal.

Developments have intensified since the passage of President George W. Bush's E-Government Act 2002. This outlined aims of ICT as a driver of inter-agency collaboration and 'results-oriented' citizen engagement, as well as various standards and initiatives, such as allowing private ICT companies to take a share in savings achieved through services provided to government.

A 2005 progress report deemed only nine out of 26 executive agencies successful in e-government implementation (see <http://www.whitehouse.gov/results/agenda/scorecard.html>). Despite this, the United States was ranked number one in the 2004 United Nations e-government readiness index. Of course, each of the individual North American states also has e-government offices and strategies, further complicating consistent country-wide development.

New Zealand

Since 2000 there has been strong political commitment to e-government in New Zealand, underpinned by a desire for cross-governmental coordination.

New Zealand's first e-government strategy was released in April 2001. A year earlier the government announced its e-government 'vision': that 'New Zealanders will be able to gain access to government information and services and participate in democracy using the internet and ICTs as they emerge'. Although there appears to have been genuine interest in engaging the public, this has extended to no more than the provision of interactive e-services. Since 2005 something of a policy shift has been evident, with more explicit recognition of the capacity for ICT to build communities and public interaction, although commitment has so far been largely rhetorical.

The April 2001 strategy outlined a variety of aims, among them that New Zealand would be an international e-government leader and that, by 2004, the internet would be the dominant means by which the public (and government itself) accesses government services and information. In terms of public sector structure, the strategy envisaged both 'seamless' service access and a 'seamless back office' (or in other words, reduced fragmentation among government departments).

The 2001 strategy listed a series of policy development and infrastructure milestones for completion by June 2002. These involved establishing a Secure Electronic Environment (SEE) to enable safe information exchange; a 'metadata' framework to ensure standard information cataloguing, to make public access straightforward; a web portal strategy and standards; a framework (later called 'e-GIF' – e-government interoperability framework) for common data policies and standards to ensure that government services can be connected; and a National Information Infrastructure Protection Strategy (NIIPS) to protect against hacking.

In December 2001 the strategy was updated, with issues needing attention, such as governance, funding and measuring e-government effectiveness, earmarked. A 2003 update (Mallard, 2003) confirmed previous policy directions and timetabled two important milestones, that:

- by 2007, ICT will be integral to delivery of government services; and
- by 2010 the operation of government will have been transformed by the internet.

Achievements listed in the 2003 update included development of basic standards for e-government, and, at a practical level, an increasing range of online services accessible via the government portal (www.govt.nz). Again, security and, by implication, trust in e-government, governance, funding and data quality standards and management topped the 'growing' list of 'challenges ahead' (Mallard, 2003, p.23). Governance (the management and guiding of ICT and e-government developments) poses particular challenges as agencies become interconnected. The strategy noted three facets of this: governance of shared inputs (joint use of information and technology), of outputs (integrated service delivery) and between levels of government (central and local).

A 2004 progress report noted that the internet had become a dominant means of accessing government services particularly for those working in government, but that only around 28% of the general public regularly used the internet for engaging with government. In terms of fragmentation, the report found that most online services remained rooted in individual agencies, requiring users to contact several agencies in order to complete government transactions. Finally, while there appeared to be public demand for e-government, there was a lack of public knowledge about the information and services that government agencies supply online (State Services Commission, 2004).

In 2005 the government launched its Digital Strategy, with an agenda to use ICT to bring together government, business and communities 'to the benefit of all New Zealanders'. Outlined in the strategy are a range of initiatives, from increasing broadband uptake (New Zealand has high internet use but is at the bottom of OECD countries in terms of broadband penetration) to improving business and government productivity. Also in mid-2005, the 2007 and 2010 goals listed above were made one of the six new state sector development goals - namely, to 'use technology to transform the provision of services for New Zealanders'.

Of course, e-government aligns with various other state sector developments, particularly initiatives stemming from the State Services Commission's 2002 Review of the Centre report. This noted that ICT was relevant to its recommendations, including that the uncoordinated nature of public services and policy advice promoted by the managerialism of the 1990s be reversed, and the suggestion of the possibility of consolidating core government agencies into '7-10 super networks'. ICT also has relevance to the 'Managing for Outcomes' initiative aimed at coordinating agency goals and work.

Conclusion

'E-government' promises radical shifts in the way the public sector is organised and conducts its work, and in how the public navigates and accesses services. E-government is presently in an embryonic state, both internationally and in New Zealand. Numerous expectations and strategies are espoused by political and technology leaders, multiple initiatives are in progress, and considerable gains are anticipated. Furthermore, it is clear that there is an element of sloganeering attached

to 'e-government' as a useful rhetorical device meaning all things to all people. It can be a managerial tool for creating efficiencies and cost cutting; a lever for better coordination of policy, administration and the organisation of government; and a vessel for enhanced participation, deliberation and democracy.

There are numerous unknowns, however, about the practice of e-government. It remains unclear, for instance, whether the promises of e-government will be realised or, as noted above, ICT will simply be an 'add-on' to existing institutional arrangements, with additional costs. The issues surrounding implementation of e-government strategies and projects are complex and depend on many underlying and interconnected factors: resources, expectations, and social, organisational, legal and, of course, technical considerations. Moreover, e-government is a mammoth project in its own right for the simple reason that it applies to the entire public sector. When considered against the fact that the great majority of public sector ICT projects fail in one way or another, there may be cause for pessimism about whether the much broader e-government project can be achieved or, if it is, whether its shape, functioning and costs will match with predictions.

A key question for New Zealanders, of course, is: if the operation of government is to be transformed by 2010, then into what? Presently there is no definitive answer to this, and time is running short. It is probable that there will be some movement into the third e-government developmental phase discussed above, and that ICT-enabled citizen-government interactions will increase. But it is doubtful whether there will be a 'transformation' involving efficiency gains and cost savings, and agency downsizing and mergers. Any transformation may well be in the way officials and the public use ICT in 2010 compared to a decade earlier.

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