

POLICY Quarterly

Volume 8 – Issue 4 – November 2012

What Future for FREE and FRANK Advice?

Richard Mulgan

3

Round Table on 'Free and Frank Advice'
Summary of Discussion

John R. Martin

11

Creating Public Value in the Policy Advice Role
A Reflection from the Front Line

David Bromell

16

Good Cause for Optimism: 1912 and 2012

Colin James

23

Provoking Debate and Learning Lessons: it is early
days, but what does the Performance Improvement
Framework challenge us to think about?

Deborah Te Kawa and Kevin Guerin

28

Covered Bonds and Bank Failure
Management in New Zealand

Geoff Bertram and David Tripe

38

Family Planning is Back on the International
Development Agenda: Why should New Zealand
play a greater role in the Pacific?

Family Planning International

44

RECENT CONFERENCES OF NOTE

Well-being in Wellington:

A Report on the June 2012

Well-being and Public Policy Conference

Phillip S. Morrison and Dan Weijers

51

Policy Quarterly (PQ) is targeted at readers in the public sector, including politicians and their staff, public servants and a wide variety of professions, together with others interested in public issues. Its length and style are intended to make the journal accessible to busy readers.

The journal welcomes contributions of about 4,000 words, written on any topic relating to governance, public policy and management. Articles submitted will be reviewed by members of the journal's Editorial Board and/or by selected reviewers, depending on the topic. Although issues will not usually have single themes, special issues may be published from time to time on specific or general themes, perhaps to mark significant events. In such cases, and on other occasions, contributions may be invited from particular people.

Subscriptions: The journal is available in PDF format on the Institute for Governance and Policy Studies (IGPS) website: <http://igps.victoria.ac.nz/publications/publications/list/10>. Readers who wish to receive it by email should register as PQ subscribers igps@vuw.ac.nz. This service is free.

For all subscription and membership enquiries please e-mail igps@vuw.ac.nz or post to Institute for Governance and Policy Studies, P.O. Box 600, Wellington.

Electronic Access: The IGPS directs interested individuals to its website: www.igps.victoria.ac.nz where details of the Institute's publications and upcoming events can be found.

Permission: In the interest of promoting debate and wider dissemination, the IGPS encourages use of all or part of the papers appearing in PQ, where there is no element of commercial gain. Appropriate acknowledgement of both author and source should be made in all cases. The IGPS retains copyright. Please direct requests for permission to reprint articles from this publication to igps@vuw.ac.nz.

Editors: Jonathan Boston and Bill Ryan

Editorial Board: Guy Beatson, David Bromell, Valentina Dinica, Don Gray, Peter Hughes, Gerald Minee and Mike Reid.

ISSN: 1176 - 8797 (Print)

ISSN: 1176 - 4325 (Online)

Volume 8, Issue 4 – November 2012

Copy Editor: Rachel Barrowman

Design & Layout: Aleck Yee

Cover Photo: Aleck Yee

Production: Alltex Design

Proof Reader: Vic Lipski

Editorial Note

The first three items in this issue of *Policy Quarterly* revisit a central aspect of relationships among Westminster-derived executives, namely, the obligation of officials to give advice to ministers.

Of course, that advice – to use the New Zealand phrase – must be 'free and frank'. The values-based partisan preferences of ministers in the government of the day are to be balanced with the non-partisan, technical, evidence-based advice of professional bureaucrats. Fears have recently been expressed in New Zealand, Australia and Britain that officials have allowed themselves to become more responsive to ministers' wishes than maintaining an independence of mind. Richard Mulgan explores this issue with particular emphasis on the present and future. Amongst other things he foresees a plural model of advice for governments coming from various sources not just the public sector and a lesser emphasis on the confidentiality of that advice.

The IPANZ/IGPS roundtable at which that paper was presented was attended by over 40 past and present practitioners, parliamentarians, ministers, academics and commentators. Their subsequent discussion, conducted under the Chatham House rule, was recorded by John R. Martin, which appears as the second item in this issue. Some of it revolved around a sly and pointed question, namely, evidence-based policy or policy-based evidence? Other issues attracting attention included incentives provided by the Official Information Act to provide quality advice, whether advice should be proactive and short or long term, and the stewardship role of public officials in advising the government of the day.

Taking his cue from a previous paper by Mulgan, David Bromell considers the role that public value could or should play in policy advising. Thinking from a front line advisory perspective, he draws upon the work of Mark Moore, particularly in his recent collaboration with John Benington, who argue that public servants have particular responsibilities as co-creators and guardians of public value – defined as 'what the public values'. David reflects upon recent experience as a basis for thinking about how policy analysis, development, and advice that is focused on public value might need to be organised and enacted and what would need to change relative to the present.

The next item is the text of a speech given by political columnist and commentator Colin James on Day One of the 2012 IPANZ Young Professionals Conference, held in Wellington in early August. He draws a parallel between the situation in 1912 when the Public Service Act came into being and that applying now, one hundred years later, as a call for 'better public services' rings through the public sector. Back then there was good cause for young professionals to be optimistic notwithstanding the challenges in the economic, technological and social contexts. Now, Colin argues, we are in an equally interesting, intriguing, scary, and energising period of change. It presents significant challenges and opportunities for officials with the wit and resilience to explore and meet them. It could also be the time when a great deal goes bad, wherein, he notes, lies the irony of the challenge.

Deborah Te Kawa and Kevin Guerin ask, "what does the Performance Improvement Framework (PIF) challenge us to think about?" The PIF process has now been running for three years and has recently been upgraded and refocused. Moreover, with a significant number of first round reviews

of departments now complete and published, it is possible to start analysing the results and noting patterns. Two that stand out are that agencies are clearly responsive and do what the government of the day wants but sustained delivery and strategic building for the future continues to be rare. Internal leadership is another weakness as is the ability to collaborate in achieving policy goals and objectives. Lessons to be drawn, the authors argue, are that results and capability are connected; agency size does not matter in relation to performance; purpose, vision and strategy do matter; and that efficiency continues to evade New Zealand's public organisations.

The next article turns to an entirely different matter, one that might well concern everyday customers of the major banks in this country. Geoff Bertram and David Tripe draw attention to a particular aspect of the regulatory framework being developed by the Reserve Bank in relation to losses or failures in the banking system. Their concern is the 'covered bonds' provisions whereby not all depositors are treated equally in carrying losses. Large depositors are afforded greater protection. Created from a ring-fenced pool of dedicated good-quality housing loan assets, this type of bond provides security to the covered bondholder and could be – as economists put it – 'looted' by the bank owners in the event of financial crisis. Retail depositors would then be left with a reduced collection of lesser quality assets against which they could make their claims.

Family Planning International (FPI) examines New Zealand's aid to the Pacific in terms of the 2014 goals set out by the plan of action regarding sexual and reproductive health following the UN's earlier International Conference on Population and Development, in which this country was a participant. In FPI's view, some recent funding decisions have benefitted Pacific family planning efforts but, whilst important, remain relatively *ad hoc*. It calls for a more systematic and sustained commitment from New Zealand to ensuring that all women in the Pacific are able to have their family planning rights and needs met particularly since doing so also leads to a range of positive health and development outcomes.

The final item in this issue of *Policy Quarterly* represents an innovation. There are several recent and forthcoming conferences of interest in relation to governance and public policy. For various reasons, many readers of *Policy Quarterly* have been or will be unable to attend them, so a ready-available review of proceeding would be useful. Thus Philip S. Morrison and Dan Weijers present Well-being in Wellington: A Report on the June 2012 *Well-being and Public Policy Conference*. As they note in their introduction, well-being and its measurement is a subject of extensive debate and development in this country as elsewhere. They overview the keynote conference and supporting papers in terms of operationalising national well-being frameworks, measurement issues, the well-being of children and poverty and well-being. Across Australasia, they argue, the theory is solid but academic researchers and policy makers have made only tentative steps towards developing useful indicators and analysing local data sets.

Bill Ryan
Co-editor

Richard Mulgan

What Future for FREE AND FRANK Advice?

This paper was presented to a round table on 'Free and Frank Advice' organised by the Institute of Public Administration New Zealand (IPANZ) and the Institute for Governance and Policy Studies, held at the Victoria University of Wellington council chamber on 30 May 2012.

I would like to begin by thanking the Institute of Public Administration for their invitation to deliver this lecture as part of their centennial commemorations of the Public Service Act of 1912. This act deserves to be remembered because it formally enshrined certain values that remain fundamental to government but which have not always received due recognition from those who comment publicly on public service matters.

The main thrust of the Public Service Act was to establish a unified professional, career-based public service. Appointments and promotions were to be made according to service-wide standards and rules administered by public service

commissioners and free of political influence. In making this change, New Zealand was not alone but was following international trends. All modern western governments were in the process of reducing the influence of political patronage and jobbery on administrative appointments by restricting the role of politicians and other powerful outsiders.

In Britain and other British-style jurisdictions, the Northcote-Trevelyan report of 1853 (Northcote and Trevelyan,

1853) made a seminal contribution. Using models pioneered for the Indian civil service, Northcote and Trevelyan recommended a system of independently administered service-wide examinations as a basis for appointments, backed up by transparent, merit-based procedures for internal promotion. The Westminster model subsequently developed a particularly sharp distinction between elected ministers, who retained responsibility for general policy and administration, and politically unaffiliated, permanent officials who controlled appointments in return for loyalty to the government of the day. This system, with minor variations, still persists in Whitehall, as well as in Ottawa, Canberra and Wellington.

How public servants are appointed might seem a relatively minor aspect of government organisation when compared with, say, the impact that government and its agencies have on individual citizens and society at large. Why give

Richard Mulgan is a political scientist and is an emeritus professor at the Australian National University's Crawford School of Economics and Government

so much attention to the selection and career paths of officials when what really matters is their subsequent performance in terms of the objectives we set for them? Indeed, if democracy demands that governments should follow the people's preferred directions, why go out of our way to prevent the citizens' elected representatives from deciding which individuals should be given the important task of carrying out government policy?

In practice, however, the values that underpin merit appointment to the public service, namely the application

or patronage will have less compunction about bending the rules when dealing with members of the public.

New Zealand is consistently ranked among the least corrupt countries in the world in which to do business. This deserved reputation for high standards of impartial and transparent government rests on many factors, not least a vigilant media and a public opinion intolerant of ministers who improperly interfere in departmental processes. But we should not forget the part played by government's own institutions, including the State Services

... it is disturbing to read a recent proposal that the State Services Commission might eventually merge with the Department of the Prime Minister and Cabinet

of transparent rules and procedures and freedom from political interference, have application far beyond the conduct of personnel policy. They are also fundamental to how public servants carry out their main functions as public administrators. For instance, when providing services to individual members of the public, government officials are often called on to apply general rules and regulations to particular cases. They are required to act in strict accordance with the rules, without fear or favour, and to keep a full and accurate record of all procedures followed. If a minister or any other politician seeks to intervene on behalf of an individual citizen, he or she is informed about how the rules apply in this particular case and any suggestion of special consideration will be politely rebuffed.

This respect for impartiality in the implementation of policy is seamlessly linked to a similar respect for due process in the appointment and promotion of government officials. Public servants whose employment is grounded in merit-based procedures will have the same respect for procedures when dealing with the public. Conversely, officials who owe their positions to personal connections

Commission (SSC), the direct descendant of the original Public Service Act. The SSC continues to perform a vital function in protecting the values of a non-aligned professional public service, particularly at the interface between ministers and departmental chief executives. As such, it is the envy of other mature Westminster democracies (e.g. Aucoin, 2012). In Australia, for example, the corresponding body, the Public Service Commission, has lacked the same role. Under the Howard Coalition government it was unable to prevent some unfortunate politicisation in the appointment of department heads. Current revisions to the Australian Public Service Act are aimed at strengthening the role of the public service commissioner but he or she will still lack some of the powers of the New Zealand state services commissioner. In this context, it is disturbing to read a recent proposal that the State Services Commission might eventually merge with the Department of the Prime Minister and Cabinet (Better Public Services Advisory Group, 2011, p.51). New Zealand should think long and hard before it compromises the independence of the one central agency that focuses on issues of public service integrity.

Public service values of integrity and impartiality are important not only in making personnel decisions and in implementing government policy but also in another crucial public service role, which is the main topic of this lecture, the advising of ministers. The advising function tends to be overlooked in our recent concentration on managing for performance and outcomes. But it remains critically important. The State Sector Act 1988, for instance, in listing the responsibilities of the department chief executive, places 'Tendering advice to the appropriate minister and other ministers of the Crown' next after 'carrying out the functions and duties of the department'. Indeed, if we go back as far as Northcote-Trevelyan, we find advising ministers named as the first function of permanent public servants. Advising, of course, has always been a predominantly head office task. The majority of today's public servants, who staff the regional offices and local branches and who deal directly with the public, have little direct input into policy advice, although their views may be sought from time to time. But if advising occupies a relatively small proportion of the public service overall, it still remains a crucial public service function.

Public service advice takes many forms. It includes, for example, practical suggestions on how ministers should deal with their immediate, daily tasks and crises; draft letters in the minister's name replying to the minister's extensive correspondence; and policy papers analysing various options for dealing with policy problems faced by the minister and the government. More broadly, the advising function can cover the collection of statistics and other relevant data, as well the evaluation of existing policies, and medium to long-term research into issues judged likely to be salient in the future.

Public servants do not have a monopoly on providing advice to governments. Ministers also listen to their political advisers and colleagues, as well as to representatives of organised interests and to members of the community. Policy-relevant research is also carried out by other government agencies, including

universities and research institutes, and by independent organisations and think tanks. Public servants have, however, occupied a unique position in the policy-advising system, combining close access to the centre of government decision-making with a distinctive approach to the formulation of advice.

What sets public service advice apart from advice ministers receive from other sources? By hallowed tradition, public service advice is said to be 'free and frank'. At least, this is the formulation favoured in New Zealand and the United Kingdom, Australia preferring a slightly different, though equally alliterative, version, 'frank and fearless'. The label implies that public servants are obliged to speak their minds openly and honestly. They should be willing to tell ministers things that ministers may not wish to hear. They should not question the government's basic political direction, but, within this general constraint, they should freely indicate their views of how the government's policy objectives can be best achieved, even if this means challenging other opinions that ministers may hold dear (Mulgan, 2008).

Being free and frank, in this sense, is certainly an important aspect of good public service advice, but it should not be singled out as the one essential characteristic of such advice. Public servants are not the only people expected to be free and frank in their advice to ministers. Ministers also look for the same degree of openness and honesty from their personal advisers, who comment on matters of political tactics and media presentation.

Nor is the value of free and frank advice confined to politics and government. Leaders as diverse as captains of industry, bishops, and vice-chancellors all need trusted advisers who will speak their minds freely. We should also remember that speaking freely and frankly does not necessarily require speaking in confidence behind closed doors. Newspaper editors, for instance, do it openly, as do political activists and academics.

For these reasons, then, free and frank advice may be one important aspect of public service advice, but, on its own at least, it is not the defining aspect. To

better grasp the distinctive nature of public service advice we also need to refer to the public service values such as impartiality and integrity which we have seen to underlie other aspects of the public service, such as appointments and policy implementation. Compared with advice from, say, a media adviser or a lobby group, public service advice is expected to be scrupulously accurate in its factual material, balanced in its assessment of evidence, and unbiased in its analysis of options. In effect, these are intellectual values that are often associated

main professional imperatives faced by senior public servants. If we cannot trust the judgement of public servants, then whom can we trust?

Of course, public servants cannot think or argue with total objectivity or impartiality. Indeed, nobody can. But we should not be tempted into a shallow relativism which holds all opinions to be equally subjective and all judgements therefore equally biased. Instead, we can talk sensibly in terms of degrees of impartiality and reliability as interpreted in particular contexts. From

Public servants should not compromise their respect for truth and evidence in order to accommodate the views of their political masters.

with the best scientific or academic work – accuracy, objectivity, lack of bias and so on. The main difference is that, unlike academics and other researchers, public servants must always operate within a framework which acknowledges the government's right to determine directions and make final decisions. Unlike academics, also, they often cannot afford to delay judgement in the absence of definitive evidence. Moreover, even when advising in the midst of uncertainty, public servants are expected to exercise the rational virtues of concern for factual accuracy and balanced judgement in the weighing of evidence.

Respect for the intellectual integrity of public service advice is a regular feature of our political discourse. Ministers who wish to vouch for the accuracy of a factual statement or the reliability of an argument will commonly preface their statements with words such as 'departmental statistics indicate' or 'as my officials advise me'. Opposition politicians, keen to score a point against the government, will seize on instances where ministers appear to have gone against advice from their departments. In doing so, they are trading on an assumption that the department's view is particularly reliable. Safeguarding this reputation is one of the

this perspective, it makes sense to expect public service officials to be more reliable and judicious than other players in the policy-making system. Spokespeople for particular interest groups have obvious axes to grind, as do many of the so-called think tanks. Consultants have incentives to please those who have employed them and whom they hope will employ them again in the future. Politicians and their personal advisers are often more interested in headlines and opinion polls than in serious analysis of policy issues. Only public servants have the resources of access and information, underpinned by professional values of integrity and independence, to maintain an impartial stance.

The defining characteristics of good public service advice, then, are factual accuracy and balanced judgement applied to policy issues. We can call this free and frank advice if we wish, out of respect for well-worn tradition, in the sense that public service advice may involve telling politicians what they do not want to hear. Public servants should not compromise their respect for truth and evidence in order to accommodate the views of their political masters. But, as I have attempted to show, it is respect for truth and evidence that is the key.

II

Public service advice is facing a number of major challenges, both here and elsewhere. To begin with, there is a perception that the policy function has been comparatively neglected within government bureaucracies. Two recent authoritative reports on either side of the Tasman, the Moran report in Australia (Advisory Group on Reform of Australian Government Administration, 2010) and the Scott report in New Zealand (Review of Expenditure on Policy Advice, 2010), have indicated similar systemic weakness in policy performance among major government departments, particularly in relation to long-term strategic policy. Admittedly, any such generalised judgement is hard to substantiate and performance is clearly varied across agencies. Dissatisfaction with the quality

through general management. As a result, the best and brightest who rise to the top in the public service are more likely to have made their mark as managers than as analysts.

One major long-term development which has affected the standing of public service advice is the fact that public servants do not have the ear of ministers to the same extent as they did in previous generations. A number of things have contributed to this trend. A commonly cited factor is the expansion of the number of ministerial advisers, understood as members of the minister's office appointed directly by the minister and not belonging to the public service. Acting as the minister's eyes and ears, these political appointees have enabled ministers to extend their influence much further over policy and over their

of public service advice. Moreover, the fact that advisers increasingly control access to ministers can sometimes make it harder for senior public servants to get to see their ministers in person. If ministers are inclined to distrust the loyalty or competence of their department, advisers provide a ready conduit for relaying this distrust. However, generalising in this area remains difficult. Whether the growth in the number of advisers has in itself seriously affected the relationship of ministers and departmental officials remains a contested issue. In New Zealand, at least, research suggests that it has not.

When critics complain of the growing influence of advisers they often have something else in mind, namely the increasing importance of media management in the priorities of ministers. The '24-hour news cycle', 'media spin' and the 'continuous election campaign' have become clichés of contemporary political commentary, but only because they represent a real and profound change in the conduct of democratic politics. Successful politicians have always had an eye on publicity and public opinion, but, in recent times, dealing with the media seems to have become an almost overwhelming obsession. The speed of the media cycle requires constant responses throughout the day. The perceived importance of frequent opinion polls forces ministers to tailor their actions and priorities with a view more to immediate media impact than to longer-term policy. Ministers are therefore thrown more into the arms of their media experts and tactical advisers. It is not so much that the number of advisers has grown, but that their particular role has become more dominant. By the same token, ministers have less time to consider serious policy issues.

The importance of media presentation is a worldwide phenomenon which represents a serious threat to the influence of public servants and the role of robust, impartial policy advice. Again, the experience across countries is not uniform. Australia, for instance, has been suffering from a particularly acute dose of the disease, with both sides of politics engaged in shallow sloganeering to the general despair of the broader

The perceived importance of frequent opinion polls forces ministers to tailor their actions and priorities with a view more to immediate media impact than to longer-term policy.

and depth of departmental advice is a longstanding complaint, particularly after a change of government.

Nonetheless, over the last two decades or so the advising function and the related skills of policy analysis do seem to have received less attention than the management of government agencies and the delivery of government programmes. A generation of public sector reform has been aimed at improving managerial efficiency and effectiveness, primarily in the delivery of public services. Policy advice and analysis have not been wholly forgotten. They have been subjected to their own managerial restructuring in terms of assessable outputs and outcomes, however artificial these may be appear. But they have not been the site of the main action in terms of innovative public administration. For individual public servants, as Scott reports (Review of Expenditure on Policy Advice, 2010, p.51), the path to promotion tends to lie

departments.

In terms of basic democratic principles, such influence can only be applauded, as helping to make the bureaucracy more responsive to the will of the people's elected representatives. When ministers faced the combined weight of their departments almost single-handed, the balance of power was tipped too far towards the professional bureaucrats. Indeed, experienced senior public servants have welcomed the political adviser's role. They see a sensible division of labour between public servants, who provide the balanced analysis and research, and the advisers, who help with the more politically partisan aspects of policy making (Eichbaum and Shaw, 2007; Shergold, 2004).

Occasional evidence does surface of advisers putting pressure on public servants to adjust advice to suit the adviser's preferred views, a clear attempt to pervert the free and frank expression

policy community. Relations between the previous prime minister, Kevin Rudd, and his department secretary, Terry Moran, appeared to have virtually broken down, with the pair going for months without meeting. Senior public servants began indicating, with suitable mandarin discretion, that ministers, and the political class generally, could not be trusted to concern themselves with careful policy analysis, particularly of a more long-term and strategic nature. The Moran report itself called for the public service to undertake long-term strategic analysis, on the obvious assumption that ministers could not be expected to show an interest in anything beyond the immediate headline and photo opportunity, a not surprising assumption given Rudd's treatment of Moran. Around the same time, the secretary of the Treasury, Martin Parkinson, publicly criticised both government and opposition leaders for ignoring important economic issues facing the country (Parkinson, 2011).

I cannot comment on the current situation in New Zealand. But, if worldwide trends are any evidence, getting ministers interested in longer-term policy is certainly not becoming any easier. Moreover, even when ministers do wish to consider substantial policy options they are not confined to taking advice from their public service advisers. In the last few decades it has become accepted wisdom that the public service no longer has a monopoly of the advising function and must compete with other potential sources of advice, such as consultants, think tanks and interest groups. The claim is somewhat exaggerated and, like most assertions of fundamental change, relies on an oversimplified account of the pre-existing situation. Governments have always made use of external advisers, by from time to time commissioning independent reports or co-opting experts from outside the core public service. There is nothing new in that. But in the past such external advice was usually seen as ancillary and supplementary, and not as seriously threatening the dominant role of public servants in advising ministers. Today, however, that dominance can no longer be taken for granted.

One reason has been the general acceptance of outsourcing as a legitimate and efficient method of meeting government functions. If other government services can be contracted out to external suppliers, so too can the provision of policy advice. Policy consulting firms have been one of the boom industries over the last quarter of a century, often offering expertise and political flexibility that is beyond the capacity of less nimble government departments.

Also influential has been the growing fashion for so-called 'evidence-based' policy as the preferred method of justifying government action. An older notion that policy involves a clash of interests and values which must be negotiated through political compromises has fallen out of favour. Instead, policy is

policy stances. Every major interest group employs its own in-house policy experts. Think tanks and consultancies have mushroomed to meet the demand for analyses which will reach the desired conclusions in an intellectually plausible format. What they are offering, however, is often not so much evidence-based policy as policy-based evidence: that is, evidence selected and presented in a way that is favourable to their paymasters' interests. Policy discourse is therefore awash with rival policy analyses, all purporting to be in the national interest and marshalling relevant evidence to suit their position. Ministers have many options to choose from and are by no means wedded to accepting their departments' own advice.

Also contributing to a sense that ministers and departments are no longer joined at the hip is the effect of greater

[The] degree of openness marks an important shift from traditional notions of ministerial responsibility in which ministers and their departments presented a united front to parliament and the public, whatever their internal differences.

seen as a more practical and technical matter of determining 'what works' in achieving generally agreed objectives. In turn, finding out what works is a matter of empirical research and evidence.

Of course, the notion that politics can be sidelined and policy making reduced to a technical matter of scientific evidence is a delusion. It is yet another version of the rationalist fallacy that has seduced otherwise intelligent thinkers from the time of Plato. Politics has not disappeared, but it has been forced underground. To appear respectable it must now talk the language of the public interest and research-based evidence and suppress any concern for the interests of a particular group. As a consequence, vested interests everywhere have put extensive resources into providing rational-seeming arguments that suit their own preferred

transparency of departmental documents encouraged by official information (or freedom of information) legislation. Much of the written advice that public servants prepare for their ministers now emerges, sooner or later, into the public arena and can become a topic of public debate. Departments now find themselves publicly declaring their own openly independent policy stance, which may run counter to that adopted by the government.

In some cases, public servants, out of traditional public deference to their ministers, have tried to avoid such open confrontation by keeping controversial opinions out of documents that are likely to be disclosed. At other times, however, departments have welcomed the opportunity of publicly pressuring their own governments. The New

Zealand Treasury was a trailblazer with its highly influential briefings published after the 1984 and 1987 elections. The publication of post-election briefings has since become the norm in both New Zealand and Australia as a way of trying to set a new government's agenda. The general trend to publish departmental policy documents is welcomed by open government advocates as part of a new, proactive policy of disclosure. Publication is also claimed to be in the interests of government agencies. It allows them to put their own views into the public arena to counter any misrepresentation they may receive from ministers or the media.

Such a justification is significant

incoming secretary of the prime minister and cabinet, Ian Watt. He claimed that his overriding mission was 'for the APS [Commonwealth Public Service] to be and remain *the first choice* [emphasis added] for policy advice, policy implementation and program service delivery for Australian governments'. In other words, the public service cannot assume that it will be automatically called on to perform its traditional functions, including tendering policy advice to ministers. It must earn its right to be chosen. A similar perspective is adopted in the Scott review of public service advice in New Zealand (e.g. Review of Expenditure on Policy Advice, 2010, p.54).

position of choosing which advice to accept from the range of views put before them. But how are ministers to make such choices? Ministers certainly cannot do this on their own but need to be assisted by advice – what we might call 'meta-advice, advice on advice'. This meta-advice needs to be well-informed, politically sensitive, intellectually robust and given in confidence. To whom should ministers look for such help in deciding which policy recommendations to follow? If departmental public servants are excluded from this meta-advising function, who is left? The minister's own political advisers, who generally lack political experience and most of whom are obsessed with media headlines and opinion polls? Paid consultants more attuned to what ministers want to hear than what they ought to hear?

Once we ask the question in this way, it becomes obvious that professional public service advisers ought to be part of this confidential inner circle. No doubt they are not to be the only members. The minister's personal office has a vital role to play, supporting the minister's political priorities, as do other occasional sources of advice supported by ministers. But trusted public servants have unique resources of experience and information to contribute in analysing the strengths and weakness of policy proposals, including proposals from their own departments. The key to the effective performance of this meta-advising function is trust. Ministers need to know that their public service advisers will be loyal to the government in the sense that their advice will be tailored to the government's political agenda and that any disagreements will remain strictly confidential. In political systems as ruthlessly adversarial as our own, ministers cannot afford to allow open disclosure of internal disagreement over policy.

There is, thus, a clear tension between two models of free and frank policy advice: an open, pluralistic model which places public servants, along with other potential players, at arm's length from ministers, and a closed, tightly controlled model in which public servants have a unique position as privileged and trusted insiders. Both models have their place.

Government information belongs to the people not the government and should be openly available, subject always to privacy and certain other legitimate concerns, including protection of national security and the judicial process.

because it accepts that government departments are independent agencies with their own preferred policy directions which may well differ from those of the government they serve. Moreover, it also accepts that these differences of opinion can be safely revealed to the public. Public service advice remains free and frank, but this freedom and frankness is now to be expressed in public, not behind closed doors. This degree of openness marks an important shift from traditional notions of ministerial responsibility in which ministers and their departments presented a united front to parliament and the public, whatever their internal differences. Instead, public servants are assumed to face ministers as openly independent sources of policy advice in a more open and pluralistic policy environment, with no guarantee that their advice will be adopted by ministers or even receive favoured treatment.

In Australia, this new environment was acknowledged recently by the

There are obvious advantages in a more pluralistic system, where public service advice competes in a competitive marketplace of ideas. Exposing departmental research to public scrutiny can improve the quality of the research itself by opening it up to peer review and criticism. Moreover, as the proponents of freedom of information argue, policy analysis and research conducted by departmental public servants should be accessible to all political players as part of a well-informed democratic dialogue. They should not be the preserve of incumbent governments to disclose or conceal to suit their interests. Government information belongs to the people not the government and should be openly available, subject always to privacy and certain other legitimate concerns, including protection of national security and the judicial process.

On the other hand, the new policy-making paradigm carries certain risks. It clearly places ministers in the pivotal

There are good reasons for applying the open model to policy research and analysis carried out within government departments, along with similar research conducted by independent research institutes, in both the public and private sector. Here, all the arguments in favour of open government and the marketplace of ideas clearly apply. The advice can be free and frank in the sense of being both intellectually robust and not afraid to upset ministers.

On the other hand, when public service advice moves into the area of clearly commenting on policy alternatives and recommending particular options to government – i.e. meta-advice – the arguments for confidentiality have legitimate force as means of safeguarding the role of public servants as trusted insiders. Free and frank advice in such closed contexts is at risk unless serious disagreement between ministers and public servants is kept confidential.

III

What, then, are the lessons for the future? In the first place, the role of senior public servants as trusted insiders needs to be acknowledged and protected, as one of the enduring strengths of Westminster government. This is the original and still crucial setting for free and frank advice. Ministers need to recognise that their best chance of long-term success is to develop effective and firmly-based policies, and that their best chance of developing such policies is to work in close partnership with experienced public servants who combine impartial judgement with loyalty to the government of the day. For their part, public servants need to avoid acting in ways which could jeopardise their ministers' trust: for instance, by publicly disagreeing with the government's line. On the whole, these traditional Westminster conventions remain secure in New Zealand, in spite of state sector reforms designed to highlight different public roles and responsibilities for ministers and chief executives (Lodge and Gill, 2011; Boston, 2012). But attitudes to official information and transparency may need some rebalancing towards greater protection of the confidentiality of politically sensitive advice given by public servants, at least for a limited period.

In Australia, the Freedom of Information Act has recently been revised to restrict the categories of document exempt from disclosure, with the specific aim of ruling out potential political embarrassment for the government as a legitimate reason for confidentiality. The change was the result of a concerted campaign by media interests and the transparency lobby aimed at freeing up departmental advice that ran counter to government decisions. Yet avoiding embarrassment for their ministers is a core professional imperative for loyal public servants in adversarial Westminster systems. Avoiding ministerial embarrassment is essential in order to maintain the trust of ministers,

In political systems as ruthlessly adversarial as our own, ministers cannot afford to allow open disclosure of internal disagreement over policy.

which, in turn, is essential to secure the public servants' place at the nerve-centre of government.

By contrast, the United Kingdom Freedom of Information Act allows exemption for disclosure of information which would inhibit 'the free and frank provision of advice, or the free and frank exchange of views for the purposes of deliberation' (Freedom of Information Act 2000, s36 2 (b)). But even in the United Kingdom, with its stronger traditions of executive secrecy, use of the government's power to restrict access to controversial advice is proving highly contentious. It is almost universally condemned by legal experts, academics and media commentators. The case for confidentiality tends to be written off as executive special pleading and not firmly grounded, as it should be, in the principles of good governance.

This is not to say that all departmental documents should be protected. Much data and policy research produced by departments should properly be in the public arena as part of the public service's free and frank contribution to policy

debate. Such work does not imply the support of ministers; nor need it carry the personal imprimatur of the department's chief executive or senior management. But when policy advice moves to the frank consideration of options and politically sensitive recommendations from senior public servants, what I have called 'meta-advice', confidentiality should be the preferred approach in order to safeguard trust-based partnerships with ministers.

Where to draw the line is admittedly difficult and a matter of balancing competing principles. The distinction between advice and meta-advice is itself rough and ready and not capable of bearing much weight. One potentially useful contrast is between the department

and its leadership as potential owners of advice. The department, as a large, collective institution, can afford to have its own independent views. The chief executive and senior management, however, should tread more carefully and should think twice before they try to influence policy debate through the public arena. General reflections on long-term issues are to be welcomed, particularly if they can be framed in a non-partisan way. But comments that reveal a serious policy disagreement between a minister and his or her chief executive are to be avoided because they offer opportunities to the government's opponents and threaten the role of senior public servants as trusted insiders.

Apart from its key function in confidential advice to ministers, free and frank advice is also important in its other, more public role as part of the wider policy debate. This role, too, needs to be protected and encouraged. Such advice, it should be remembered, need not necessarily emanate from government departments under ministerial direction. All that is needed is that the researchers

and analysts should have the right values of impartiality and intellectual integrity, combined with readiness to speak out without fear or favour. Such values are more likely to be found in publicly-funded institutions, particularly in a small country such as New Zealand without a strong philanthropic tradition of privately funding public-interest research. But even within the public sector, excellent policy analysis can be provided by institutions at arm's length from government. The Australian Productivity Commission, recently copied in New Zealand, is one such successful model. Other research institutes and bureaus can also make effective use of their independence from government and the fact that they do not automatically speak for government. Universities can also play a part.

Departments and executive agencies should still do their own policy research. But if the logic of policy pluralism is accepted, they should see their policy branches not as the main source of

government policy, but rather as one set of contributors to a wider policy debate. Departments do start to frame government policy at the later stage of meta-advice, which largely operates behind closed doors. But in so far as they are conducting research and analysis for a public audience, there are advantages in seeing such advice as preliminary work which does not commit the government. In this sense, departmental policy and research branches could be looked on as to some extent arm's length from ministerial responsibility, even though they remain formally part of the department.

The ideal mix of public institutions dedicated to free and frank policy analysis cannot be prescribed and would depend on a number of factors, including the type of policy areas and the accidental location of good people. In general, however, we should accept the logical consequences of the fact that departments under ministers do not have a monopoly of advising. Moreover, we

should not try to plan too closely. The marketplace of ideas, after all, is a market. We know, or ought to know, that markets cannot be effectively planned. In some of the recent reports on policy advice, such as those of Scott and Moran, we catch a whiff of Stalinist centralism, the besetting weakness of those who sit at or near the top of central agencies, typically our best and finest public servants. They like to talk of the need for policy analysis to be more 'strategic'. But 'strategic' can be a slippery term. Certainly we need more strategic analysis in the sense of more long-term thinking about major policy issues. But the concept of 'strategy' can also betray its military origins, implying a desire for central control from policy HQ – which we should avoid. Instead, we should listen to the words of another well-known communist dictator, Chairman Mao: 'let a hundred flowers bloom and let a hundred schools of thought contend'.

References

- Advisory Group on Reform of Australian Government Administration (2010) *Ahead of the Game: blueprint for the reform of Australian government administration*, http://www.dpmc.gov.au/publications/aga_reform/aga_reform_blueprint/docs/APS_reform_blueprint.pdf
- Aucoin, P. (2012) 'New political governance in Westminster systems: impartial public administration and management performance at risk', *Governance*, 25 (2), pp.177-99
- Better Public Services Advisory Group (2011) *Better Public Services Advisory Group Report*, Wellington: Department of the Prime Minister and Cabinet
- Boston, J. (2012) 'Reflections on "New political governance in Westminster systems"', *Governance*, 25 (2), pp.201-7
- Eichbaum, C and R. Shaw (2007) 'Ministerial advisers and the politics of policy-making: bureaucratic permanence and popular control', *Australian Journal of Public Administration*, 66 (4), pp.453-67
- Lodge, M. and D. Gill (2011) 'Towards a new era of administrative reform? The myth of post-NPM in New Zealand', *Governance*, 24 (1), pp.141-66
- Mulgan, R. (2008) 'How much responsiveness is too much or too little?', *Australian Journal of Public Administration*, 67 (3), pp.345-56
- Northcote, S.N. and C.E. Trevelyan (1853) *Report on the Organisation of the Permanent Public Service*, London: HMSO
- Parkinson, M. (2011) 'Sustaining growth in living standards in the Asian century', address to the Melbourne Institute Economic and Social Outlook conference, 30 June, <http://www.treasury.govt.nz/publications/AndMedia/Speeches/2011/Sustaining-growth-in-living-standards-in-the-Asian-Century>
- Review of Expenditure on Policy Advice (2010) *Improving the Quality and Value of Policy Advice*, <http://www.treasury.govt.nz/statesector/policyexpenditurereview>
- Shergold, P. (2004) "'Lackies, careerists, political stooges'? Personal reflections on the current state of public service leadership', *Australian Journal of Public Administration*, 63 (4), pp.3-14

John R. Martin

Round Table on 'Free and Frank Advice' Summary of Discussion

The round table at which Professor Mulgan presented his paper was attended by over 40 participants, including past and present ministers, chief executives and senior managers, academics, independent researchers, observers and commentators. The discussion was conducted under the Chatham House Rule. The following is a summary record.

Professor Jonathan Boston (Institute for Governance and Policy Studies) and Len Cook (president of IPANZ) opened the round table. Cook noted that 2012 was the centenary of the Public Service Act and that 'free and frank advice' was central to the ethos that was the legacy of that statute. Boston, as chairman, invited Emeritus Professor Richard Mulgan (Crawford School of Public Policy, Australian National University, Canberra) to introduce the discussion.

Setting the scene

Professor Mulgan said that 'free and frank advice' ('frank and fearless' in Australia)

John R. Martin was a public servant for over 30 years and then taught public administration at Victoria University of Wellington for over a decade.

was a time-honoured catchphrase about which generalisation was difficult. Hard evidence was lacking and enquiry was largely based on anecdote. Experience varied across jurisdictions and he registered the caveat that he was not as up-to-date about New Zealand as he would wish to be. In these introductory remarks he would explore the meaning of 'free and frank advice', discuss some current challenges, and reflect on possible lessons for the future.

'Free and frank advice' was a hallowed tradition under which officials are obliged to speak their minds openly and honestly and to tell ministers things that they may not wish to hear. But 'free and frank' is not the only feature of public service advice. Values such as impartiality and

integrity – which underpin New Zealand's reputation as being quite corruption-free – are also significant. Advice from officials is expected to be 'scrupulously accurate' and to be balanced and unbiased in its assessment of evidence. These are also 'academic values'. Professor Mulgan underlined in his presentation that he considered the New Zealand public service had retained elements of free and frank advice that had been lost elsewhere.

'Free and frank advice' is not a property only of the public service; others in positions of authority also expect their advisers to speak their minds freely. And ministers expect 'free and frank advice' from private advisers and community members. But officials operate within a distinctive framework in which the government makes the final decisions. Ministers depend, however, on the reliability of the advice of officials – on its factual accuracy and balanced judgement. Respect for truth and evidence is the key.

The policy function has been neglected in recent years, by comparison with concerns about public sector management. Recent reports by Scott in New Zealand and Moran in Australia (Review of Expenditure on Policy Advice,

2010; Advisory Group on Reform of Australian Government Administration, 2010) have pointed to systemic weaknesses in policy advice, especially in relation to strategic long-term advice. One consideration in recent years affecting the standing of public service advice is that officials have not 'had the ear' of ministers to the extent that they have had previously. The increasing numbers of advisers in the ministers' offices has been one contributing factor. Another has been the changing media cycle. The '24-hour news cycle' requires a commitment of time from ministers, increased reliance

arena, and may be seen to differ from the policy determined by the minister. Post-election briefings are an example.

The degree of openness now in place marks a significant change in the model of policy advice. The traditional model was a closed, tightly-controlled process in which ministers and departments presented a united front: public servants were 'the insiders'. The new model is 'pluralistic': public servants compete in an open marketplace of ideas with no assurance that their advice will be accepted. This requires a 'meta-advice' function, 'advice on advice': who assists

openness, and on the other the essential maintenance of trust between ministers and officials.

There may be advantage in distinguishing between the department as a collective unit and the senior management. Unlike meta-advice, data and policy research produced by the department does not necessarily carry the imprimatur of the chief executive or senior management (or the minister) and should be in the public arena. That is part of the wider public debate, along with the work of arm's-length organisations such as the Productivity Commission, who are also expected to speak 'without fear or favour'. (And, like other markets, the marketplace of ideas cannot be effectively planned.)

A major challenge to the public service is to provide quality policy advice by leveraging the various sources of credible options available to ministers.

on media and tactical advisers, and less time for longer-term policy issues.

The public service does not have a monopoly on policy advice. Over recent decades ministers have made increasing use of external sources of advice: consultants, think tanks and interest groups. Public service advice is only one among several sources.

'Evidence-based' policy is in favour. The notion that policy can be a matter for political compromise among interests has less support and the language of research-based evidence is pervasive. One consequence is the strengthening of interest groups' capacity – in-house experts and use of think tanks and consultants – to muster their own evidence-based arguments to promote their policy stances. What purports to be evidence-based policy can, however, be policy-based evidence. Options based on such selective evidence compete with the department's advice.

Greater transparency promoted by the Official Information Act 1982 (the Freedom of Information Act 1982 in Australia) also emphasises that public service advice is only 'one among many'. The written advice of departments is likely to become available in the public

the minister to choose from among the range of views advanced? Public servants, as trusted advisers loyal to the government, have the experience and information to play this role. There is a strong case for confidentiality in respect of 'free and frank' advice of this kind. Indeed, a distinction can be drawn between (a) policy research and analysis by departments or external providers, where the pluralistic, open model is appropriate; and (b) advice considering policy options and making recommendations.

This situation requires a revisiting of the official information legislation. In the adversarial Westminster system there is a strong case for confidentiality in respect of politically sensitive meta-advice. This is a contentious issue. In Australia, recent statutory changes have ruled out political embarrassment for the government as an acceptable reason for withholding disclosure of documents. On the other hand, United Kingdom legislation enables the withholding of 'free and frank exchange of views for the purposes of deliberation' (Freedom of Information Act 2000, s36 2(b)). The question is 'where to draw the line'. There is a need to balance the competing principles of, on the one hand, transparency and

No 'golden age'

Discussion on Professor Mulgan's remarks began with a caution that there was no 'golden age' of policy advice, and that, relative to the size of the public service as a whole, the policy advice function, while clearly important, is not overwhelming in the day-to-day work of the public service. The drivers of change now are different from 30 years ago. Issues are much more complex: solutions cannot 'be pulled off the shelf'. Policies aiming to change the behaviour of citizens need to take into account the differing capabilities and interests in the community. The public service has to be more open.

A major challenge to the public service is to provide quality policy advice by leveraging the various sources of credible options available to ministers. The Land and Water Forum¹ is an example of collaboration of interests in the policy process. It reflects the decreasing willingness of the community to accept 'tablets of stone' handed down by the government of the day. There is also a requirement to work across ministerial portfolio areas and to provide policy advice for the longer term.

The official information setting is an important factor in the context in which policy advice is provided. It helps to shape the culture of a more transparent public service. But it also provides the basic material in the 'war of attrition' between the government of the day and

the opposition, which has a slow but corrosive effect on the policy process. The focus tends to be on the provision of advice in the short term, with less priority for medium- and long-term issues. The public service has to adapt to the world as it is and to embrace experimentation.

'Free and frank advice' requires a high degree of trust between ministers and officials. Public servants have a privileged position; in return, they are expected to provide the advice ministers want. But the place of the public service is much less 'monastic' than in the traditional model. It has to see itself as much more outward-looking.

The imminent report of the Law Commission on the Official Information Act (OIA) would promote a conversation about practice in understanding of the processes of government, but the option of greater confidentiality is not open. The rules of engagement require the routine proactive release of information about ministerial decision making – but also a greater understanding on the part of those making requests.

Amendments to the State Sector Act 1988 would be introduced shortly. One purpose would be to elaborate on the functions of chief executives beyond the requirement of the principal act, i.e. simply to *tender* advice. The chief executive has an obligation to ensure that the department has the capacity to deliver *quality* advice.

Evidence-based policy or policy-based evidence?

The impact of the media on the quality of free and frank advice was emphasised. The current Leveson enquiry in the United Kingdom has implications for New Zealand. Rational reasoning is central to policy making, but activists and even academics seek evidence to back their views. How do ministers and officials safeguard the quality of evidence on which decisions are made?

The OIA has had a 'chilling effect' on free and frank advice. A massive bureaucracy is needed to administer the OIA. The genie could not be put back in the bottle but there is a need for greater clarity about what constitutes 'official information'.

The relevance of the OIA to Parliament was raised. There would be strong opposition to any move to apply the Act to Parliament. Parliament is not part of executive government, and the application of the Official Information Act would bring it under rules specifically developed to oversee and monitor the executive. More important is the need for ministers and departments to strengthen their relationship in responding to parliamentary questions. Too often ministers are not provided with adequate information to respond adequately.

The OIA as an incentive for quality advice

The positive effect of the OIA in 'driving out bad advice' was acknowledged. The

duty of officials is to provide 'factual and balanced' advice that will stand up to public scrutiny. Sensitive political advice is adequately protected by the legislation (subject to the ombudsman's agreement). Another participant urged caution in withholding information or 'blacking out' material: this results in further requests to the ombudsman. There could be greater clarity about what constitutes 'information'; the importance of 'due particularity' was emphasised.

It was suggested that the 'logjam' of OIA requests could be unblocked by a decision in principle to release all Cabinet decisions on a website after, say, two months – there would be a presumption of release. 'Fishing expeditions', often by the media, contribute to the logjam, but a case was made for their legitimacy as an instrument available to the opposition. Experience also suggests that the management of release, including timing, is relevant to the media interest in pursuing further inquiries.

Another way of reducing OIA pressures on the policy advice process is for ministers or their advisers to precede

the advice stage with informal 'green fields' discussions.

Attention was drawn to the different approaches of New Zealand and Australian official information legislation. Australia's legislation is prescriptive, leading to more games being played. The New Zealand act is 'principle-based', with the trade-off between the presumption of availability and reasons for withholding acknowledged in the act. It was later noted that the New Zealand review procedure is simple – a request to the ombudsman – but one consequence is that there is not an extensive jurisprudence about the meaning of the act to guide the public. The ombudsman's approach is, as with maladministration, to deal with the

[T]he 'logjam' of OIA requests could be unblocked by a decision in principle to release all Cabinet decisions on a website after, say, two months ...

case. The Law Commission's report may provide guidance and, it was suggested, there is a case for the executive (the State Services Commission?) to encourage the learning process. (Reference was made to the Information Authority set up under the OIA, but it has been disbanded.)

There seemed to be a consensus around the premise that the OIA could not be rolled back. But how had it affected free and frank advice? Had it encouraged oral advice? Had there been, as earlier suggested, a 'chilling' impact on policy advice?

One response was that there has been no effect. The ambit of the act extends beyond written advice to information 'in the head'. Another was that the onus is on the adviser to present balanced advice – 'the pluses and minuses' – on the assumption that it would be protected until it was appropriate to release. In response to the question as to whether the crucial factor was the relationship with the minister or the integrity of the public servant, the capacity of experienced practitioners was underlined. The point was made that oral advice lacks the

discipline of written advice, and it was noted that the style of written advice has changed in some respects: emphasis is given to the presentation of options. There is also experience of advice being rewritten to align with the decision already made.

One aspect of the relationship between free and frank advice and the OIA is the treatment of injudicious comments (often by email) between officials and across departments. Ill-considered, flippant emails carry risks. The way in which the act affects staff varied. Some are too cautious; others too

provision of key policy material. Do departments require ministerial approval to release reports? Free and frank advice is about content not process.

Discussion returned to the costs of administering the OIA, and a strong plea was made to move to the automatic release of information, thus reducing the room for discretion.

Rounding off the consideration of the OIA's impact on free and frank advice, the point was made that a strength of the New Zealand system lies in its informal nature. Crucial to the provision of quality policy advice is the element

point was later made that officials have an obligation to provide free and frank advice about how ministers exercise their discretion in choosing among different streams of advice.

An important distinction was made. Research should be value-free; policy advice brings values into play. Independence in research is essential. It should also be acknowledged that there are gaps in knowledge and that the effects of policy options are uncertain. It is necessary to identify what we don't know. The notion of risk is central; but there are different meanings of risk: mathematical risk, political risk. The underpinning of policy by evidence is basic.

Ministers are sometimes confronted with ongoing policy research from departments that is outside the ambit of the government of the day. Where is the boundary between work commissioned by the minister and inherited projects? One response was that as long as major resources are not involved, departments should continue with such work.

One interpretation of the role played by the department in considering various streams of advice – meta-advice – is that it should appear to be disinterested: it is a broker rather than a monopoly. A risk in this stance is that the department risks losing depth in its own capacity. It is necessary for the department to have contact with the other sources of advice. Another relevant factor is the place of ministerial advisers. Given the 'media pressure for rapid response', private offices could 'get in the way'.

Free and frank advice is an art requiring a high degree of sophistication. Time and effort had to be devoted to building relationships. The key elements are trust, confidence and respect.

The environment in which governments operate now moves so fast that strategic thinking about the medium and long terms could get lost in the system (but the example of such countries as Norway with comprehensive economic planning was mentioned).

Several points about research were highlighted. Research covers a 'multitude of activities': they need to be unbundled. The importance of quality evaluation was stressed. This is 'research looking

A salutary message to policy advisers is to 'avoid folly' – to seek to avoid unintended consequences and to advise on the prospect of policy succeeding in achieving the desired outcomes.

casual. The importance of oral briefings on sensitive topics was emphasised. And the value of informal group meetings, already mentioned, in which the minister is a participant was endorsed.

Proactive advice

Proactive advice to ministers by departments can present difficulties. The process of policy-making is changing. The new emphasis on results will require change. There is a need for a more dynamic process involving advice from many sources. But, it was stressed, it is the decision that matters.

The significance of the context provided by seven-day, 24-hour media attention was again emphasised. It is not only data that is in the public arena that matters; it is the interpretation of that data that has an impact. There is always a risk of 'yes/no' conclusions being drawn from complex material.

Post-election briefings are an important vehicle of proactive advice. One view was that they had in recent years become 'seriously diluted' and could be construed as 'political documents'. The Treasury's statutory obligations under the fiscal responsibility provisions of the Public Finance Act exemplify the public

of trust among those involved – a point repeated throughout the discussion – and trust requires a confidential relationship between ministers and officials. There is a case for underlining this in the OIA (after all, the courts do not expose all their drafts).

The short and long term

A frequently-expressed concern about the advice process is ministers' preoccupation with the short term and a consequent lack of priority for the medium and long terms. How can this tension be reconciled?

A strong view was expressed in support of greater involvement of the community in policy making. This went beyond the standard consultation: citizens want 'in'. This requires a reduction in the 'privilege of the executive' in respect of both research and policy advice. It was observed that some necessary research does not proceed because the 'minister was not interested'. Officials find ways of other sources of advice getting to ministers. Technological change is relevant to greater community involvement.

It was observed that 'the truth was hard to find'. Policy advice usually requires a trade-off. The meta-policy role earlier discussed is the key. But the

backwards'. Too many RFPs (requests for proposal) for evaluation are a waste of time because of initial bad design. Research and development is about informing public policy, not advising.

Experience shows that too often policy is blamed for inadequate outcomes. In fact, the weaknesses may lie elsewhere: for example, in implementation or structures.

The public service's stewardship role

The public service has responsibility for the stewardship of the public policy process. It is not an 'independent actor', but chief executives may 'judiciously' lead public debate on long-term issues, such as the age of entitlement for New Zealand Superannuation.

A view was strongly expressed that the traditional model of the policy process is out of date. Policy advice still looks 'monopolistic'. The public service has the capacity to 'narrow down' the public debate. Recognition should be given to the contribution of Crown entities charged with advising on medium- and long-term issues (e.g., the retirement commissioner, the Productivity Commission). Others, such as ACC, interact with citizens whose voice is too often 'choked off'. The model needs attention.

'Balanced, fair and factual' is a more accurate representation of quality policy advice than 'free and frank'.

The relationship between ministers and chief executives was again raised as a central issue.

A respected administrative leader is not necessarily a trusted policy adviser. Is the 'partnership' description still

accurate? The place of ministerial advisers was again mentioned. It is their job to manage the public service in the interests of the government. Chief executives have an obligation to manage the policy process within departments. This implies the need for a close relationship with the chief ministerial adviser, not only with the minister.

The pluralism of sources was also returned to and the claim made that departments have not sufficiently adapted. As an example, too many officials do not understand how business works: for example, about the importance of time frames in such areas as disclosure to the stock exchange. Another area requiring attention is the provision of advice to Parliament.

The public service – and the policy process – have an obligation to look to the long term, for instance in acknowledging the future needs of the young people of today. Where advice is 'written to order' it risks leading to 'evidence-free' papers. Where there is a void in the knowledge, officials tend to play safe.

Reference was made to a claimed 'heroic age' in the place of official advisers. The case of Minister of Justice Ralph Hanan and Secretary of Justice John Robson in the 1960s was mentioned, as was the writing of Robert Parker (Parker, 1993).² As Allen Schick pointed out in 1996, it is crucial to get right the relationship between ownership and purchase (Schick, 1996).

Experience showed that the ability to provide successive ministers with quality advice is founded on the long-term work of the department. An example was cited

of rebuilding departmental capacity so that it could take a 99-year view. The platform on which policy advice is delivered is also important. The example of the Land and Water Forum was again commended. The parties called in to participate in policy-making respect the process.

A salutary message to policy advisers is to 'avoid folly' – to seek to avoid unintended consequences and to advise on the prospect of policy succeeding in achieving the desired outcomes. Ministers need to be able to judge the reliability of the knowledge on which departmental advice is based, and officials should be able to express an opinion about the choices before ministers. There is a professional vocation of policy advice. (And the point was made that ministers can advise too: 'free and frank advice works both ways.') The timing and presentation of policy advice is also crucial.

Conclusion

There was a general conclusion that the discussion had been worthwhile. There was room to develop further the issues that were raised. The publication of the Law Commission's report on the Official Information Act 1982 and the awaited tabling of amendments to the State Sector Act 1988 could provide opportunities to resume the discussion.

1 <http://www.landandwater.org.nz>.

2 Robert Parker taught at Victoria University and at the Australian National University, and was a leading figure in the New Zealand Institute of Public Administration in the 1940s and 1950s.

References

Advisory Group on Reform of Australian Government Administration (2010) *Ahead of the Game: blueprint for the reform of Australian government administration*, http://www.dpmmc.gov.au/publications/aga_reform/aga_reform_blueprint/docs/APS_reform_blueprint.pdf

Parker, R. (1993) *The Administrative Vocation*, Sydney: Hale and Ironmonger

Review of Expenditure on Policy Advice (2010) *Improving the Quality and Value of Policy Advice*, <http://www.treasury.govt.nz/statesector/policyexpenditurereview>

Schick, A. (1996) *The Spirit of Reform: managing the New Zealand state sector in a time of change*, Wellington: State Services Commission

David Bromell

Creating Public Value in the Policy Advice Role A Reflection from the Front Line

As a public servant I live with the tension captured in Richard Mulgan's question: 'How much responsiveness is too much or too little?' (Mulgan, 2008). On the one hand, my job is to be responsive to portfolio ministers and to the prime minister and Cabinet. On the other hand, Westminster conventions of public service imply that I ought not to become over-responsive and merely reactive. The role of a permanent, politically neutral civil service is to be loyal to the government of the day, yet with sufficient independence, knowledge, expertise and experience to influence and shape government priorities and policies, not only to implement these.¹

Dr David Bromell is a Principal Advisor and acting Chief Policy Advisor in the Ministry of Social Development. He lectures in the School of Government, Victoria University of Wellington, and is a Senior Associate of the Institute for Governance and Policy Studies. Email: david.bromell@vuw.ac.nz. This article reflects the author's personal views rather than those of the Ministry of Social Development or the Institute for Governance and Policy Studies.

In this article I explore Mark Moore's public value approach as a possible theoretical framework to help manage this tension in ways that are creative, rather than frustrating and destructive. I offer it as a personal reflection 'from the front line', as a stimulus to more systematic development of public value theory in relation to the policy advice role in New Zealand.

Creating public value

Moore in 1995 challenged neo-liberal thinking in his US context on three issues:

- the role of government in society: to be more than a regulator, service provider and social safety net; rather, a creator of public value and an active shaper of the public sphere;

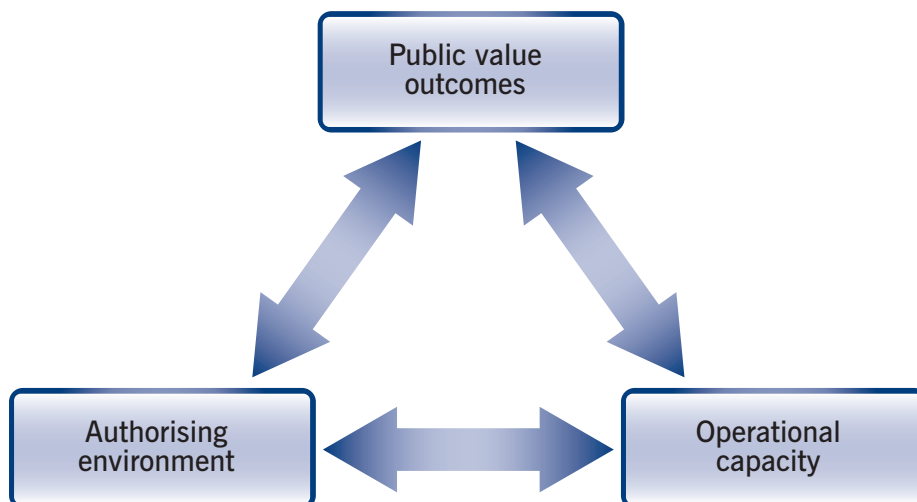
- the role of government managers: to be more than passive servants to political masters; rather, custodians of public value and stewards of public assets, whose role is to help governments discover what might be done with those assets to create public value; and
- the techniques needed by government managers: more than bureaucratic administration; rather, government managers work in partnership with other stakeholders and agents, in ways that ensure policy choices are made in the public interest and that legitimate, animate and guide implementation, in order to improve outcomes for the public (Benington and Moore, 2011, pp.3-4).

The central construct of Moore's framework is the 'strategic triangle' (Moore, 1995, p.71; see Figure 1). Public sector strategy must align three distinct but interdependent processes:

- defining public value: clarifying and specifying public value outcomes in a particular context;
- legitimating and authorising action: creating an 'authorising environment' that builds a coalition of stakeholders from the public sector (primarily, but not only, democratically-elected representatives), the private sector, and the community and voluntary sector, whose support is necessary to sustain action; and
- building operational capacity: harnessing and mobilising operational resources both within and outside the organisation to implement policy and achieve the desired public value outcomes (Benington and Moore, 2011, pp.4-5).

Benington and Moore (2011) have gathered together developments and reflection from around the world in a recent reformulation of the public value approach. Their restatement and edited collection of international perspectives on the public value approach suggests that the framework is relevant not only in Washington, but also in Westminster systems of government (as in Britain, Canada, Australia and New Zealand).²

Figure 1: Mark Moore's strategic triangle of public value



Source: Moore, 1995

Benington (2011, p.43) argues that 'public value' can best be understood and achieved within 'the public sphere':

The public sphere can be thought of as the web of values, places, organizations, rules, knowledge, and other cultural resources held in common by people through their everyday commitments and behaviours, and held in trust by government and public institutions.

Public value is what 'the public' values and what adds value to 'the public sphere', but 'the public' is something that is not so much given as made (Dewey, 1927): it is continuously created and recreated within a heavily-contested space where competing interests, values and ideologies collide. A public is more than an aggregation of individual consumer interests (Benington and Moore, 2011, p.10). What constitutes public value in any particular case can only be established, therefore, through a continuing process of public deliberation:

Public value provides a conceptual framework within which competing values and interests can be expressed and debated, in a deliberative democratic process, by which the question of what constitutes value is established dialectically. (Benington, 2011, p.50)

While public value is not created by the public sector alone, Benington argues that public servants have particular

responsibilities as co-creators and guardians of public value:

Because of the focus on outcomes, public value focuses attention on, and is measured over, the medium to long term ... Governments, dictated by electoral cycles, inevitably tend to focus on the shorter term, but public managers also have a responsibility to focus on the longer-term public interest, and to act as guardians of the public sphere in the interest of future generations yet unborn, who lack a voice in current decision-making. (ibid., p.49)

Public value and the policy advice role

To date, a public value framework has predominantly been thought about and applied in relation to public management and the delivery of public services. What might a public value approach mean for the policy advice role?

Scott and Baehler (2010, pp.13-15) reference Moore's 'strategic triangle' in defining three broad domains of policy work: strategic policy ('pushing the frontier'), responsive policy ('making the Government's ideas work') and operational policy ('keeping things running'). They affirm that policy is a story about creating public value, and explain:

The link between the Policy Triangle and the Strategic Management Triangle reflects the reality that good governance requires a dense web

Box 1: Strategies, frameworks, blueprints, roadmaps and action plans, 1999–2005

Government strategy documents produced between 1999 and 2005 included the *New Zealand Health Strategy* (2000); *Reducing Inequalities* (2000); *Employment Strategy* (2000); *Biodiversity Strategy* (2000); *Pathways to Opportunity* (2001); *Primary Healthcare Strategy* (2001); *New Zealand Disability Strategy* (2001); *Pathways to Inclusion* (2001); *New Zealand Positive Ageing Strategy* (2001); *Workforce 2010* (2001); *Crime Reduction Strategy* (2001); *National Energy Efficiency and Conservation Strategy* (2001); *Youth Development Strategy Aotearoa* (2002); *New Zealand's Agenda for Children* (2002); *Reducing Inequalities in Health* (2002); *He Korowai Oranga: Māori Health Strategy* (2002); *Pacific Health and Disability Action Plan* (2002); *Pathways to the Future: Ngā Huarahi Arataki* (2002); *Youth Offending Strategy* (2002); *Te Rito: New Zealand Family Violence Prevention Strategy* (2002); *Protecting our Innocence: New Zealand's National Plan of Action against the Commercial Sexual Exploitation of Children* (2002); *Tertiary Education Strategy* (2002); *Youth Transition Strategy* (2002); *New Zealand Transport Strategy* (2002); *New Zealand Waste Strategy* (2002); *Towards Sustainable Development in New Zealand* (2002), followed by *Sustainable Development for New Zealand: programme of action* (2003); *Growing an Innovative New Zealand* (2002), followed by *the Growth and Innovation Framework* (2003); *Active Communities: reaching our potential together* (2003); *Te Rautaki Reo Māori: Māori Language Strategy* (2003); *Care and Protection Blueprint* (2003); *National Immigration Settlement Strategy* (2003); *Ala Fou – New Pathways: strategic directions for Pacific youth in New Zealand* (2003); *Education Priorities for New Zealand* (2003); *Skills Action Plan* (2003); *Pacific Workforce Development Strategy* (2003); *New Zealand Cancer Control Strategy* (2003); *New Zealand Injury Prevention Strategy* (2003); *Road Safety to 2010* (2003); *Healthy Eating – Healthy Action* (2003); *Action Plan for New Zealand Women* (2004); *High and Complex Needs Strategy* (2004); *Safer Communities Action Plan to Reduce Community Violence and Sexual Violence* (2004); *Towards an Active New Zealand: developing a national framework for physical activity and sport* (2004); *Framework for the Future: equal employment opportunities in New Zealand* (2004); *Opportunity for all New Zealanders* (2004); *New Zealand Action Plan for Human Rights* (2004); and *the New Zealand Housing Strategy* (2005).

of connections between policy and management functions to ensure that government's activities are effective, efficient, and aligned with society's fundamental values. (Ibid., p.16)

Policy advice thus extends beyond ministerial servicing (drafting correspondence and responses to parliamentary questions and Official Information Act requests, etc.), the

implementation of government policy decisions and the administration of public services. It includes providing advice and developing policy and regulation to address a multiplicity of public issues from the simple to the complex, including so-called 'wicked' issues to which there are no obvious or immediate solutions.

Examples of policy work that does not necessarily or directly concern ministerial servicing or the provision of

services are: public engagement on how New Zealanders care for and protect our children; regulation of the financial services sector; negotiation of Crown apologies and settlement of historic grievances, including Treaty settlements; social marketing to reduce family violence; design of a greenhouse gases emissions trading scheme; measures to reduce the number of young people carrying knives; and regulation of the sale and supply of alcohol, tobacco and cannabis substitutes.

That was then ...

I joined the public service in mid-2003, as a senior policy analyst in the Strategic Social Policy Group of the Ministry of Social Development. My first policy assignments involved working on population and sustainable development, investing in child and youth development (part of the *Sustainable Development for New Zealand* programme of action (2003), and *Opportunity for All New Zealanders* (2004).

The early 2000s were the heyday of 'strategies', 'frameworks', 'pathways', 'blueprints', 'roadmaps' and 'action plans'. Box 1 provides an indicative list.³

This approach to policy making commonly involved the following steps:

- ministers and/or senior managers identify an issue or problem that will not be addressed unless agencies 'join up' across institutional 'silos';
- a 'lead agency' seeks the co-operation and involvement of other agencies and convenes a 'senior officials' group'; a 'lead minister' may also convene meetings of 'joint ministers';
- officials design a high-level 'outcomes framework', with (utopian) 'desired outcomes';⁴
- officials compile an 'action plan', 'programme of action' or 'roadmap' of 'initiatives' – some attempt is made to analyse interdependencies between agency 'initiatives' in terms of 'intervention logic' (State Services Commission, 2003), but because of resource constraints 'initiatives' are largely 'business as usual', so they do not require additional funding;
- officials and ministers may consult with the private and third sectors and

the public in developing a strategy or action plan, by issuing a draft proposal (*Towards ...*) or discussion document;

- officials design a 'framework' or 'dashboard' to monitor progress against an agreed set of 'indicators';
- officials report to ministers; and ministers report to Cabinet (and to Parliament when legislation requires this) on progress in implementing the strategy or action plan.

'Strategic' policy making was thus characterised by meetings, planning, consulting, publishing, monitoring and reporting. The client for this activity was ill-defined – variously ministers, Cabinet, Parliament and the public. Success was a completed report (an agreed output) that agencies signed out and ministers and Cabinet endorsed, and that (hopefully) improved outcomes.⁵ The characteristic mode of operation was *co-ordination* – predominantly within the government sector.

The effort required to produce these strategies was rarely matched by investment in effective implementation, or resulted in measurably improved outcomes. By 2004, Prime Minister Helen Clark had tired of grand designs and no longer wanted to hear the word 'strategy' from her ministers. The language shifted (more 'roadmaps', 'action plans' and 'dashboards'); but the 'strategic' approach to policy development persisted, albeit with grumbles from ministers about policy advisers being insufficiently 'fleet of foot'.

In 2008, in the final year of the fifth Labour government, Clark famously observed that her government did not get its ideas from the public service. Questioned in the House, she stood by her statement: 'No. It is a very blunt answer but it is true. We generate the ideas'. John Key, then leader of the opposition, questioned why government administration had grown under the fifth Labour government, if the government was not getting its ideas from the public service. Clark replied: 'Of course, someone has to work up and develop the brilliant ideas of the Labour Government ...' (*Hansard*, Questions for Oral Answer, Wednesday 12 March 2008).

A shift appeared to have taken place: from public servant as trusted adviser and partner (albeit junior partner) in policy making, to public servant as implementer of policies and programmes developed by ministers and Cabinet.

This is now ...

The last term of the fifth Labour government (2005-08) and the fifth National government (2008-) have been characterised by a pragmatic, managerial style of political leadership. Politicians have rarely articulated a 'vision' or 'plan' for New Zealand, promoted 'strategies', or invited strategic policy advice (Scott and Baehler's 'pushing the frontier'). Policy

in the interests of the government to do so.

Characteristic activities in this approach to public policy making are: clarify what the minister wants, work out how to make it happen ('just do it'), write the Cabinet papers (to increasingly tight timeframes and consequently with minimal consultation), draft the legislation and implement the policy. The client for this activity is the minister; success is delivering reports that ministers 'like' and developing policies that are agreed by Cabinet and implemented within the directed timeframes. The characteristic mode of operation is *command and comply*.

... clarify what the minister wants, work out how to make it happen ('just do it'), write the Cabinet papers (to increasingly tight timeframes and consequently with minimal consultation), draft the legislation and implement the policy.

ideas have predominantly been generated by politicians and their political advisers, and by 'taskforces', 'working groups' and private sector consultants. Policy advisers are regarded by politicians on both sides of the House as 'back-office' functionaries – their job is to get in behind, align policy work programmes with the government's priorities and implement policy directions agreed by Cabinet.⁶

Consequently, the current approach to policy making commonly involves the following steps:

- ministers generate policy ideas and objectives through a political process external to the public service;
- public servants develop and implement policy as directed by ministers and agreed by Cabinet and Parliament;
- officials communicate and engage with other government agencies, and with the private sector, the third sector and the public only as and when ministers agree that it is

This is admittedly something of a caricature of past and current policy processes. Policy practice in any particular case may not fit either of the approaches I have sketched out here. I also continue to see examples of the 'co-ordinate' style of policy making, but this increasingly doesn't look *smart* – focused on specific, measurable, attainable, relevant and timely objectives. For all my unease with the current command and control, compliance approach to policy making, I share ministers' impatience with utopian 'desired outcome' statements and unwieldy, time-consuming processes of inter-agency co-ordination that do not seem to deliver better results.

Policy under review

In 2010 the government appointed a committee, chaired by Graham Scott, to review expenditure on policy advice. The committee reported its findings in December 2010 (*Review of Expenditure on Policy Advice, 2010*). The terms of reference

for the review charged the committee with providing recommendations to ensure strong alignment of expenditure on policy advice with government policy priorities. In response, the committee reported that:

The most significant and complex alignment challenge is in relation to work on big policy questions. Our interviews with ministers show that they clearly want agencies to provide advice on current issues and priorities, and place a premium on high-quality advice that is robust and pragmatic, delivered promptly and helps them make decisions. However, there is also a general

system findings reinforced this message. A core theme arising from these reviews is:

Short-term responsiveness, but limited medium-term view or strategic positioning.

Agencies tend to be reactive, focusing on the short-term and delivering (well) what ministers ask for today, but this is often at the expense of their obligation to ensure that advice is robust over time, and capability exists to meet the needs of ministers and the public in the future. (Minister of State Services, 2011, p.4)

In light of these findings, how might

servants to engage in creative conversation, co-design and co-production with a range of stakeholders, inside and outside government. What follows is not proposed as a formal analytical framework or staged model for policy development, but rather a set of things to think about (not necessarily in this order) in planning and developing policy.

- *Define the public value we want to create.* What does the public value, and how do we know? What are the social, cultural, economic, political and environmental dimensions of value we want to add to the public sphere? Is this different from what the public needs, wants or desires (Benington, 2011, p.42; Kelly, Mulgan and Muers, 2002; Reich, 1988, pp.5-6)?⁸ How can we develop common purpose out of our diverse perspectives? What do we want to change, and why? What are the results we want to achieve?

These questions need to be pursued through open-ended, creative and courageous conversations between ministers, policy advisers and other stakeholders, and with reference to previous political agreements 'enshrined in the legislation that defines public managers' mandates for action' (Moore, 1995, p.106). Policy advisers should bring evidence-based analytical rigour to these conversations (Gluckman, 2011) and a strategic perspective:

Strategic advice, at its best, has depth, looking beneath immediate events and preoccupations, to underlying drivers and trends; it has breadth, adopting a systemic rather than partial focus; and it has reach, identifying and addressing medium-term risks and opportunities (Henry, 2007, p.5).

- *Set a baseline for monitoring and evaluation.* Where are we now? What is the evidence that supports this? Is the problem as we think it is? How would we know whether we have made a difference and achieved better results?
- *Map who is currently doing what, where.* Systematically review previous

A public value approach to the policy advice role requires ministers and public servants to engage in creative conversation, co-design, and co-production with a range of stakeholders, inside and outside government.

recognition by both ministers and policy advice professionals that, in addition to providing policy advice on immediate issues, the government needs advice over time that helps it resolve large complex issues where there are no obvious solutions (p.27).

It is a core responsibility of agencies to build and maintain the policy capability necessary to serve successive governments. Similarly, agencies have a wider responsibility to invest in maintaining their own institutional memories and in the knowledge management systems that support this endeavour. In this way, agencies maintain their own ability to produce high-quality advice, but also maintain the resources that sustain a public policy community, both inside and outside government (p.25).

A report to Cabinet in May 2011 on the second tranche results of Performance Improvement Framework reviews and

state sector agencies move beyond past and present approaches to policy making and provide advice that is both *responsive* and *responsible*? As Evert Lindquist (2011, p.81) puts it, 'public sector leaders should have well-informed and shared views on public-sector-wide and sector challenges and capability considerations, even if these determinations are contested or not the highest priority of elected governments.'

Bill Ryan (2011, p.119) has similarly commented on the need for a culture change whereby ministers adopt 'a wider institutional understanding of the whole system of government in which they have chosen to work and the wider obligations they should meet', and senior officials take 'a stronger line in asserting their expertise, interdependence and agency'.

A public value approach to policy development

A public value approach to the policy advice role requires ministers and public

evaluations and analysis of what works, for whom it works and why.

- *Identify interested and affected individuals and groups ('stakeholders')*. Who has an interest in this (inside and outside government), and what is the nature of their interest? What values are important to them? How might we work with them, in order to create and re-create 'the public' and facilitate participatory democracy?
- *Determine scale and scope*. Will doing more of the same (only better) get us where we want to go (i.e. continuous improvement); or do we need to do something different, in discontinuity with past and current practice (i.e. innovation) (Hartley, 2011)?
- *Look for the game changer*. If we need to innovate to create value, what is the bold idea that could be a game changer: i.e. the action or actions that might make the greatest difference to an intermediate objective (rather than a utopian desired outcome)? How strong is the evidence to support a calculated risk on a game-changing initiative? What would it require to implement this effectively?
- *Secure legitimacy and support*. Who needs to give legitimacy and support to this project, inside and outside government, so that it is politically sustainable and can achieve the medium-term results we are looking for? Benington and Moore (2011, p.11) comment in relation to legitimacy that:

Political mandate is one important kind. But so is the law. And so is professional knowledge and technical expertise. And there might even on some occasions be a kind of moral legitimacy created by public managers and professionals reminding society and its representatives of important values that are being put at risk by actions that are politically supported, have legal sanction, and would likely work technically, but fail to protect or promote foundational moral values.

How will we engage with others to build a coalition of interest, and work with others to gain and maintain legitimacy and support? Given inevitable conflict and contestation in the public sphere, who do we need to take with us, and who are we prepared to leave behind? How can citizens be assured that public sector managers are pursuing genuinely public purposes rather than their own selfish interests or odd or untested ideas of the public interest (Moore, 1995, pp.135, 148)?

- *Build operational capacity*. Which is the best sector and agency to lead this project, and why? What do we need in terms of resources (start-up capital, infrastructure, ongoing

and compliance approaches to policy making. The client is the public. Success is better results (added public value). The characteristic mode of operation is *co-creation*.

What needs to change

A public value approach to policy making challenges policy advisers to demonstrate value-seeking imagination and initiative and show that we can work differently and do more than politicians have learned to expect from us. It requires us to build capability in three areas:

- holding values conversations⁹ and clarifying purpose (primarily, but not only, with ministers and Cabinet);

Whether the risk is worth taking, and when and how we choose to take it, depends on what we judge to be at stake and to whom we understand ourselves ultimately to be accountable.

funding, staff, skills, technology, etc.) to implement this, and who might contribute those resources? What does the lead agency need other agencies to keep on doing, or do differently, in order to achieve mutually-agreed objectives? How might we devolve decision making to the lowest (most local) possible level? What are the most efficient (light-handed) and effective governance arrangements to support implementation?

- *Monitor and evaluate whether our actions make a difference*: measure the results against the baseline we established in terms of current status, then review and revise as necessary – i.e. learn as we go. Review and renew our purpose (the public value we want to create).

A public value approach to policy making is characterised by respectful relationships, critical thinking, creative conversation, and strategic collaboration. It requires a different set of attitudes, skills and behaviours from co-operation

- (decentralised) co-design and co-production with a range of stakeholders and sectors, in ways that support and build participatory democracy; and
- cultivating and maintaining networks and alliances that secure ongoing legitimacy, support, and capacity for sustainable policy implementation.

Adopting a public value approach to policy development is inherently risky because it challenges existing modes of communication between ministers and policy managers, opens up questions about what is substantively valuable, and depends for its success on significant changes in the operating capabilities of public sector agencies (cf. Moore, 1995, p.102). Whether the risk is worth taking, and when and how we choose to take it, depends on what we judge to be at stake and to whom we understand ourselves ultimately to be accountable.

A public value approach challenges elected and appointed officials alike to look beyond our current context and issues. 'Imbued with the spirit of service

to the community' (State Sector Act 1988), our job is to create public value. This is not a job for central government alone. It requires co-creation with local government, the private sector, the community and voluntary sector, and with individual citizens and their families.

Lifting our eyes above the near horizon does not mean gazing wistfully into a utopian future. It means building consensus and taking action to achieve measurably better results for New Zealand and New Zealanders over the medium- to long term – longer than a three-year electoral cycle; shorter than 'in our ideal world'.

Above all, a public value approach puts people at the centre, rather than power, politics and programmes. It reminds officials, whether elected or

appointed, that we're all in this together – for the common good.

Acknowledgements

The author acknowledges with appreciation comments received on a draft of this article from Tom Berthold, Rob Brown, Charlotte Harris, Alison McDonald and Bill Ryan.

- 1 On trends and tensions in the policy process in the New Zealand context, see Ryan (2006).
- 2 The applicability of Moore's public value approach to Westminster systems of government has been vigorously debated. For example, Rhodes and Wanna (2007, 2008) think Moore's approach can be useful in operational service delivery to support innovation and continuous improvement, but express concern when it is applied further up a 'ladder of value', if public managers adopt the role of Platonic guardians deciding the public interest. Alford (2008) has replied that Rhodes and Wanna (2007) have misrepresented Moore's ideas and that they appear to be legitimising a disturbing trend towards over-responsiveness to political masters in public administration.
- 3 The list of strategies in Box 1 is indicative and has been compiled from memory and references in *Opportunity for All New Zealanders* (Minister for Social Development and Employment, 2004).
- 4 See, for example, the desired outcome statements for each 'domain' of well-being in the *Social Report* published by the Ministry of

Social Development between 2001 and 2010. Available at <http://socialreport.msd.govt.nz/>, accessed 16 Oct 2012.

- 5 This ambition came with the proviso, however, that the 'intervention logic' was generally insufficient to hold any individual agency or group of agencies responsible for either improved or deteriorating outcomes.
- 6 Opposition leader David Shearer, for example, stated in a speech on 15 March 2012: 'I want to arrive in government on Day One with a detailed plan that will actually achieve a shift to a new, job-rich, high-value economy. We won't be waiting around for officials to give us cautious ideas and suggest a few adjustments. We will be presenting them with detailed and far-reaching policies' (Shearer, 2012).
- 7 Dr Ken Henry (2007), secretary to the Australian Treasury, has suggested that policy advice is *responsive* when it tells ministers what they want to hear; *responsible* when it tells them what they need to hear. Effective policy advisers provide advice that is both responsive and responsible, in ways that gain and retain the confidence of ministers.
- 8 Kelly, Mulgan and Muers (2002, p.4) suggest that the idea of opportunity cost is central to public value. If it is claimed that citizens would like government to produce something but they are not willing to give anything up in return, the public may not, in fact, 'value' it. The cost may be paying taxes or charges, granting coercive powers to the state (e.g. in return for security), disclosing private information (e.g. in return for more personalised services), giving time (e.g. as a member of a school board of trustees or as a member of the territorial armed forces), etc. They conclude (p.31) that 'establishing underlying public preferences about what is valued, and to what degree, will involve reasoned and deliberative processes as well as snap-shot opinion polling/voting'.
- 9 On evidence and values in public policy making, and competencies this requires of elected and appointed officials, see Bromell, 2012.

References

- Alford, J. (2008) 'The limits to traditional public administration, or rescuing public value from misrepresentation', *Australian Journal of Public Administration*, 67 (3), pp.357-66, doi: 10.1111/j.1467-8500.2008.00593.x
- Benington, J. (2011) 'From private choice to public value?', in J. Benington and M. Moore (eds), *Public Value: theory and practice*, Basingstoke: Palgrave Macmillan, pp. 31-51
- Benington, J. and M. Moore (2011) 'Public value in complex and changing times', in Benington and Moore (eds), *Public Value: theory and practice*, Basingstoke: Palgrave Macmillan, pp.1-30
- Bromell, D. (2012) *Evidence, Values and Public Policy*, occasional paper, Australia and New Zealand School of Government, accessed 16 October 2012 from http://www.anzso.govt.nz/media/upload/publication/84_Bromell-Evidence-values-and-public-policy-for-ANZSoG-FINAL.pdf
- Dewey, J. (1927) *The public and its problems*, New York: H. Holt and Company
- Gluckman, P. (2011) *Towards Better Use of Evidence in Policy Formation: a discussion paper*, Auckland: Office of the Prime Minister's Science Advisory Committee, accessed 16 October 2012 from <http://www.pmsa.org.nz/wp-content/uploads/Towards-better-use-of-evidence-in-policy-formation.pdf>
- Hartley, J. (2011) 'Public value through innovation and improvement', in Benington and Moore (eds), *Public Value: theory and practice*, Basingstoke: Palgrave Macmillan, pp.171-84
- Henry, K. (2007) 'Challenges confronting economic policy advisors', address to the Curtin Public Policy Forum, Perth, 4 September, accessed 16 October 2012 from <http://www.treasury.govt.nz/contentitem.asp?NavId=&ContentID=1305>
- Kelly, G., G. Mulgan and S. Muers (2002) *Creating Public Value: an analytical framework for public service reform*, London: Prime Minister's Strategy Unit, accessed 16 October 2012 from http://webarchive.nationalarchives.gov.uk/20070101092320/http://cabinetoffice.gov.uk/strategy/downloads/files/public_value2.pdf
- Lindquist, E. (2011) 'No reform left behind: multiplicity, integrating frameworks and implications for New Zealand's centre-of-government and public sector improvement', in B. Ryan and D. Gill (eds), *Future State: directions for public management in New Zealand*, Wellington: Victoria University Press, pp.46-84
- Minister of State Services (2011) 'Performance Improvement Framework (PIF): second tranche results and system findings', Cabinet paper, May, accessed 16 October 2012 from <http://www.ssc.govt.nz/sites/all/files/cabinet-paper-2nd-tranche-pif-reviews.pdf>
- Minister for Social Development and Employment (2004) *Opportunity for All New Zealanders*, Wellington: Office of the Minister for Social Development and Employment, accessed 16 October 2012 from <http://www.msd.govt.nz/about-msd-and-our-work/publications-resources/planning-strategy/opportunity-for-all/>
- Moore, M. (1995) *Creating Public Value: strategic management in government*, Cambridge, Mass.: Harvard University Press
- Mulgan, R. (2008) 'How much responsiveness is too much or too little?', *Australian Journal of Public Administration*, 67 (3), pp.345-356, doi: 10.1111/j.1467-8500.2008.00592.x
- Reich, R. (ed.) (1988) *The Power of Public Ideas*, Cambridge, Mass.: Ballinger
- Review of Expenditure on Policy Advice (2010) *Improving the Quality and Value of Policy Advice*, accessed 16 October 2012 from <http://treasury.govt.nz/statesector/policyexpenditurereview>
- Rhodes, R. and J. Wanna (2007) 'The limits to public value, or rescuing responsible government from the platonic guardians', *Australian Journal of Public Administration*, 66 (4), pp.406-21, doi: 10.1111/j.1467-8500.2007.00553.x
- Rhodes, R. and J. Wanna (2008) 'Stairways to heaven: a reply to Alford', *Australian Journal of Public Administration*, 67 (3), pp.367-70, doi: 10.1111/j.1467-8500.2008.00594.x
- Ryan, B. (2006) 'Beyond Westminster: thinking the Aotearoa/New Zealand way of governing', *Policy Quarterly*, 2 (3), pp.40-7
- Ryan, B. (2011) 'The signs are everywhere: "community" approaches to public management', in B. Ryan and D. Gill (eds), *Future State: directions for public management in New Zealand*, Wellington: Victoria University Press, pp.85-122
- Scott, C. and K. Baehler (2010) *Adding Value to Policy Analysis and Advice*, Sydney: UNSW Press
- Shearer, D. (2012) 'A new New Zealand', speech to the Cullen Breakfast Club, 15 March, accessed 16 Oct 2012 from <http://labour.org.nz/newnz>
- State Services Commission (2003) *Pathfinder: guidance on outcomes-focused management – building block 3, intervention logic*, Wellington: State Services Commission, accessed 16 October 2012 from http://io.ssc.govt.nz/pathfinder/documents/pathfinder-BB3-intervention_logic.pdf

Good Cause for Optimism 1912 and 2012

This article is the text of a speech given by Colin James on day one of the 2012 IPANZ Young Professionals Conference, held in Wellington on 9 August 2012.

A ‘young professional’ in the public service in 1912 had good cause for optimism. The Public Service Act 1912, which enacted most of the recommendations of the Hunt Royal Commission, had created a merit-based system with standardised conditions of employment, pay and pensions, and hiring, firing and promotion decided by the public service commissioner. That gave security and independence. There were yearly pay rises for new entrants (cadets); a capable officer could earn a respectable sum by his thirties (this was an overwhelmingly male service); there was annual leave and ‘liberal sick leave on pay’ and the opportunity to earn professional qualifications (Public Service Commissioner, 1920, p.6).

Colin James is a political columnist and commentator.

Moreover, this was in service of a government in a young dominion whose public believed in ‘progress’, based on turning forest into farms and selling the products to Britain, secure in the arms of the greatest empire of all time – and better fed and enjoying better living conditions than Britain itself. New Zealand was one of that era’s ‘emerging economies’; that is, it was on an upward path. It had recently pioneered some social policy innovations. A young professional could be part of that expansion and uplift, engaged in making a ‘Greater Britain’, or at least a ‘Better Britain’ (Belich, 1996, p.449).

Three years later that comfortable certainty began to disintegrate, and 20 years later optimism was in short supply. Gallipoli in 1915 and the murder on the western front in servitude of British generals, recession and then uneven economic times in the 1920s, and, after 1929, the United States-generated world economic depression damaged

communities and undermined morale and belief in that 'Better Britain'. Cabinets were humdrum, hidebound and, by 1932, bemused and bewildered. In the early 1930s public servants' pay was cut, unemployed numbers blew out, farmers walked off farms and there seemed no rescue. The government, loyally served by its staff and slave to the myopic economic and fiscal wisdom of the times, seemed, and even presented itself as, powerless.

There was an exception in the public service: W.B. Sutch had different ideas. In the Cabinet, Gordon Coates tried to

1940s were some of the best minds in the country, who 20 years later were at least as important as, and arguably more important than, the leading businessmen. And they had a bundle of new theories on which to base policy prescriptions: John Maynard Keynes pre-eminently, but also in the 1950s and 1960s John Kenneth Galbraith, plus a host of political theorists and political sociologists, including C. Wright Mills and Seymour Martin Lipset, and, at home, an American who started Victoria University's politics department in 1939, Leslie Lipson (Lipson, 2011).

'Security' was no longer enough, as it had been in 1938. Henceforth, every citizen's 'welfare' was the state's responsibility (as well as the individual's and the family's).

think outside the iron box of orthodoxy. And waiting on the opposition benches was a party with an ideological belief in the power of the state which by 1935 had toned down its revolutionary socialism into a sort of practical decency – 'applied Christianity', one of its leaders called it (Sinclair, 1976, p.20).¹

Thus, from 1936 there was cause again for optimism among young professionals in the public service. They were to build the Labour Party's fair society, with opportunity for all: that is, to midwife the birth of the welfare state and the mixed economy which had at its core the guaranteed job. By the late 1940s the new orthodoxy was embedded to the extent that two decades of conservative government after 1949 reversed little and even expanded some of its activities.

The state at that time took a quarter of the economy in taxes and was threaded through society. Public servants were not a marginal necessity; that is, needed to manage the state's monopoly of force, provide a basic education and alleviate the worst distresses and raise the necessary funds to do that. Public servants were integral to economic and social life. Among those who joined, or rejoined, the public service in the late

When a royal commission reviewed the public service in 1962, 50 years on from 1912, the changes were modest.

Professor Keith Jackson could plausibly describe the country at that time as social democratic, and include the National Party. 'Planning' was still respectable: in 1968-69 the National Party, in government, convened an 'indicative planning' conference which ran for most of a year and set targets for sectors and recommended policy changes to achieve them. A conservative judge chaired a royal commission which in 1967 recommended socialising workplace accident insurance and compensation. Another conservative judge chaired a royal commission which in 1972 said the aim of the social security system should be to 'ensure ... that everyone is able to enjoy a standard of living much like that of the rest of the community and thus is able to feel a sense of participation and belonging to the community' and to 'improve by other means and as far as possible the quality of life', and so 'the objectives of the social security system may quite properly be expanded to cover a much wider field of public welfare than hitherto' (Royal Commission on Social Security, 1972, pp.65-6). The

incoming Labour government of 1972 was armed with a book-length manifesto of social programmes which it set out to implement, secure (it thought) behind import and foreign exchange controls.

This was social democracy at its apogee. There was an implicit assumption that if politicians and public servants tried hard enough, they could, through the instruments of the state, perfect society. Full citizenship was the state's duty and purpose.

To underline this ambition, the language was changed. The economic notion of 'welfare' was adopted into the social intervention vocabulary. 'Security' was no longer enough, as it had been in 1938. Henceforth, every citizen's 'welfare' was the state's responsibility (as well as the individual's and the family's). This large ambition was the intellectual milieu in which future prime minister Helen Clark imbibed her social democracy. Over the next decade the government expanded its taxation from a quarter of the economy to more than a third.

In fact, by the early 1970s, as Helen Clark was in transition from rural Presbyterian conservatism to social democratic and peace idealism, the intellectual tide was turning. No sooner had Daniel Bell asserted 'the end of ideology' (Bell, 1960), in a book written as even United States Republicans settled into the mixed economy and social security, than Milton Friedman reasserted in 1962 the central economic role of markets and posited the control of money supply as governments' primary economic management role (Friedman, 1962). In this thinking, the state – and public servants – had many shortcomings, which were later explored in theories of agency, contract and moral hazard (public servants were said to develop vested interests in their programmes, counter to citizens' advantage). Essentially, these analyses argued that those running governments (public services), however well trained and well-meaning and however much acting on available evidence, often got it wrong. It was better that citizens got on with their lives with minimal, or at least less, intervention from governments.

This intellectual scepticism was magnified by a disjunctive event, the

1973 oil crisis, which triggered the collapse of the Bretton Woods system of fixed exchange rates and pushed developed economies into 'stagflation', a combination of low GDP growth, high inflation and high unemployment which Keynesian analysis could not readily explain, and which defied (and defiled) that celebrated New Zealand invention, the Phillips curve.² That undermined the core assumptions of the mixed economy and the presumption that governments could, through intelligent planning and intervention, be wise guardians of the public interest and economic welfare. The alternative, 'neo-liberal' or 'neoclassical', proposition, as it came to be labelled, assumed that optimum societal outcomes would emerge spontaneously from the interaction of autonomous citizens, and that optimum economic outcomes would emerge from the interaction of those autonomous individuals in markets which tended always to equilibrium. Governments' role was to set the rules, and those rules should be light-handed so as not to impede markets' efficiency.

In the late 1970s that market ideology took hold in governments in our sorts of countries, first in the late 1970s in United States, then in Britain, and in the early-mid-1980s in Australia and New Zealand. This precipitated the second great post-1912 reorientation for public servants. Markets were held to be much better at allocating resources than governments, so regulation of markets should be greatly reduced and their moderation should rely much more on information and the automatic self-regulation of competition. New Zealand markets should join global markets through de-protection of imports and removal of tax and other subsidies. Budgets should be balanced and the government should be smaller.

The government was accordingly re-engineered to look and operate more like a set of businesses: the 'commercial' departments were made into business corporations, and the 'core' public service agencies were instructed to focus on 'clients' and given specific mandates, which required the break-up of many agencies, to separate policy from operations and regulation. The agencies were headed by plenipotentiary 'chief

executives', on fixed terms and written contracts with ministers to deliver 'outputs' for a price and thereby to pursue 'outcomes', also agreed with ministers, with, later, strategic result areas and key result areas spelt out. They, and so also their staffs, were accountable to the board – that is, the Cabinet – and through the Cabinet to the shareholders – that is, the public. The prescriptive public service rule book – which went into marvellous detail, such as how to park cars on hills – was replaced by edicts from the chief executive's office.

but to devise policy on national-interest grounds. That opened space for the new breed of professional ministerial adviser.

The 1980s reforms took time to shake down. The reformers had assumed function would automatically follow form but it did not work out like that. The separately managed entities were supposed to achieve lofty 'outcomes', many of which required cross-agency cooperation, which fragmentation made difficult or near-impossible. This was no surprise: public services can't be left to the 'market' to sort out because for the

The separately managed entities were supposed to achieve lofty 'outcomes', many of which required cross-agency cooperation, which fragmentation made difficult or near-impossible.

This resulted in big efficiency and effectiveness gains, which were of great value to the government and to the public. But there were also some wasteful inefficiencies and the loss of much institutional knowledge. Cut-down policy ministries lacked direct experience of what they were making policy for; operational agencies developed their own policy sections; agencies retreated into 'silos', jealous of their jurisdictions.

At the same time, ministers began acquiring bigger staffs, which included professional communicators, political advisers and policy advisers who were not from the public service. There had always been competition for ministers' ears on policy matters, principally from interest groups; in the 1960s the government often looked like an arbitrator among the interest groups, some of which were also in a sense 'represented' in the public service by particular departments such as agriculture and industries and commerce. But after the 1980s reforms interest groups could no longer expect a hearing from ministers for special pleading; they had to make a national-interest case. Government agencies, too, were expected not to act as advocates for their sectors

non-commercial activities there isn't one, and the objectives are far more complex than simple figures in a quarterly profit-and-loss account or annual balance sheet. A round table at the Institute of Policy Studies in the late 1990s encountered that non-transferability when it fished unsuccessfully for a public service formula to match Schumpeter's 'creative destruction', a core element of successful market capitalism.³

In other words, there was unfinished business. The system was unstable, as evidenced in a flow of inquiries, reports, reviews, reorganisations and even acts of Parliament; and now the public service in another period of deep change, the third since 1912.

That is in part because the operating environment has changed. The world is in rapid and deep change, crystallised in the global financial crisis – the GFC. This, like the 1914 war, the 1929 stockmarket crash and subsequent world depression, and the 1973 oil crisis, is a disjunctive event. These occur from time to time because human society is, to quote historian Niall Ferguson, a complex adaptive organism and such organisms are inherently unstable: a seemingly

unexceptional event (like the shooting of an Austrian duke) can trigger sudden chaotic change, the timing, nature and course of which cannot be predicted in advance. Financial systems, which operate on debt, are such organisms.⁴ Hence the GFC, which is just the latest in a long line of sudden, destructive convulsions in financial markets.

The first thing to say about the global financial crisis and about the certainty that there will be more such convulsions in the next 50 years is that disjunctive events are not a reason for public servants and politicians to retreat into

likely need up to 20 years to amortise their debt. And there will be tensions during the rebalancing, exacerbated by periodic shortages of, and competition for, resources, especially water, which may involve serious intrastate civil disorder and interstate military conflict which itself is likely to take new forms. Climate change is potentially another contributor to disorder.

A second element is the economic opportunity for New Zealand in the rapid global urbanisation, which is adding large numbers to the global middle classes who want safe high-protein foods.

advances in energy technology are also highly likely.

Within New Zealand the population will continue to 'Polynesianise', Asianise and age, and the economy and society will continue to Australasianise, even if the political systems and foreign policies remain distinct. The abundance of water and energy, the relatively light effect of climate change, the distance from global mayhem, coupled with strong political and legal institutions, the good education system and an adaptive, inventive and tolerant population and high ranking in broader measures of prosperity, may make this country a highly desirable place to outsiders for investment and domicile.

My point in traversing this brief and highly selective list is that, as in 1912, in this year, 2012, there is good cause for young professionals in the public service to be optimistic. We are in an interesting, intriguing, scary and energising patch of change, at least as big as those that followed 1912: the worst of times and the best of times. For those public servants with wit and resilience this could be as good as it gets. It could also be the time when a great deal goes bad.

And there is an irony in which resides a challenge.

Neo-liberalism instructed governments to get smaller. Globalisation tells states their sovereignty is limited, and geo-economic rebalancing tells New Zealand its future comparator countries – those in Asia – will have smaller social assistance and 'fairness' adjusters – even when they are much richer – than our old comparator, north Atlantic, countries. But the rise of generation Y tells us that services, including education and health services, must be easily accessible and customised. Moreover, to ensure continuing prosperity, countries will need somehow to ensure that children are educable and to educate them, which implies a more active and even intrusive state (in very early childhood) – certainly a more ambitious one.

Thus it is an irony of the neo-liberal interlude that governments became more, not less, ambitious. In the late 1990s, Jenny Shipley, having proclaimed herself a 'radical conservative', declared an ambition to 'break the

Globalisation tells states their sovereignty is limited, and geo-economic rebalancing tells New Zealand its future comparator countries – those in Asia – will have smaller social assistance and 'fairness' adjusters ... than our old comparator, north Atlantic, countries.

fatalistic incapacity. That would not be serving the public. What the public needs from its servants is resilience, a capacity to anticipate that there will be such events, the better to respond when they happen even if their form and timing cannot be predicted.⁵ Top firms do that sort of contingency planning, along with projecting forward business as usual. So do top governments: Singapore is one. New Zealand is not one: witness its blithe indulgence of the 1990-2007 debt binge and dismissal of the warning signs of stellar balance of payments deficits, an even more stellar country debt and a yet more stellar house price bubble.

The second thing to say about the GFC is that it is indicative of much wider and deeper change.

One element of that change is that it has accelerated the global economic and political rebalancing that ends the west's 500-year ascendancy in economic power, global security and ideas, both in science and technology and for social, political and economic organisation. Not least, the developed economies will

A third element, which links the first two, is what some commentators are calling hyperglobalisation, a new and intense phase of globalisation of supply chains and a 'global commons' of work. This circumscribes the scope for independent national sovereign policy for big countries as well as small ones.

A fourth element, which enables and in part drives the third, is an intensifying interconnection of individuals and societies through digital technology. Developments in the past five years alone have been astonishing and much more is to come.

Outgrowths of this fourth element are, fifth, new technologies which seem set to radically change and relocate manufacturing, conceivably (though not necessarily) offering opportunities for even small countries; and which, on the dark side, are likely to enable cyberterrorism and cyberwarfare, posing serious security issues. And sixth, the intertwining of nanotechnology, biotechnology and genetics promises striking advances in therapeutics. Major

cycle of disadvantage'. The early 1970s assumption that if governments tried hard enough society could be perfected was discarded – but has been replaced by a 2010s assumption that the quest for the prosperity promised in the globalised economy requires a degree of policy inventiveness and sophistication, based on science and rigorous analysis and tested by tough assessment, that 1970s public servants and politicians would have boggled at. Examples might be to think of a cohesive society as infrastructure, to be invested in and maintained, if the scourge of inequality is to be deracinated, and thinking of ecosystems as infrastructure if both material aspirations and environmental needs are to be met (James, 2011). This prosperous society of the 2010s requires experimentation and risk-taking, uncommon attributes and activities in politics and administration

which value entrepreneurialism more in the abstract than in reality. It requires new organisational forms, and cooperation and partnerships that conflate public and private.

Governing now is far more complex than 40 or even 25 years ago. And it must be done in the glare of instant blogging and news-entertainment, and with far more accountability through official information channels and the ombudsman and in a suspicious and active legal system. This, in short, is the 'better public services' era – except that the report that goes by that name is a tentative sketch, not a blueprint. Riding these waves of change will require constant and rapid adaptation by citizens. To devise and manage the corresponding policy settings will require super-smart, agile brains and daring personalities in the public service. That is you. In 2012 a

'young professional' has good cause for optimism. Have fun.

-
- 1 Sinclair comments, 'To [Walter] Nash, socialism was quite literally applied Christianity'.
 - 2 Bill Phillips, a New Zealand economist, famously (or notoriously) demonstrated in 1958 an empirical inverse relationship between inflation and unemployment. For a discussion in a New Zealand context, see http://www.reservebank.govt.nz/research/bulletin/2002_2006/2006sep6_9_3hargreaveskitehodgetts.pdf.
 - 3 Informal thematic summary prepared by writer, distributed only to participants.
 - 4 It is possible to discern in advance imbalances and elements of instability, as, for example, a small minority did in expecting a longish conflict in 1914, or another small minority did in noting in the early-mid-2000s the massive rise in debt in developed economies and the resultant geo-economic imbalances. But those who expected a longer war in 1914 than the populist 'home by Christmas' line did not predict the catastrophe that unfolded or the changed geopolitical world at its end. Nor did those worrying about the pre-2007 imbalances predict the course of the GFC and the likely 10–20-year rebalancing which has yet, in effect, to start.
 - 5 For one take on this see James (2012), and in paper to be published as part of the Treasury's 40-year fiscal projections in November 2012.

References

- Bell, D. (1960) *The End of Ideology*, New York: Harvard University Press
- Belich, J. (1996) *Making Peoples: a history of the New Zealanders*, Auckland: Allen Lane
- Friedman, M. (1962) *Capitalism and Freedom*, Chicago: University of Chicago Press
- James, C. (2011) 'The opportunity state', address to the Australia and New Zealand School of Government forum, Wellington, 2 December, http://www.synopsis.co.nz/speeches_briefings_index.htm
- James, C. (2012) 'Rethinking how to do government post-GFC', *Management Magazine*, August, also at http://www.colinjames.co.nz/management/Management_column_12Aug.htm
- Lipson, L. (2011) *The Politics of Equality: New Zealand's adventures in democracy* (new edn; first published 1948), Wellington: Victoria University Press
- Public Service Commissioner (1920) *The Public Service: a career for boys*, Wellington: Government Printer, accessed at <http://www.teara.govt.nz/en/public-service/3/3>
- Royal Commission on Social Security (1972) *Report of the Royal Commission on Social Security*, Wellington: Government Printer
- Sinclair, K. (1976) *Walter Nash*, Auckland: Auckland University Press and Oxford University Press

Provoking Debate and Learning Lessons it is early days, but what does the Performance Improvement Framework challenge us to think about?

Introduction

Governed, designed and funded by the three central agencies,¹ but delivered by the State Services Commission, the Performance Improvement Framework (PIF) is now three years old. Twenty-one reviews have been published.² Four are currently under way, including the first PIF re-review. Three agencies have completed follow-up reviews. In addition, over 250 state servants have attended a PIF self-review

workshop. Also, several new products and services are in development, including a PIF cluster model. Finally, the PIF agency model is in the middle of a two-stage upgrade, that reflects the ambition and new performance expectations at the heart of the advice of the Better Public Services Advisory Group (Better Public Services Advisory Group, 2011).

Deborah Te Kawa is a Principal Advisor with the State Services Commission.
Kevin Guerin is a Principal Advisor with the Treasury.

So, what do we know after three years? At a meta-level, what do the PIF findings challenge us to think about? What should we start paying attention to? This article seeks to answer those questions. It is not definitive. This article aims to draw attention to what may in time prove to be a particularly useful data set – a data set the whole of which is greater than the sum of its parts in that it reveals both enduring and emerging trends about contemporary public management in New Zealand.³

The article is organised into four parts. It moves from the general to the specific and then back to the general. Part one orientates the reader by introducing the PIF to those who are unfamiliar with it. It covers what the PIF is, why it was introduced, and some of the early benefits, as well as the intervention logic at the heart of the PIF programme. The following section explores the difficulties and technical hitches in aggregating the PIF agency data. This is followed by an attempt to find trends and patterns in the metadata and translate them into useful information – both to provoke debate and reconfirm a few lessons. Finally, the article offers an insight into how PIF system analysis provides support for the areas identified by the Better Public Services Advisory Group, and the actions being taken to address them.

What is the Performance Improvement Framework?

The term PIF refers to a review as well as to the model or framework. Essentially, it is a review of an agency's fitness for purpose today and for the future. Using the PIF agency model, a PIF review looks at the current state of an agency and how well placed it is to deal with the issues that confront it in the medium-term future. The PIF agency model was designed by the central agencies and chief executives from across the state services. Unlike the public service improvement models in the United Kingdom and Australia, it covers both results and organisational management. It has six critical areas, supported by 17 elements and 28 lead questions. The lead questions are supported by 88 lines of enquiry. Unlike the rating system in the United

Kingdom, Australia and South Africa, it rewards sustained results, stewardship and continuous improvement.

A PIF review is done in two ways. The first is a formal review. Like in Australia, but unlike in Canada, the UK and South Africa, a formal review is conducted by independent experts. Called PIF lead reviewers, these experts review an agency's capability, performance and ability to

... a PIF review assesses what an agency does well and what issues it needs to work on to be more effective in the future. An agency develops a response addressing any matters raised and to indicate what it will do to face the challenges of the future.

deliver on government priorities, its core business and a range of organisational management elements, using the PIF agency model. This review is largely *ex post*. New Zealand is the only jurisdiction which then takes an *ex ante* position by asking two critical questions and inviting the agency to respond:

1. What is the contribution New Zealand needs from this agency, and, therefore, what is its future performance challenge?
2. If the agency is to be successful at meeting the future performance challenge, what would success look like in four years'?

In short, a PIF review assesses what an agency does well and what issues it needs to work on to be more effective in the future.⁴ An agency develops a

response addressing any matters raised and to indicate what it will do to face the challenges of the future (State Services Commission, 2012b). That response is then implemented by the agency; central agencies provide guidance, support and oversight on behalf of ministers.

Many agencies in the wider public sector are not eligible for a formal review. Those agencies use the PIF agency model as a self-review tool to measure and improve their own performances. This is the second way a PIF review is done. Self-review workshops are conducted every quarter. These workshops are always oversubscribed.

To ensure an agency realises the benefit of a formal review, the PIF follow-up review has been launched. It is a recent innovation, designed originally by Land Information New Zealand and the Department of Conservation. The follow-up review occurs 12–18 months after a formal review. It is conducted by the PIF lead reviewers, but is largely led by the chief executive and the senior leaders in the agency. While it does not have ratings, the follow-up review is published. It is designed to ensure that each agency has an opportunity to take stock, make sure that it is realising the benefits of the most recent PIF review, and is still well placed to deal with the future challenges. Three follow-up reviews have been completed. These provide ministers and the public with assurance that the agencies involved are continuously seeking to improve and that their journey is transparent.

Why was PIF introduced?

When Iain Rennie became the State Services Commissioner in 2008 he was concerned that the public service was not perceived as taking ownership of its own performance improvement. He noted that there were plenty of reports from external agencies and lobby groups, and these were often critical of the public service. Many of them, he felt, did not recognise the real strength of the public service, and equally he wanted to move the culture of the public service towards continuous improvement and innovation (State Services Commission, 2012a).

In 2009, Rennie and the then chief executive of the Department of the

Prime Minister and Cabinet, Maarten Wevers, travelled to the UK to meet with the British Cabinet secretary, Lord Gus O'Donnell. The origins of PIF lie in their discussions. On their return Rennie and Wevers commissioned a team from across the state services to take the best of the UK Capability Review Programme and the best of the organisational improvement models from the New Zealand private sector, as well as methodologies from other jurisdictions, and adapt them to the New Zealand public management system (State Services Commission, 2012a).

What are the early benefits?

From the PIF process the central agencies get a picture of what is good about the New Zealand public management system and what needs to improve. Central agency officials would frequently be asked, 'Who is good at financial management?', or 'Who is good at setting strategy?' Up until now there has been no way they could point to the areas of demonstrable and evidential strength. Now they can. Before PIF, everyone had their own anecdotes about what needed to be done better. For central agency officials, PIF gives a system-wide diagnosis about what is being done well and where the system can improve. In addition, ministers get assurance that the agencies they are responsible for are constantly looking to improve how they do business and deliver value for the taxpayers' investment in them. Ministers also get independent assurance, as the PIF formal reviews are undertaken by external expert parties. Finally, and probably most importantly, the public is able to see that the state services are on the move and are serious about the services they deliver and how these are delivered: the public can see that the state services are continuously seeking to improve and are transparent about that journey.

What is the intervention logic?

At the heart of the PIF is the intervention logic (and design assumption) that an ethical and impartial state service is fundamental to maintaining trust, but integrity and impartiality, while necessary, are not sufficient to maintain confidence in New Zealand's public institutions (State Services Commission, 2011a). Public

institutions need to deliver – they need to perform – and they need to demonstrate to citizens that they take performance improvement seriously. The value of PIF is that it was designed to support public institutions to improve and demonstrate a commitment to performance improvement.

After being redesigned over the past 12 months, PIF is now a method for systematically identifying the extent to which an agency understands its role and purpose and determining how it is led, managed and resourced

PIF system analysis: difficulties and technical hitches

So, what role does the PIF play in enabling a high-integrity and high-performing state sector? After being redesigned over the past 12 months, PIF is now a method for systematically identifying the extent to which an agency understands its role and purpose and determining how it is led, managed and resourced (State Services Commission, 2012d). Three years ago it was simply an organisational diagnostic tool; now it is a process designed specifically for the New Zealand state services to ensure chief executives and senior leaders have well-developed views on the most important issues facing New Zealand, what it will take for their particular agency or sector to address those issues, and the role each agency and sector can and should play.

How does the PIF system analysis now under-way in the central agencies add to the collective knowledge? How does it

help ministers, agencies, stakeholders and the public understand the functioning and performance of the state sector?

The three purposes for which PIF was set up are to:

- help chief executives drive improvements in agency and cross-agency performance;
- give ministers, stakeholders, and the public assurance about current levels of agency and system performance, and progress on improving both; and
- give central agencies a coherent view of agency and system performance and position central agencies to prioritise and drive improvements. (State Services Commission, 2011b)

The PIF system analysis plays a part in all three purposes, but primarily, in the last one. Some early results of this analysis will be discussed below, but first some technical limits and pitfalls of the analysis need to be recognised. First, a PIF agency review is not an audit, scientific evaluation, an investigation of compliance or an accreditation process. Rather, it is an integrated, deep, fast and independent review of an agency's fitness for purpose and indicates how well placed that agency is to deal with the issues that confront it in the near future. Moreover, the report is published, as are all on the State Services Commission website. The method of enquiry is mixed. Quantitative and qualitative analyses are used, often in combination with desktop analysis and one-on-one interviews and focus groups which use the methods of appreciative enquiry and strengths-based analysis (State Services Commission, 2012a) – these are focused on internally-driven organisational learning. PIF also has the advantage of integrating publicly-available performance information and internal management information from the State Services Commission, the Treasury and the Department of the Prime Minister and Cabinet (State Services Commission, 2012b). Finally, the reviews themselves rely on a peer review, and the ratings are a set of judgements about an agreed, though unknown, future state. In that respect, the PIF process is 'heuristic' (Ryan, 2004), one through which agencies learn their way forward through collective dialogue and internal reflection.

Table 1: System analysis findings and central agency responses, May 2011

Finding of the system review	Central agency response
Agencies tending to be reactive, focusing on the short-term and delivering (well) what Ministers ask for today, often at the expense of their obligation to ensure advice is robust over time and capability exists to sustain performance in the medium term.	A need for greater system 'stewardship'.
People management needs improvement, ranging from communicating vision to developing appropriate cultures and capability and managing poor performance.	Better leadership required to engage and develop staff.
Allocative efficiency is low: agencies generally cannot track expenditure and impacts in a meaningful fashion, compare cost effectiveness of policy options, or connect such information to how they make decisions; and compliance behaviour dominates recording and use of financial information.	Need a common culture of continuous improvement.
Silos persist, getting in the way of information flow between agencies, and between government and others. This limits the ability to deliver advice to Ministers that recognises risks, policy impacts and cross-government priorities. Agencies with cross-government interests struggle to prioritise and exert influence.	Need outcome-focused governance and accountability, and mechanisms to drive cross-agency priorities.

Second, because each PIF agency review is contextually relevant to that agency and the particular challenges the agency faces, the ratings cannot be regarded as easily or productively comparable. Simple, standardised indicators, therefore, do not apply. The State Services Commission is emphatic on this point: it is not possible to benchmark with PIF in the same way that common indicators are used in the Better Administrative and Support Services (BASS) process (State Services Commission, 2012c).⁵ The ratings recorded for any aspect of agency performance represent a collective judgement constructed and moderated in the course of the process by a group of actors (particularly the lead reviewers, but also chief executives and central agency officials) who collaborate across several reviews using a complex framework of shared criteria (performance expectations and standards) applied consistently across different organisational settings.⁶ These judgements are broadly relational between agencies but not strictly comparable. Ascribing scores to those judgements is useful but also problematic. Conversion into simple numerics dilutes the most important aspect of the PIF process: the narrative through time of organisational learning and development. Nonetheless, scores do give a sense of spread and tendency across the state services at a particular point in time, and provide a sharp focus for the PIF system analysis, even if they do not tell the whole story. The results of the overall

system analysis, therefore, should be read as indicative and relative rather than definitive and absolute. They provide some understanding of those things done well by agencies, and, at the other end of the scale, those areas where performance improvement is required.

The third caution relates to the fact that PIF and the system analysis are works in progress. The system analysis to date is based on the 21 reviews so far completed. The picture so far of overall system performance may change as new reviews are completed. Indeed, if learning across the sector is to be continuous, recursive and emergent, the overall picture will change as the reviews are completed.

The PIF system analysis is proceeding with these limitations in mind. The commentary and ratings from each of the reviews conducted so far have been collated and analysed, looking for known challenges as a whole and for particular sectors, examples of strong performance on which to build, and further challenges arising across the system. We emphasise that system analysis of this type is not about identifying poor performers and telling them how they could improve. Individual reports and agency responses are only one set of tools for building performance improvement into agency strategic planning. Follow-up reviews provide a check on progress and advice on next steps. System analysis is about identifying the areas where improvement is required or that provide a base for improvement elsewhere, looking for the

themes that explain the ratings and offer a starting point for improvement actions, and tracking how the capability and performance of the system improve over time.

What do the findings suggest?

Early system analysis findings were reported in a May 2011 Cabinet paper available on the SSC website.⁷

A condensed version combined with central agency responses, as subsequently presented to the Better Public Services Advisory Group, is shown in Table 1.

The May 2011 analysis was based on a mixture of text and, mostly, ratings. In order to focus on what forward-looking action could be taken across the system, that analysis has been updated. A condensed version of that update is shown in Table 2. It is important, too, that this subsequent analysis focuses on why a dimension is important. The focus is on strong or well-placed practice: thus the combined percentage of these ratings is detailed. Further, 21 reports are covered, whereas the initial May 2011 analysis covered only 10 reports. The analysis is also informed by the *Better Public Services Advisory Group Report*, and the known challenges the advisory group evidenced or started to reveal.

Combining the matters revealed in dimensions one and two, one of the most obvious findings is that agencies do what the government of the day wants, but sustained delivery and strategic building for the future continues to be rare.

Provoking Debate and Learning Lessons: it is early days, but what does the Performance Improvement Framework challenge us to think about?

Table 2. PIF System Analysis: Key Findings (November 2012)

Six Dimensions of Performance	Why this matters	Percentage of Greens*	Percentage of Greens per PIF Agency Element
1. Results	<i>The legitimacy of public institutions rests on their ability to demonstrate high levels of integrity and performance. The public and their political representatives need to be confident that public ownership, funding, provision and regulation of activity are adding most value for the community while minimising its costs. Making a positive difference should also help attract, retain and motivate the right people to work in the public sector.</i>	62%	Government Priorities 72% Core Business Effectiveness 62% Core Business Efficiency 52%
2. Strategy and Role	<i>Clarity in role and strategy bridges policy and delivery; it clarifies for everyone how an agency delivers value, and what that value is. It makes a complex operating environment simple. When done well it unifies the silos and enables prioritisation.</i>	51%	Engagement with the Minister 81% Structure, Roles and Responsibilities 38% Purpose, Vision and Strategy 33%
3. Improving Delivery	<i>Part of the public sector's legitimacy rests on the acceptance that regulation adds value for the community in excess of the costs that regulations impose as does a well-developed ability to review and test the efficiency and effectiveness of what an agency does. In addition it is an important stimulant to innovation and creates a structured way for an agency to learn from its experiences and identify opportunities for continuous improvement.</i>	38%	Review 52% Regulatory Impact 38% Improving Efficiency and Effectiveness 24%
4. Internal Leadership	<i>Great public institutions recognise their role as part of a wider system and know who they need to enlist in order to better meet the current and future interests of those who they must serve well in order to thrive. Great public institutions align the interests of their institution with those of New Zealand and partner effectively with others to ensure those interests are well served.</i>	36%	Leadership and Governance 43% Engagement with Staff 38% Leadership and Workforce Development 38% Values, Behaviour and Culture 33% Management of People Performance 29%
5. Working with Others	<i>Most people join the public service from a strong sense of mission and an often passionate desire to make a positive difference to the lives of New Zealanders. Many of the nation's brightest graduates and best thinkers are attracted by the idea of public service. This is a powerful idea and the talent it attracts is arguably the most important asset in the public sector. This reservoir of talent and passionate commitment has a huge opportunity value. It needs to be fully utilised and developed.</i>	48%	Collaboration and Partnership with Stakeholders 57% Experiences of the Public 52% Sector Contribution 33%
6. Finance and Resources	<i>This dimension is important as these functions should provide the information, intelligence and analysis that forms the basis for decision making that underpins strong agency performance. Superior performance requires that the right information is available to the right people at the right time, and that this information is properly analysed and used. Financial and risk management are critical components and should help management understand and improve operational performance as well as informing strategy formulation, prioritisation and investment decisions. Good risk management is also critical in maintaining confidence in the agency.</i>	52%	Financial Management 81% Asset Management 67% Risk Management 38% Information Management 24%

* 'Greens' in this table refers to the colour in the original 'traffic light reports', where 'green' indicated good performance. They correspond to the 'blues' in Figure 5.

Contrary to the still-common stereotype of senior leaders in the state services as being like Sir Humphrey Appleby manipulating the minister (in the satirical television series *Yes Minister*), the reality is the opposite: agencies do very well at implementing the government's priorities, particularly as they relate to defined, fast-turnaround, short- to medium-term tasks. However, there are weaknesses in relation to clear multi-year strategies that tie achievement of results to underlying capability, clearly communicated from

boardroom or senior management level to the coalface; and in the shaping of planning, daily activities, and external reporting.

The first and second performance dimensions together are key areas for stewardship of state services capability and performance, led by the central agencies, and reinforced by progress on setting and tracking performance expectations as well as cross-agency results and medium-term planning. Agencies that perform best in these two dimensions typically have a

clearly-defined purpose and relatively well-defined goals that are motivating, unifying and discriminating (that is, in defining direction, setting priorities and enlisting the support of others). They also have an effective engagement with ministers, and use that engagement as a foundation for better-focused policy and delivery within and across agencies. Finally, agencies that do best in these dimensions have an operating model and internal structures to support the results

that are well-defined and clear on what needs to be done.

The third dimension must be looked at in tandem with the messages emerging from assessments of the effectiveness and efficiency of core businesses. The core business analysis shows a general shortfall in the expected ability to track how resources are being used, what results are being achieved, and what improvements might be possible. Even the relatively strong area of review, where these are often done well, is undermined to some degree by a lack of follow-up on the conclusions reached. This is an area where progress on sector models, benchmarking, improving regulatory practice and other Better Public Services programme work-streams should pay significant dividends, but it will take time. On the positive side, the best agencies in this dimension demonstrate that they value learning, innovation and continuous improvement, and expect and support ongoing improvement and adaption through measurement, testing and review.

Internal leadership is one of the most challenging areas of the results to date. The challenges here are deep, enduring and widespread, and are further linked to the matters identified under the second dimension (strategy and role). Particularly important are the need to improve strong, cohesive and engaging leadership by senior managers, and effective management of both good and poor staff performance. Only a few agencies enjoy strong internal leadership which attracts talented people and inspires them. Others invest in talent. To make any improvements, we believe the central agencies and senior leaders in the state services need to see building strong institutions as our core purpose.

Results through collaboration by agencies also indicate an area of weakness, and have done so consistently. Collaboration is central to effective delivery of the ten result areas, let alone of cross-cutting results in other complex social or economic areas. This includes collaboration with non-government parties, whether third-party service providers, stakeholder groups or

Figure 1: Average rating: Capability and Results

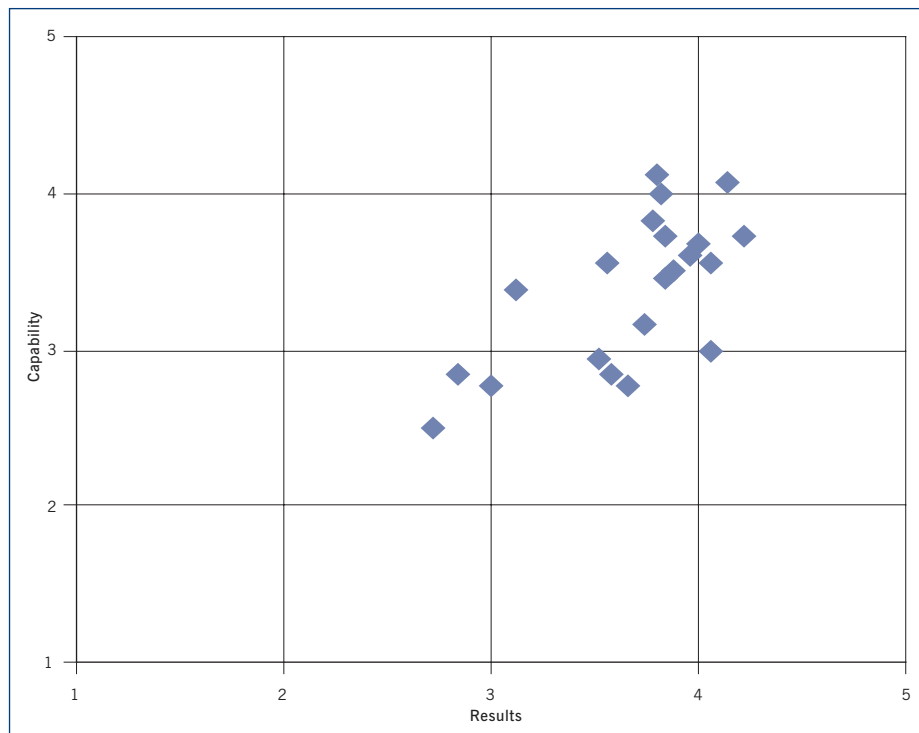
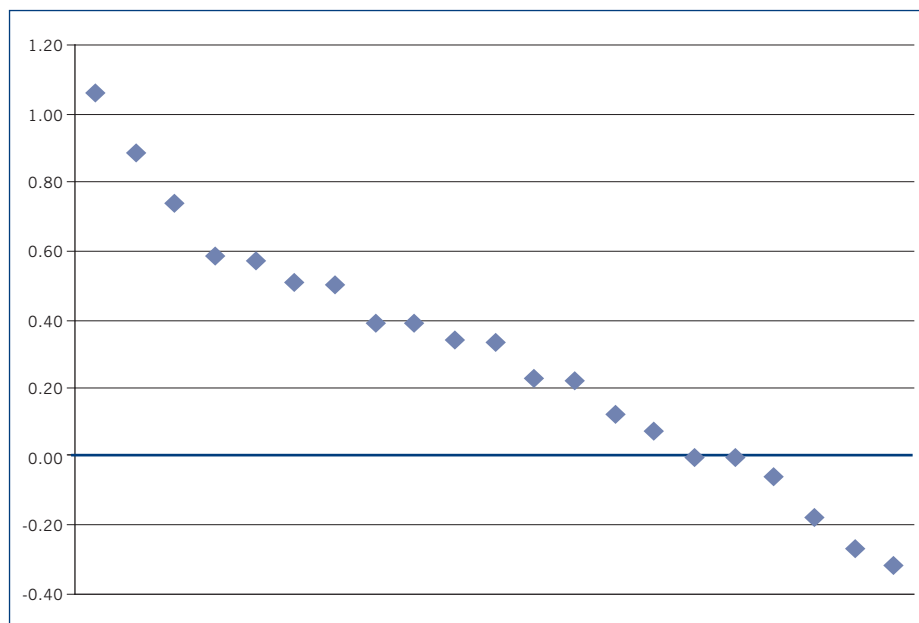


Figure 2: Results (average rating) minus Capability (average rating)



customers. That said, there is an issue over the definition of collaboration and the real or perceived legal and institutional barriers to achieving it. With progress in clarifying expectations and in steps to reduce the barriers, this area can be expected to show significant improvement in the next cycle of reviews. In the meantime, we note that the best-performing agencies enlist the active support of all those outside the agency who are necessary to it delivering its key results.

The final dimension – finance and resources – has one of the better stories of the results so far; but, even so, it is a dimension needing great improvement. The public sector has made progress in building basic good practice in financial and asset management which has made New Zealand a world leader in public sector financial reporting. Yet we suggest we need to look beyond that. What is needed is a step up to strategic management of the financial and information infrastructure, to support and enable strategic and operational decision

Figure 3: Agency size (staff numbers) and average rating (capability and results)

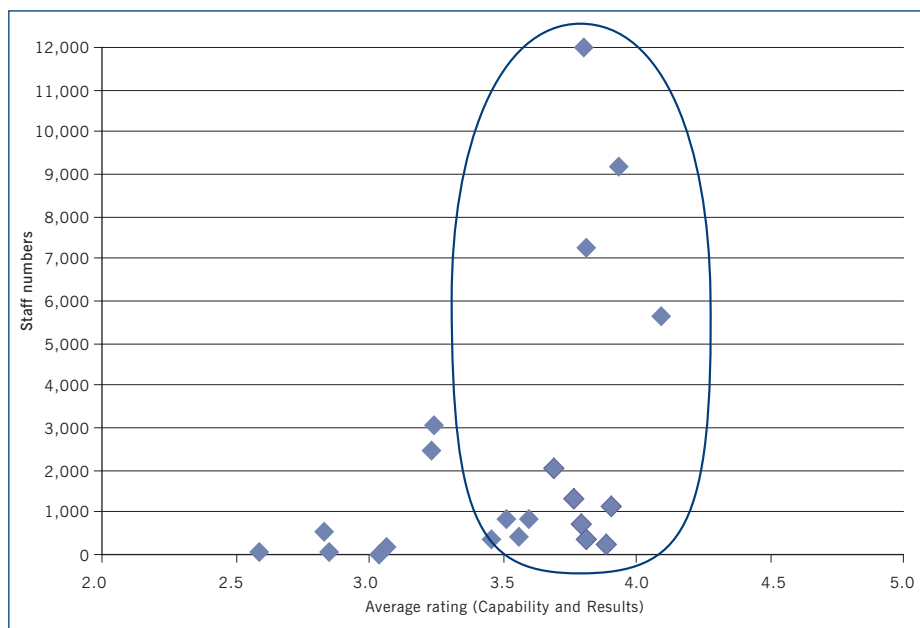
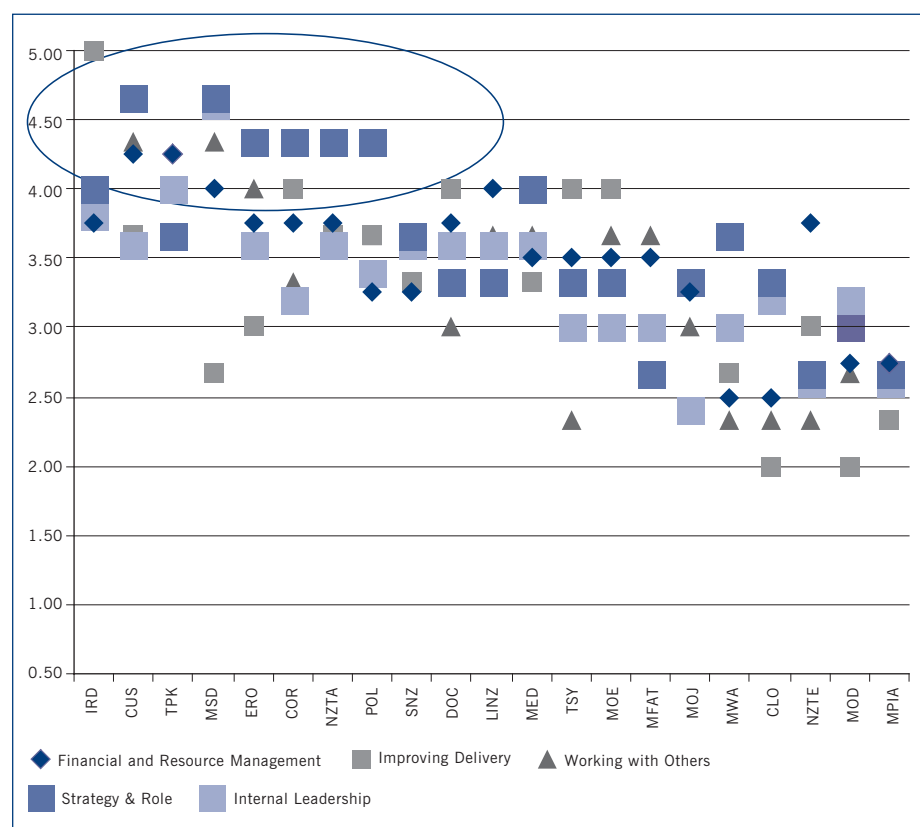


Figure 4: Agency rankings and scores for the Strategy and Role grouping



making on what to do and how best to do it. With the standards for financial and asset management being raised to this higher level, agencies will face challenges to even maintain current ratings.

Lesson learned: results and capability are connected

If scores are ascribed to the ratings achieved by agencies in their reviews,⁸ and those

scores are cross-tabulated across agencies, several lessons become apparent.

One is that, as shown in Figure 1, results and capability are positively connected. There is a general tendency in the distribution towards higher scores in results being associated with organisations that also score higher on capability. The implication of this pattern is to reinforce calls for greater attention

to be paid to strategic capability inside state sector organisations. If this is done, results will in turn improve.

Another interesting finding in the data is shown in Figure 2. The numbers in Figure 2 are calculated by subtracting each agency’s aggregate capability score from its aggregate results score. While better capability tends to be associated with stronger results, some agencies produce better results than might be expected from their capability rating, while a few produce lower results than might be expected. Of course, this only holds true if one assumes a starting hypothesis that both capability and results are measured consistently so that a meaningful benchmark can be observed, whether that be results = capability so that 0.00 is the expected score, or the score is the actual average so far of 0.32.

What might this mean? While there may be a general positive relationship between capability and results, other factors may influence how well capability is translated into results. For example, reviewers have often found agencies that attract talented people who are committed to advancing New Zealand’s interests, and, where this commitment aligned with government’s priorities and goals, those staff produced results despite the agency. It is also possible then some result areas have not been set at an appropriate level: that is, the results are too easy or too hard to achieve, or capability may have been assessed too high or too low. It could also be that the agency is better or worse than expected at converting capability into results due to agency, sector or other specific reasons – for example, at early stages in a transformation process.

Lesson learned: agency size does not matter

Using the unique number pair (result: capability), turning it into a ratio and plotting it against number of full-time staff equivalents at the time of the review, Figure 3 shows that the range of agency performance is consistently wide across results and capability. This invites a conclusion that size does not matter: that organisations both large and small can be capable and effective in achieving results. High-quality management of the available

backed up by clearly-defined performance metrics and external scrutiny. These PIF results can be combined with a growing database of other information, such as BASS, policy advice benchmarking, asset maturity model assessments, audit results, best practice regulation assessments, among others. Such whole-of-system assessments, integrated with agency-specific data, should allow a detailed 'dashboard' analysis of individual agency performance and of how it can be improved – supporting efforts to address policy and delivery challenges – and cross-agency identification of common challenges and solutions. Thus, the PIF is part of a shift to a more explicit standard of defining and tracking performance, changing the nature of incentives in the public sector, boosting the role that the corporate centre can play, and enhancing the ability for stakeholders and the public to scrutinise what they are getting for their tax dollars.

Conclusion

There are a number of big cross-cutting issues that have eluded previous governments, addressing them will require a sustained public and private effort to address. The state sector has a vital role to play, but transformational change is needed to deliver the integrated, high-integrity, high-performing state services

that are obviously required. Both the State Services Commission and the Treasury have a legislative mandate which gives them a central role to play in bringing this transformation about. Stepping up to this challenge will require significant changes in the way all three central agencies operate. While they are well placed in terms of helping sustain trust in the integrity of New Zealand's public institutions, work needs to be done before the central agencies can play a vital role in leading integrated, high-performing state services and extending that to the wider state sector. Many of these changes are being made. But, to borrow a phrase from a previous state services commissioner, 'the harder yards' are still ahead (State Services Commissioner, 2003). There is much more to be done by both the central agencies and senior leaders in the wider state services. State servants can only expect true trust and confidence from New Zealand citizens when both integrity and performance are consistently demonstrated to the highest level across the whole state sector.

- 1 The central agencies are the Department of Prime Minister and Cabinet, the State Services Commission and the Treasury.
- 2 Reviews of the departments of Conservation and Corrections, the Crown Law Office, the ministries of Defence and Education, the Education Review Office, the former Ministry of Economic Development, the Ministry of Foreign Affairs and Trade, Inland Revenue Department, Ministry of Justice, Land Information New Zealand, Ministry of Māori Development, New Zealand Customs Service, the ministries

of Pacific Island Affairs and Social Development, Statistics New Zealand, the Treasury and the Ministry of Women's Affairs, as well as the New Zealand Transport Agency and New Zealand Trade and Enterprise, and New Zealand Police: 18 public service departments, two Crown entities and one non-public service department. Reports are available at www.ssc.govt.nz/pif.

- 3 The authors would like to make special mention of Associate Professor Bill Ryan, who has provided guidance and encouragement in the exposition of this data set, and also of Dr Murray Horn and Debbie Francis, who are preparing to finalise a report summarising the 21 PIF reports from the perspective of lead reviewers. The analysis in this article was one input into their report.
- 4 The ex ante lines of enquiry were developed as part of the PIF redesign process in 2011. The PIF review of the Ministry of Economic Development was the first to include this addition. As well as the addition of the ex ante component, the entire PIF process was redesigned between August and September 2011. The goal of the redesign was to provide greater value at a reduced cost. A rapid-prototyping process improvement process was used. It resulted in an average 30% cost reduction per review. In addition, the lead reviewer cadre was refreshed. The cadre has additional experience and skill in public and private partnerships, large infrastructure projects and public and private sector change management programmes. Finally, governance and funding arrangements were clarified.
- 5 See, for example, the benchmarking report for 2010/11 published at <http://www.treasury.govt.nz/statesector/performance/bass/benchmarking/2010-11>.
- 6 For a more in-depth understanding of the PIF agency model, see the first of three core guides available on the PIF website: *Core Guide 1: understanding the performance framework agency model* (August 2012). This provides detailed insight into the design of the PIF, including the 28 lead questions and 88 lines of enquiry.
- 7 Cabinet papers and related announcements are available at <http://www.ssc.govt.nz/pif-reports-announcements>.
- 8 A crude way to examine this relationship is to plot the combined score for results and capability for each organisation reviewed. In this case, the colour rating scale was translated into a numerical scale for each element of result or capability. These could then be added and an average score for both results and capability can be calculated for each organisation. Each organisation can then be represented by a unique number pair (result: capability) and plotted on a graph. The graph here shows the result for all 21 organisations, along with a 'best fit' line that illustrates what the data suggests is the expected relationship between capability and results.

References

- Ryan, B. (2004) *Learning MFO: developments in managing for outcomes – Queensland case study*, Brisbane: Institute of Public Administration Australia
- Better Public Services Advisory Group (2011) *Better Public Services Advisory Group Report*, Wellington: Department of the Prime Minister and Cabinet
- State Services Commissioner (2003) 'Getting better results: progress report March 2003', extract from the March monthly report from the Minister of State Services, 7 April
- State Services Commission (2011a) *Briefing to Incoming Minister of State Services*, Wellington: State Services Commission
- State Services Commission (2011b) *Road Map: Performance Improvement Framework*, Wellington: State Services Commission, the Treasury and the Department of the Prime Minister and Cabinet

- State Services Commission (2012a) *Fact Sheet 3: How does PIF fit with other business improvement tools?*, Wellington: State Services Commission, the Treasury and the Department of the Prime Minister and Cabinet
- State Services Commission (2012b) *Fact Sheet 4: what are the performance challenge and four-year excellence horizon?*, State Services Commission, the Treasury and the Department of the Prime Minister and Cabinet
- State Services Commission (2012c) *Fact Sheet 5: what are the system level ratings?* Wellington: State Services Commission, the Treasury and the Department of the Prime Minister and Cabinet
- State Services Commission (2012d) *Annual Report for the year ended 30 June 2012*, Wellington: State Services Commission

Ocean Governance

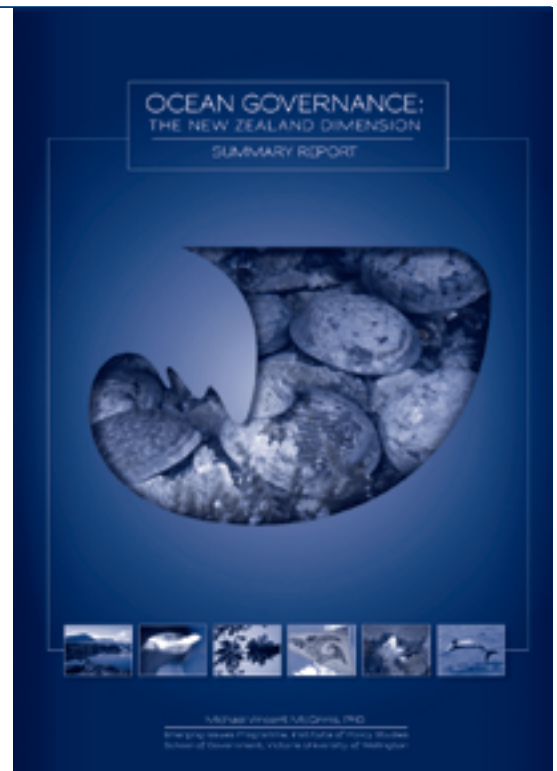
The New Zealand Dimension

A summary report by
Dr Michael Vincent McGinnis

The Ocean Governance project was funded by the Emerging Issues Programme, overseen by the Institute of Policy Studies at Victoria University of Wellington. Its primary goal is to provide interested members of the public and policymakers with a general overview and a description of the types of principles, planning tools and policy instruments that can be used to strengthen and improve marine governance in New Zealand. Dr Michael Vincent

McGinnis is an Associate Professor in International Marine Policy and Science at the Monterey Institute of International Studies and the National Centre for the Blue Economy in California, USA. He is also a Senior Associate of the Institute of Policy Studies in the School of Government at Victoria University of Wellington.

Publication Date: April 2012
Format: A4 Paperback pp.64
ISBN-978-1-877347-4 IPS 176
A limited number of copies are available free. To obtain a copy please email
ips@vuw.ac.nz or telephone (04) 4635307



FUTURE STATE

Directions for Public Management in New Zealand

Edited by Bill Ryan & Derek Gill

New Zealand's public sector has consistently rated well internationally on a variety of measures of comparative government performance. In the 1980s New Zealand achieved a step change in public sector reform when it introduced a distinctive and widely applauded model of public management. Despite attempts at continuing improvement, however, New Zealand has struggled over the past decade to keep developing the frameworks and tools that public managers require to manage efficiently and effectively in the public sector. New Zealanders are becoming more diverse in their needs, ethnicities and lifestyles, and more demanding their expectations, and the weight of these expectations increasingly impacts on government. In the face of these changing circumstances, it is tempting to stick with the current model and continue to refine and adjust it. But tweaking is no longer enough – another step change is required.

In 2001 the chief executives of several public sector organisations commissioned

a group of researchers associated with the School of Government at Victoria University of Wellington to undertake a project looking at the 'future state' – to consider present trends that would impact on public management in coming years. *Future State* pulls together the results of the work, covering emerging trends in governance, from both New Zealand and international perspectives: issues, options and policy implications of shared accountability; experimentation and learning in policy implementation; agency restructuring; skills and capability; the authorising environment; and e-government. It contains valuable insights into how New Zealand's public sector currently operates, and how it might operate in the future.

A Victoria University Press Publication
By Bill Ryan & Derek Gill
Publication Date: December 2011
Format B5 Paperback, pp 348
ISBN 978-1-86473-820-2 Price - \$50
(including P&P within New Zealand)
To order go to Victoria University Press website
<http://www.victoria.ac.nz/vup/2011titleinformation/future.aspx>



VICTORIA UNIVERSITY PRESS

Covered Bonds and Bank Failure Management in New Zealand

Introduction

The global financial crisis of 2008 has highlighted the question of where the costs fall when banks (or other financial institutions) fail. The issue is a real one. Failures do happen, and have become more common in the deregulated policy environment that developed worldwide from the 1980s. New Zealand has seen the collapse of the Development Finance Corporation in the 1980s; the near-failure of the Bank of New Zealand in 1990 (after a previous rescue in 1988, a further \$640 million government bailout was needed in 1990 (Cardow et al., 2011)); and the failure of a string of finance companies culminating with that of South Canterbury Finance (which has left taxpayers carrying well over \$1 billion of assets on which recoveries are questionable).

In November 2008, when overseas funding for the New Zealand banks came under threat, the New Zealand government brought in a wholesale deposit guarantee scheme (Bertram, 2009a, 2009b) under which the Crown underwrote \$10 billion of bank bond issues over the following year, of which \$8.6 billion was in foreign currencies.¹ The taxpayer exposure remained at about \$3.7 billion in the second half of 2012, and will be eliminated only in late 2014.

This tendency for the costs of bank failure to be borne by taxpayers of host economies, while the upsides of banking – profits for shareholders, salaries and bonuses for bank executives, and returns on investment for holders of bonds issued by the banks – accrue to the private sector, has been a widespread feature of the global financial crisis and its aftermath. The result has been moral hazard and greater financial fragility, as banks have responded to the incentive to take profitable risks in the knowledge that the downsides can be unloaded onto other parties.

A central policy problem is, therefore, how regulatory frameworks should be redesigned to avoid the situation where

Geoff Bertram was until June 2009 a Senior Lecturer in Victoria University's School of Economics and Finance, and is now a Senior Associate of the Institute for Governance and Policy Studies.

David Tripe, director of Massey University's Centre for Banking Studies.

gains from financial sector risk-taking are privately appropriated while costs are socialised. Ostensibly this is the intent of the ‘open bank resolution’ (OBR) process currently under development by the Reserve Bank of New Zealand (Reserve Bank of New Zealand, 2011, 2012a; Hosking and Woolford, 2011); but this addresses only certain aspects of the problem, aiming to ensure that a bank which gets into difficulty is able to continue trading, and that Crown exposures are limited by leaving losses to fall on unsecured creditors, including retail depositors (principally private individuals and smaller businesses). In particular, OBR is intended only to ‘create time for a full analysis of the appropriate course of action to be determined’; it ‘is not designed to determine how the bank failure should ultimately be resolved’ (Hosking and Woolford, 2011, p.10).

Our focus in this article is on that issue of ultimate resolution, and in particular the position of retail depositors. The OBR policy does promise to limit depositors’ losses by guaranteeing some (unstated) proportion of deposits while writing off the remainder,² but this leaves major issues around the question of whether all depositors are to be treated equally, or whether greater protection will be afforded to larger depositors. From 2008 to October 2010, the government operated a retail deposit guarantee scheme under which all losses to depositors were made good at taxpayer expense, but since then the official stance has been that it is up to depositors to look after themselves: ‘it is vital that depositors understand the risks and the potential trade-off between risk and return’ (Bollard, 2010). Depositors are thus individually responsible for assessing the extent to which their chosen bank may have pre-positioned itself in ways which make the scale of potential depositor losses greater or less in the event of failure. Considering the complexity and lack of transparency of current financial disclosures by the banks, this is a daunting task which will be beyond the reach of a typical small depositor.

In this article we focus on the position that those depositors may find themselves in, and ask whether New Zealand’s regulatory arrangements

Table 1: Stylised bank balance sheet

Assets	Liabilities
Liquid reserve assets	Deposits
Loans	Shareholders’ equity (capital)
Total assets	Total liabilities

provide adequate protection for their legitimate interests, in a situation where the major banks are owned offshore and where overseas parents (along with bank bondholders) might seek to ‘loot’ the New Zealand subsidiaries in a renewed global crisis (Akerlof and Romer, 1993). Our central concerns are the way in which the balance-sheet structure of the local banks determines where retail depositors rank in the queue of creditors when a bank is wound up, and the nature of the key financial transactions that underlie the balance sheet.

... the global trend to large size, deregulation and complex financial engineering have made banks and bankers harder to monitor, as well as harder to regulate effectively.

Interpreting bank balance sheets

Banks are financial intermediaries, taking in short-term deposits from savers and making longer-term loans to investors and others wishing to spend more than their current income. The balance sheet structure of a simple old-style textbook bank, found in elementary economics textbooks, is shown in Table 1.

In that banking model, depositors had first call on the bank’s assets, followed by the shareholders, who carried any loss if assets were insufficient to cover liabilities. The bank’s profits arose from the margin

between interest charges on loans and interest payments to depositors, and the risk of a ‘run’ by depositors was covered by holding a cushion of liquid assets that could be rapidly converted to cash to meet depositors’ claims (Goodhart, 2008). Prudence, and usually regulators, required that reserve assets and bank capital be large enough to keep depositors safe, but the global financial crisis revealed that complacency had crept in; revised regulatory arrangements are now raising capital requirements around the world. In theory this is supposed to ensure that the losses in the event of a crisis do not exceed the exposure of the shareholders, in which case depositors will eventually be able to be paid out in full (not right away, since non-liquid assets will have to be realised).

If banking were still as simple as Table 1, depositors would have a reasonable chance of monitoring the safety of their funds. However, the global trend to large size, deregulation and complex financial engineering have made banks and bankers harder to monitor, as well as harder to regulate effectively. This process has gone less far in New Zealand than in, for example, the United States; but the often-heard proposition in official circles that New Zealand banking is ‘plain vanilla’ needs careful qualification.

Two major innovations since the 1980s have changed the face of banking in this country. The first is the rise of offshore wholesale funding to supplement deposits as a source of funding for bank lending. A significant proportion of this may come from New Zealand banks’ overseas parents, and might be promptly repaid if the New Zealand bank were considered to be in any trouble. The second is the introduction of institutional arrangements that put some favoured creditors into relatively more secure positions ahead of depositors in the event of bank liquidation.

Table 2: Structure of a 'typical' NZ bank balance sheet

Assets		Liabilities	
Cash	2	Retail deposits	50
Marketable securities	14	Wholesale funding	32
Housing loans	43		
Other loans	30	Other liabilities	2
Deferred tax	1		
Derivatives	7	Derivatives	7
Goodwill & other intangibles	2	Subordinated debt	2
Fixed & other assets	1	Shareholders' equity	7
Total	100	Total	100

Table 3: Cover pools of the banks at August 2012

	Assets \$ billion	Covered bonds pools \$ billion	% of assets
ANZ–National	115.3	3.8	3.3
ASB	64.4	0.8	1.2
BNZ	71.7	5.4	7.5
Westpac	67.9	3.8	5.5
Total	319.3	13.7	4.3

Source: bank financial disclosures

In Table 2 a hypothetical bank balance sheet is set out which matches the typical structure for a New Zealand bank. Liquid reserves (cash and marketable securities) comprise 16% of assets, and capital is 7% of liabilities. The loan portfolio, 73% of assets, is funded by 50% of deposits and 32% of wholesale funding, with part of the funding used to acquire liquid reserve assets. So, 89% of assets are loans and reserves, and 89% of liabilities are capital, deposits and wholesale funding. The remaining 11% on each side of the balance sheet is minor items that largely cancel out – particularly 'derivatives' which are largely hedging arrangements.

The implication is that outstanding loans are nearly a third higher than they would be if the banks relied entirely upon deposits to fund their operations.

Covered bonds

Recently the New Zealand banks have introduced a new class of wholesale bonds which give their holders 'secured' status, thereby putting those bondholders at the head of the queue to claim repayment in the event of bank failure. Known as 'covered bonds', these financial

instruments carry a claim not simply on the bank's assets in general, but on a ring-fenced pool of dedicated good-quality housing loan assets set aside for the sole purpose of providing security to the covered bondholders. The assets in the pool are drawn from the balance sheet and placed into a special purpose vehicle with its own trustee management. The value of the cover pool is monitored continually and topped up if necessary by shifting further assets off the main balance sheet (Reserve Bank of New Zealand, 2010, 2012b).

Legislation – the Reserve Bank of New Zealand (Covered Bonds) Amendment Bill – was introduced into the New Zealand Parliament in May 2012 to legitimate the issuing of covered bonds and remove legal uncertainty around the banks' promise to bondholders that the cover pool will not be accessible to any liquidator, at least until covered bondholders have been paid out in full (New Zealand Treasury, 2012). 'In the event of failure of an issuing bank, [covered bonds] will reduce the value of the assets available to meet the claims of other creditors and depositors and, as such, may increase any losses incurred

by them' (Reserve Bank of New Zealand, 2012b). Once the banks' top-ranking assets are sequestered into cover pools, not just the value but also the quality of the assets available to provide security for other creditors, including depositors, is reduced.

Covered bonds, as the minister of finance has noted, provide 'greater certainty for investors' (English, 2012); this greater certainty is achieved, however, by shifting potential losses onto depositors and other unsecured creditors, or onto taxpayers if a guarantee is provided. The main benefit of covered bonds is lower funding costs for the banks in normal times, though the extent to which those lower costs result in cheaper credit for New Zealand borrowers rather than higher profits for the banks' owners is not clear. The main cost is the reduced security and potentially greater losses for depositors and taxpayers. Whether the introduction of these bonds has positive or negative consequences for the stability of the financial sector is unclear.³

The first covered bonds here were issued by the Bank of New Zealand in October 2010. As of August 2012, the total outstanding was approaching \$14 billion, on the basis of the assets in cover pools at that time (there is no published official total figure): see Table 3. The Bank of New Zealand has already raised covered bonds to 7.5% of its total assets; the Reserve Bank is recommending a ceiling of 10% (substantially higher than in other jurisdictions).⁴

Covered bonds, however, are only the tip of a rapidly-growing iceberg of groups of assets that may not be available to repay depositors if a bank gets into difficulty.

Pre-positioning the banks for looting

'Looting' is the economist's term for a situation in which the owners of a failing enterprise, and possibly their insider partners, structure its affairs in such a way as to enable them to strip out the good assets from the business as it goes down, leaving third parties carrying all or a large part of the losses. The key test of whether the Australian parents of the main New Zealand banks might be able to loot their subsidiaries in the event of a financial crisis

is to ask who exactly could be holding the assets at the point of bank failure, and how the creditor queue to lay hands on those assets which remain available after failure (in the OBR case, once a statutory manager has been appointed and the liquidation process begins) is structured. On inspection, it turns out that the assets ring-fenced off into cover pools are not the only ones that would be unavailable to meet depositor claims in the event of bank failure

To assess the potential losses to New Zealand interests – depositors and taxpayers – from bank failure, one has to ask what good-quality assets on the bank books could turn out to be missing when the liquidator goes looking for them. Apart from covered bonds, we have identified six other categories of assets that potentially represent loopholes through which looting could take place:

- 1 *Loans that have been sold to parent banks.* A registered New Zealand bank may sell part of its loan book to its parent bank, obtaining cash but shifting interest-earning assets out of the local enterprise. The main example to date is ANZ–National, which at 31 March 2012 reported that its New Zealand branch held loans worth \$93.8 billion, of which only \$84.5 billion appeared on the balance sheet of the New Zealand subsidiary. The other \$9.3 billion of housing loans had been transferred from subsidiary to parent and so would not be available to a liquidator of the subsidiary. There is no evidence of risk-shifting in this particular case,⁵ but the mechanism exists and can be used by other banks.
- 2 *Registered mortgage-backed securities.* These securities can be sold to third parties. This channel is not currently of particular importance in New Zealand; registered mortgage-backed securities have to date mostly been used as security for bank borrowing from the Reserve Bank, and the borrowers whose mortgages have been packaged into these securities retain their relationship with the bank. There is, however, no barrier to separation of the loans from the mortgage-issuing bank, which

Table 4: Derivative assets and liabilities

\$M (31 March 2012)	Derivative assets	Derivative liabilities	Net
ANZ–National	9959	10318	(359)
ASB	1709	1858	(149)
BNZ	4772	4873	(101)
Kiwibank	100	140	(40)
Westpac	11	167	(156)

Source: Relevant bank disclosure statements at 31 March 2012

- would remove the entire mortgage asset from the bank balance sheet; and nothing to prevent the parent bank, or its associated parties, from acquiring the mortgage securities.
- 3 *Repurchase agreements (repos).* These generally involve high-quality liquid assets which are sold to counterparties with an agreement for repurchase, as a means of obtaining short-term funding, rather like a secured overdraft. Although repo transactions to date have mainly

The situation at present seems to be that by carefully structuring a wide range of its transactions, and by arranging to have parents and associated parties as counterparties, an overseas-owned New Zealand bank can potentially pre-position itself so that open bank resolution would become simply the occasion for large-scale stripping out of the best-quality assets by the Australian parent.

been with the Reserve Bank, they are likely to become more prevalent with wholesale deposit counterparties as the OBR framework is developed. In the case of a repo the assets are in the counterparty's hands, not the bank's, when business opens for each day. If the bank has failed overnight, the statutory manager or liquidator has no means to get the assets back, and the counter-party can dispose of them. Alternatively, advances from parent banks (also classed as wholesale deposits) could simply be repaid, draining the New Zealand bank of cash and other liquid assets.

- 4 *Assets pledged as collateral for derivatives and other exposures.* This practice is not currently very important in New Zealand for domestic operations (reflecting the relative uniformity in credit ratings), but it was significant in United States in the run-up to the global financial crisis, and could provide a channel for shifting assets off local bank balance sheets in future.
- 5 *Derivative and intangible assets.* Here the possibility is that these balance sheet items simply evaporate in a crisis. Intangibles are not particularly large (see Table 2) and are required to be covered by equity, so in the event of bank failure there would be matching write-downs on both sides of the balance sheet. Derivative assets and liabilities reflect valuation changes in the bank's portfolio and typically are of roughly equal magnitude (see Table 4). They are likely to be larger at times of greater interest rate volatility. If a bank was being liquidated (under the OBR, for example), it would be prudent to assume that no value would remain

Table 5: The balance sheet when the OBR is applied

Assets	Under business as usual	After OBR	Liabilities	Under business as usual	After OBR
Cash – gone to repo	2	0	Retail deposits	50	50
Marketable securities – gone to repo	14	0	Wholesale funding – all repaid from repos and covered bonds	32	0
Housing loans – gone to repo	16	0			
Housing loans – other	27	27			
Other loans	30	30	Other liabilities	2	2
Deferred tax – now worthless	1	0			
Derivatives (?)	7	0	Derivatives (?)	7	0
Goodwill and other intangibles – now worthless	2	0	Subordinated debt	2	2
Fixed and other assets	1	1	Shareholders' equity, written down for loss of deferred tax and intangibles	7	4
TOTAL	100	58	TOTAL	100	58

on the asset side of the balance sheet, and probably none on the liability side either.

The situation at present seems to be that by carefully structuring a wide range of its transactions, and by arranging to have parents and associated parties as counterparties, an overseas-owned New Zealand bank can potentially pre-position itself so that open bank resolution would become simply the occasion for large-scale stripping out of the best-quality assets by the Australian parent. This would be likely to occur if that Australian parent was at any risk of failure, and thus wanted to protect home country interests. In some cases the transactions might be such as to place the New Zealand directors at risk of prosecution, but this is not necessarily a deterrent to Australian banks and investors.

So, if such a bank gets into difficulty, what would the depositors be left with? In particular, would the marketable securities still be available to repay depositors? What would have happened to the mortgage loans? What other assets might have changed in value? What would the balance sheet then look like?

In Table 5 we show what could potentially happen to the balance sheet in Table 2 if a bank's financial position weakened such that implementation of OBR became possible.

On the asset side, cash, marketable securities and a large tranche of housing loans have gone to repo and registered mortgage-backed securities transactions. Goodwill and intangibles are written off, and deferred tax is now worthless. Derivatives are assumed to cancel each other out as they are unwound. What remains is \$58 billion of outstanding loans and fixed assets from which the liquidator would be able to extract whatever market value is recoverable. The wholesale funders have already been repaid their \$32 billion. Retail depositors are then left with \$50 billion of claims against a smaller residual stock of assets of lesser quality (with the best having already gone for the benefit of others). It is likely that it will have been a deterioration in the quality of these assets that will have caused the bank to have entered the OBR situation anyway.

Conclusion

A recent *Economist* article (*Economist*, 2012) carried the headline 'Taxpayers should not pay for bank failures. So creditors must'. The article began as follows:

The only way to deal with moral hazard is to take out bank bondholders and have them shot,' says a hedge-fund manager. By 'shot' he is not recommending actual executions, but saying that investors should suffer losses when the banks whose bonds they hold need rescuing. To date during the financial crisis this has been a rarity. Bondholders have been the Scarlet Pimpernels of finance – investors who prove elusive every time a bank's losses are divided up.

And it concluded:

A world in which bank bondholders expect to get shot is one in which taxpayers are safer.

Generalising the *Economist's* 'bondholders' to all the various counterparties that could have positioned themselves to capture the quality assets from a failing New Zealand bank, there would seem to be room for doubt as to whether the present regulatory framework operated by the Reserve Bank of New Zealand is adequate to give much comfort to depositors or taxpayers. The current financial disclosure regime does not require transparent or real-time reporting of the sorts of transactions listed above; even the volume of covered bonds on issue is not clearly reported.

It has been because of the increased risks they pose to depositors that covered bonds were until recently banned in Australia, remain banned in South Africa (Tarrant, 2012), and are vigorously opposed by the FDIC (the Federal Deposit Insurance Corporation) in the United States (Esaki, 2012). Short of outright bans on these and other transactions that shift risk and costs onto depositors, there would seem to be scope for a serious tightening-up of regulation and disclosure requirements to cover against the exposures we have discussed.

Clearly there is a need for stringent regulation and oversight, with transparent reporting requirements. Banks should be required to publicly disclose all assets they nominally hold that are not available to cover depositors – including covered bonds, repos and related-party transactions – to enable depositors to accurately judge the risk level of their deposits.

Covered bonds should not be issued to, or acquired by, any associated party of the issuing bank, and ideally should be denominated in New Zealand dollars to reduce currency mismatch in the banks' balance sheets.

There may be a case for imposing a rule that if one of the Australian banks' credit ratings were to fall to BBB+ or below, reflecting an increased risk of failure, their assets in New Zealand should be strictly ring-fenced under the supervision of Reserve Bank-appointed accountants, to prevent any looting of a New Zealand subsidiary.

Finally, the lack of official protection for retail depositors, and the government's

current stance that they must look out for their own interests, raises the question of whether there ought to be legislated depositor priority over other creditors, rather than the legislated protection for secured bondholders envisaged by the Reserve Bank of New Zealand (Covered Bonds) Amendment Bill. Several other countries make provision for such priority. One recent example is Iceland, where, Sigfusson (2012) argues:

with the onset of a systemic banking crisis, [Icelandic deposit insurance] proved totally irrelevant. The Icelandic parliament, through emergency legislation on the eve of the meltdown in 2008, granted priority to depositors over other claims on the estates of fallen banks. This proved crucial to the resolution of the crisis, and as the winding-up of the fallen banks continues, the legislation will ensure all depositors' claims have been or stand to be covered. And they will be covered in

full, not only up to the minimum stipulated by EU directives.

There are numerous important lessons to be learned from the global financial crisis of recent years. One of those lessons is to beware of bankers bringing impressive-sounding samples of financial engineering and asking for official support.

-
- 1 Figures on the volume of bonds issued under the scheme have been assembled from the individual guarantors listed on the Treasury website; no figure for the cumulative contingent liability has appeared in the Crown financial statements.
 - 2 Some portion of every customer's balance (in a bank where the Reserve Bank deems action to be necessary) will be removed from the account and converted to bank equity, sharing in any eventual losses. The remaining balance in the customer's account will then be guaranteed by government.
 - 3 The banks naturally argue that stability is enhanced, but a recent article in the *Economist* took the opposite view: 'A ... risk is that senior bank creditors will respond to the potential for losses in a way that makes the system less stable. They may make sure their loans are secured – which in turn increases the losses inflicted on the remaining unsecured creditors and thus the price they will demand' (*Economist*, 2012). The regulatory impact statement on the bill does not provide any systematic analysis of this issue.
 - 4 The Australian limit is 8% and depositors there have legislated protection. In Canada the limit is 4%. South Africa bans covered bonds altogether.
 - 5 Provisions for retail mortgages in the subsidiary are \$238 million, compared to \$269 million in the branch.

References

- Akerlof, G. and P. Romer (1993) 'Looting: the economic underworld of bankruptcy for profit', *Brookings Papers on Economic Activity*, 1993 (2), pp.1-60
- Bertram, G. (2009a) 'The banks, the current account, the financial crisis, and the outlook', *Policy Quarterly*, 5 (1), pp.9-16
- Bertram, G. (2009b) 'New Zealand's overseas debt, the banks, and the crisis', *CAFCA Watchdog*, 120 (May), pp.25-39
- Bollard, A. (2010) 'Retail deposit guarantee scheme', media statement, 8 October, <http://www.rbnz.govt.nz/news/2010/4198868.html>
- Cardow, A., D. Tripe and W. Wilson (2011) 'Ideology or economics: government banking in New Zealand', *Journal of Management History*, 17 (3), pp.299-314
- Economist (2012) 'Burning sensation', 21 July, <http://www.economist.com/node/21559344>
- English, B. (2012) 'Greater certainty for covered bond investors', media release, 10 May, <http://www.national.org.nz/Article.aspx?articleId=38459>
- Esaki, H. (2012) 'U.S./Canadian covered bonds: no legislation until 2013', *Standard & Poors' Rating Services Structured Finance Research Update 20 August 2012*
- Goodhart, C. (2008) 'Liquidity risk management', *Banque de France Financial Stability Review*, February, pp 39-44
- Hosking, K. and I. Woolford (2011) 'A primer on open bank resolution', *Reserve Bank of New Zealand Bulletin*, 74 (3), pp.5-10
- New Zealand Treasury (2012) *Regulatory Impact Statement: covered bonds registration requirements and insolvency protections*, 28 March, <http://www.treasury.govt.nz/publications/informationreleases/ris/pdfs/ris-rbnz-cbr-apr12.pdf>
- Reserve Bank of New Zealand (2011) *Consultation Document: pre-positioning for open bank resolution*, March 2011, <http://rbnz.govt.nz/finstab/banking/4335146.pdf>
- Reserve Bank of New Zealand (2012a), 'Open bank resolution (OBR) policy – Q&A', <http://www.rbnz.govt.nz/finstab/banking/4368385.html>
- Reserve Bank of New Zealand (2012b), 'Covered bonds Q&A', <http://www.rbnz.govt.nz/finstab/banking/4779480.html>
- Sigfusson, S. (2012) 'Icelandic lessons in coming back from the brink', *Financial Times*, 20 August, <http://www.ft.com/intl/cms/s/0/0dabbb86-eabe-11e1-984b-00144feab49a.html#ixzz24E>
- Tarrant, A. (2012) 'MPs reviewing covered bonds law concerned about depositor risk, and question why South Africa banned covered bonds to protect bank depositors', <http://www.interest.co.nz/bonds/60382/mps-reviewing-covered-bonds-law-concerned-about-depositor-risk-and-question-why-south-af>

Family Planning is Back on the International Development Agenda

Why should New Zealand play a greater role in the Pacific?

Since the mid-1990s, access to comprehensive family planning services has been widely recognised as a basic human right. Despite this, family planning has been and remains one of the most under-resourced and politically sensitive development issues of our time. As a consequence, it is estimated that this year (2012), some 222 million women in the developing world have an unmet need for family planning.¹ Estimates indicate that meeting this need would cost \$US8.1 billion and prevent 54 million unintended pregnancies, more than 79,000 maternal deaths and 1.1 million infant deaths (Singh and Darroch, 2012).

Family Planning International is a rights-based, not-for-profit organisation based in Wellington which works to ensure all people can fully realise their sexual and reproductive health and rights.

In a direct attempt to address this unmet need, in July of 2012 the Bill and Melinda Gates Foundation, together with the United Kingdom's Department for International Development (DFID), held the London Summit on Family Planning. In a remarkable achievement, the summit garnered commitments equal to \$US4.3 billion, enough to meet the family planning needs of 120 million women in the world's 69 poorest countries (the funds will be spread over the next eight years). Better still, this support came from more than 150 leaders from developed and developing countries, international and civil society agencies, foundations and the private sector (Bill and Melinda Gates Foundation and DFID, 2012).

Given that this level of international consensus and financial commitment has not been seen since the mid-1990s, many have credited the summit with successfully re-prioritising family planning on the international development agenda.

Although New Zealand has supported family planning initiatives since the early 1990s, it was not involved in the summit

and has not made any related official development assistance announcements. This is not unsurprising, given the New Zealand Aid Programme's comparatively small aid budget and its core focus on sustainable economic development (MFAT, 2011; OECD, 2011). However, the summit provides a unique opportunity to highlight that within the context of New Zealand's overarching International Development Policy Statement (the development policy). There are many reasons why New Zealand should consider increasing its support for family planning initiatives, particularly those in the Pacific.

Before exploring these reasons, this article provides background on family planning in the context of development and New Zealand's current policy on official development assistance for family planning. The article concludes with a brief overview of how the aid programme could best begin to increase support for family planning.

Family planning and development

Family planning programmes have been around since the 1960s. In the context of development, some of these early programmes were used by states for population control purposes, utilising incentives and disincentives in an attempt to directly manage fertility rates. By the early 1990s this approach had fallen out of favour, largely due to poor results and the realisation that development should fundamentally be about ensuring basic human rights. Within this rights-based framework, family planning programmes were refocused on enabling all women and couples to 'decide freely and responsibly the number and spacing of their children and to have the information and means to do so and to ensure informed choices and make available a full range of safe and effective [contraceptive] methods' (UNFPA, 2004a, p.49).

This approach was enshrined within the international development agenda in 1994 when over 179 governments (including New Zealand's) adopted the programme of action of the International Conference on Population and Development. The Programme of Action set out a path to meeting the sexual and reproductive

health and rights of all people by 2014. To this end, the Programme of Action urged developed countries to allocate 0.7% of gross national income to official development assistance, and to increase the portion of all official development assistance allocated to a costed package of sexual and reproductive health services. This package includes four components: family planning; reproductive health; sexually-transmissible infections (STIs), including HIV and AIDS; and related health data collection, analysis and dissemination (research) (UNFPA, 2004a). The Commission on Population and Development periodically monitors global development assistance allocated to the four package components and

interventions (UNFPA, 2011a; Singh et al., 2009).

New Zealand's support for family planning

Since the instigation of the programme of action, New Zealand has maintained support for the advancement of sexual and reproductive health, which is reflected in present aid priorities and funding. For example, the aid programme currently identifies sexual and reproductive health as one of its three key health priorities and acknowledges its importance in the promotion of both human development and sustainable economic development (MFAT, 2012a). Similarly, as of the 2010/11 financial year the aid programme allocated approximately 3.9% of total

... the past five years have also seen a gradual reduction in the portion of New Zealand's official development assistance allocated to sexual and reproductive health activities, falling from 5.5% in 2006/07 to 3.9% in 2010/11 ...

re-assesses the related cost of fully implementing the Programme of Action by 2014 (United Nations Economic and Social Council, 2011).

The international community has repeatedly reaffirmed the Programme of Action as part of the international development agenda. Nonetheless, the rapid rise of vertical disease-focused health programmes, increasing competition for development aid resources and political sensitivities have contributed to the splintering of the package and very poor funding for at least three of its four components (sexually-transmissible infections and HIV have received the greatest portion of funding, though this remains less than what is needed). In particular, family planning programmes frequently became isolated and saw a dramatic drop in support – from 55% of all official development assistance for sexual and reproductive health in 1995 to just 7% in 2009 – making it one of the most under-resourced development

official development assistance to the four components of the Programme of Action package (MFAT, 2012b, 2012c, 2012d). New Zealand has also continued to participate in the Commission on Population and Development.

While this support is important, the development policy – the overarching document that guides all aid activities – stops short of specifically committing the aid programme to advancing any of the objectives of the Programme of Action (MFAT, 2011). Further, there is no alternative aid programme policy or strategy that sets out time-bound and measurable development assistance targets for meeting the Programme of Action objectives. In an unlikely coincidence, the past five years have also seen a gradual reduction in the portion of New Zealand's official development assistance allocated to sexual and reproductive health activities, falling from 5.5% in 2006/07 to 3.9% in 2010/11 (MFAT, 2012b, 2012c, 2012d). This is approximately half the

Table 1: Total New Zealand ODA and total ODA for sexual and reproductive health (\$NZ millions)

	2006/07	2007/08	2008/09	2009/10	2010/11
Total ODA \$	330.23	361.68	461.23	435.33	495.02
Sexual and reproductive health as %	5.5	5.2	4.7	4.0	3.9
By Programme of Action component					
Research %	0	0	0	0	0
Family planning %	0	0	0	0	0
Reproductive health %	1.1	0.2	0.4	0.2	0.2
STI and HIV %	2.6	3.0	2.2	1.7	1.8
Integrated %*	1.8	2.0	2.1	2.1	1.9

Source: MFAT, 2012b, 2012c, 2012d. The above funds are those allocated specifically to the Programme of Action components; they do not capture funds for sexual and reproductive health that may be delivered as part of other programmes, such as emergency humanitarian relief or gender equality.

*This data could not be disaggregated by a specific component and is therefore treated as integrated.

Table 2: Family planning use and need in selected Pacific Islands

	Papua New Guinea	Solomon Islands	Nauru	Kiribati	Tuvalu	Samoa	Marshall Islands
Unmet need	27%	11%	24%	28%	24%	46%	8%
Contraceptive prevalence rate	24%	27%	25%	18%	22%	27%	42%

Source: SPC, 2007a, 2007b, 2007c, 2007d, 2009, 2011; National Statistics Office of Papua New Guinea, 2006; Samoa Bureau of Statistics, 2010

most recent developed-country average of 8% and much less than the international community's accepted nominal target of 10% (UNFPA, 2011a, 2012). While it is not possible to identify the exact portion of New Zealand's official development assistance that makes its way to family planning, estimates from the past five years put it at less than 1% (see Table 1), suggesting that family planning has enjoyed very little, if any, priority (MFAT, 2012b, 2012c, 2012d).

Why increase support for family planning?

While the New Zealand aid programme's current development policy makes no commitment to the Programme of Action, it inadvertently presents as many as six reasons why the aid programme should give greater consideration to increasing its support for family planning, particularly in the Pacific. Each of these reasons relates directly to one of the development policy's key priorities, including New Zealand's focus on: the Pacific region; economic development; effective and efficient aid; partnerships; comparative advantage; and three cross-cutting issues, human

rights, gender and climate change. These arguments are discussed below.

A Pacific focus

The development policy identifies the Pacific region as the core geographic focus for New Zealand's aid activities and explicitly states that the region will 'receive an increased portion of New Zealand's Official Development Assistance'. As a key justification for this focus, the development policy recognises that the Pacific is the 'second most off-track region to achieving the Millennium Development Goals', and that New Zealand is in a unique position to help improve development progress within the region (MFAT, 2011, p.3).

In the context of this priority there are three key reasons why Pacific family planning activities should receive increased support. First, demographic and health surveys show that at least 370,000 Pacific Island women have an unmet need for family planning (SPC, 2007a, 2007b, 2007c, 2007d, 2009, 2011; National Statistics Office of Papua New Guinea, 2006; Samoa Bureau of Statistics, 2010). Put differently, women and couples

in the Pacific want and need better access to family planning services. Further, by international comparison this need is being poorly met: for example, the Pacific's average contraceptive prevalence rate² of around 30–35% is well below the less-developed country average of 57% (see Table 2) (Robertson, 2009; Singh and Darroch, 2012).

Second, reducing unmet need for family planning is a core component of Millennium Development Goal 5b: universal access to reproductive health services. As is noted by the development policy, the aid programme is committed to improving the Pacific's progress towards achieving the Millennium Development Goals and therefore unmet need for family planning (MFAT, 2011).

Third, family planning programmes in the Pacific are severely under-resourced. The OECD estimates that just 0.03% of all donor aid to the Pacific was for family planning over the past decade (OECD, 2012). Even the London summit largely overlooked the family planning needs of the Pacific, with only Papua New Guinea and Solomon Islands eligible to receive summit assistance (Singh and Darroch, 2012).³ New Zealand, as a key regional donor, could play a much greater role in addressing this funding gap.

Sustainable economic development

The development policy outlines four themes for the aid programme. These are: investing in economic development; promoting human development; improving resilience and responding to disaster; and building safe and secure communities. While family planning can be linked to the promotion of all four of these themes, only the first, 'investing in economic development', is treated as a key priority⁴ and is therefore explored here (MFAT, 2011, p.5).

In the context of this priority, there are two reasons why Pacific family planning efforts should receive greater support. Both relate to the aid programme's role in reducing 'serious constraints to economic development', including the pace of population growth and women's 'access to economic opportunities' (MFAT, 2011, p.5).

In relation to the latter, research shows that when women have improved

Table 3: Total and wanted fertility rates in selected Pacific Islands

	Papua New Guinea	Solomon Islands	Nauru	Kiribati	Tuvalu	Samoa	Marshall Islands
Total fertility rate	4.4	4.6	3.4	3.8	3.9	4.6	4.5
Wanted fertility rate	3	3.3	2.8	2.7	2.8	3.5	3.3

Source: SPC, 2007a, 2007b, 2007c, 2007d, 2009, 2011; National Statistics Office of Papua New Guinea, 2006; Samoa Bureau of Statistics, 2010.

access to comprehensive family planning services they are better able to time their pregnancies and choose the size of their families. This means women are more likely to have better opportunities for education, employment, productivity and savings. In turn, these opportunities can directly contribute to greater investment in children's health and education, reduced family poverty, and an increase in the ability of women to participate in the economy. Taken as a package, these outcomes contribute to an increased likelihood of economic growth (Singh et al., 2009; UNFPA, 2011b; Canning and Shultz, 2012; Phumaphi, 2011).

With regard to the former, the Pacific as a region is experiencing rapid population growth (Secretariat of the Pacific Community, 2011). This is driven by high total fertility rates⁵ and large, very young or youthful age groups. Research shows a strong link between these two drivers and economic stagnation, poor development and social unrest (Leahy et al., 2006). Reducing unmet need for family planning will contribute to a rise in the contraceptive prevalence rate and help to lower the total fertility rate towards the wanted fertility rate⁶ (see Table 3). Over time, this will reduce the number of young people and slow population growth (Leahy et al., 2006). More importantly, these changes also help speed the demographic transition and therefore the likelihood of the onset of the demographic bonus⁷ – a factor which played a critical role in enabling the economic success of the East Asian tiger economies (Rallu and Robertson, 2009; Phumaphi, 2011; Birdsall et al., 2003).

Effective and cost-efficient aid

The development policy states the New Zealand government is 'committed to

improving the effectiveness of aid' and to '[d]evelopment interventions, approaches and practices [that] represent the best value for money' (MFAT, 2011, p.10). In this priority there are two reasons why family planning should receive greater support. First, international research conclusively shows that family planning is a highly effective development intervention, contributing to the advancement of all eight Millennium Development Goals: poverty reduction, increased access to education, gender equality, child health, maternal health, reduced HIV prevalence, environmental sustainability and global partnerships (Cates et al., 2010; Singh et al., 2009; Bernstein and Hansen, 2006). As has already been discussed, the benefits of family planning have been shown to extend into the economic sphere also.

Second, there is extensive research showing that family planning is a highly cost-efficient development intervention (Singh et al., 2009). For example, recent international research shows that for every dollar spent on reducing unmet need for family planning, up to \$US6 can be saved in future public service costs (Bill and Melinda Gates Foundation and DFID, 2012). Preliminary findings from family planning cost-benefit analyses in the Solomon Islands and Vanuatu show that for every dollar spent as much as \$US10–\$18 could be saved in future costs across the health and education sectors (Kennedy et al., 2013a, 2013b).

Comparative advantage

The development policy states that the New Zealand government will focus on aid activities and initiatives where New Zealand has a 'comparative advantage' (MFAT, 2011, p.12): that is, where New Zealand has existing expertise and where this expertise is not in direct competition

with the activities of other donors. In this priority family planning should receive greater support for two reasons. First, a wide range of organisations and institutions in New Zealand possess world-class sexual and reproductive health expertise that can be used to improve family planning services in the Pacific. These include universities, polytechnics, technical institutes, non-profit organisations and the Ministry of Health. Particular areas of expertise include public health campaigns (information, education and communication materials); health workforce training (nurses, midwives and doctors); policy development; service provision; and research.

Second, direct competition with other donors is unlikely for a range of reasons. There is a comparative scarcity of organisations funding family planning in the Pacific. In fact, many donors that once supported sexual and reproductive health activities are leaving or reducing their support, due largely to the ongoing global financial instability. These include the Packard Foundation, the Hewlett Foundation and the Global Fund to Fight Aids, Tuberculosis, and Malaria (Jones and Lander, 2012). It could be argued that, by default, this not only increases the importance of New Zealand's support, but also presents New Zealand with an opportunity to build up its comparative advantage in the area of Pacific family planning.

Further, while there are some regional donors, such as AusAID, that are likely to increase funding commitments to family planning in the Pacific (Bill and Melinda Gates Foundation and DFID, 2012), the sheer volume of demand in the region is too large for any one donor to meet alone. As noted, there are at least 370,000 women in the Pacific with an unmet need for family planning. However, the true number could be twice this because the estimate is based on data from only eight of 22 Pacific Island countries and territories, and the definition of unmet need excludes women and girls who are sexually active but who are either: not married, under 15 years of age, are using a traditional (but much less effective) method of contraception, or are using modern methods incorrectly and/or

irregularly or do not have access to the method most appropriate for them.

Thirdly, regional donors – particularly New Zealand and Australia – have a range of mechanisms at their disposal, such as sector-wide approaches, that are specifically designed to mitigate against duplication and competition.

Partnerships

The development policy states that the New Zealand government wants to deliver more of its official development assistance in cooperation with Pacific Island governments, international and regional

not only to individuals and families, but to the development objectives of the region. It is therefore critical that donors such as New Zealand not only continue to support their capacity development, but increase this support so that remaining family planning demand is more effectively met.

Second, there are other potential partners based in New Zealand and in the region with which the aid programme could partner. These include NGOs, Pacific Island governments, regional bodies and other donors. Better still, there are well-established international,

to comprehensive family planning services means women are better able to make decisions about their own health and fertility. This helps to promote the empowerment of women by breaking down commonly-perceived gender roles that prioritise men's decision-making power over women's (Asia Pacific Alliance, 2008). As noted, it also improves the likelihood of women and girls accessing education, staying in education, gaining employment, establishing savings and pulling themselves and their families out of poverty. Improved access to family planning services also improves relations between couples and partners, and can help, reduce sexual and gender-based violence. In large part this is due to family planning's role in improving both women's and men's access to correct information about sexual and reproductive health (World Bank, 2011; Singh et al., 2009).

Second, the 43rd Pacific Islands Forum communiqué has identified gender as a priority issue for the region. However, translating this commitment into tangible action will likely require key regional donors such as New Zealand to play a lead role. Improving women's access to a comprehensive range of family planning services is not only one relatively easy expression of such action, but one explicitly identified by the communiqué (Pacific Islands Forum, 2012).

Environment

Increasing New Zealand's support for family planning would help to address both climate change and its effects (as well as other environmental pressures). First, it has been shown that women and children are at an increased risk of the effects of climate change. However, when women can better plan the size of their families, they predominantly choose to have smaller families, which research suggests are more resilient and therefore better able to adapt to the effects of climate change (Population Action International, 2011). Family planning is therefore considered an important adaptation measure. Second, when need for family planning is met, fertility is reduced and so too is the pace of population growth. Slowed population growth not only contributes to reduced greenhouse gas emissions (making family

Above all else, access to a comprehensive range of family planning services is considered a prerequisite for the full realisation of sexual and reproductive rights, not the least of which is the right of all women and couples to choose the number, timing and spacing of their children.

organisations, civil society organisations, including New Zealand and Pacific-based non-government organisations (NGOs), and the private sector (MFAT, 2011).

In the context of this priority there are two reasons for giving family planning greater support. First, New Zealand has existing partnerships with key organisations advancing family planning in the Pacific: in other words, there is no need to 'reinvent the wheel'. In particular, New Zealand (in cooperation with Australia) provides funding to the headquarters of the International Planned Parenthood Federation and the United Nations Population Fund, as well as to their Pacific regional offices (MFAT, 2012b, 2012c). While these organisations face capacity limitations, combined they have an unrivalled potential to address unmet need for family planning in the Pacific. At present they are also responsible for meeting approximately 90% of current family planning users' commodity and supply needs in 13 Pacific Island countries (UNFPA, 2004b). The loss of this support would be devastating

regional and national health and development frameworks for guiding the objectives of these partnerships. These include the Programme of Action, the Millennium Development Goals, the Pacific Policy Framework for Achieving Universal Access to Reproductive Health Services and Commodities, and the Pacific Regional Strategy on HIV and Other STIs.

Cross-cutting issues

The development policy states that the New Zealand government acknowledges that 'a number of cross-cutting and thematic issues have a particularly significant impact on development outcomes. These include the environment (notably climate change), gender, and human rights' (MFAT, 2011, p.11). It is therefore mandatory that all aid programme activities take these issues into account.

Gender

Increasing New Zealand's support for family planning promotes gender equality in two important ways. Improved access

planning a mitigation measure), but also reduces human pressure on already strained resources such as fish stocks, fresh water and arable land. Such resource pressure is already a major development challenge for many of the small island states of the Pacific (Population Action International, 2011; Haberkorn, 2008; O'Neil et al., 2012).

Human rights

Above all else, access to a comprehensive range of family planning services is considered a prerequisite for the full realisation of sexual and reproductive rights, not the least of which is the right of all women and couples to choose the number, timing and spacing of their children. These rights are set out under a wide range of international human rights treaties and instruments, all of which New Zealand has ratified. These treaties place a responsibility upon New Zealand as a developed country to use its official development assistance to assist developing countries to meet their own human rights obligations, including the rights to sexual and reproductive health (Bueno de Mesquita and Hunt, 2008). It is when these rights are realised that the above-mentioned benefits are unlocked.

Conclusion

While not a silver bullet for all development challenges, taken collectively the above arguments present a very strong rationale for increasing the aid programme's support for family planning. Perhaps as a sign of increased recognition of this, the aid programme has made some recent funding decisions that have benefited Pacific family planning efforts. For example, in 2008 it began funding the International Planned Parenthood Federation's sub-regional office of the Pacific, and as of the 2010/11 financial year reinitiated funding to the Pacific

sub-regional office of the United Nations Population Fund. Still further, in late 2011 an unprecedented funding commitment was made to a Pacific-based project which has a strong family planning component (MFAT, 2012b, 2012c).

While important, these recent funding decisions remain relatively ad hoc. This is because while many links can be made between family planning and the development policy, it does not explicitly commit the aid programme to advancing sexual and reproductive health objectives through time-bound and measurable targets. For the aid programme to truly guide, maximise and sustain the development benefits of existing and future family planning activities, it should give greater consideration to the creation of a comprehensive health policy that clearly outlines support for family planning by committing to the Programme of Action. This is for three reasons.

- First, the Programme of Action remains the pre-eminent international agreement on all components of sexual and reproductive health, including family planning.
- Second, a commitment to the Programme of Action is a commitment to the internationally-accepted time-bound targets for increasing the portion of official development assistance allocated to, and needed by all four components of, the Programme's package, including family planning.
- Third, the Programme of Action establishes family planning as an indivisible component of all other elements of sexual and reproductive health: pregnancy, birth, reproductive health, parenting, family well-being, sexuality, education and gender equality. In doing so, it promotes

the delivery of family planning as an integrated sexual and reproductive health service (UNFPA, 2004a). This is important because research shows that if family planning services are integrated with related services, their health and development outcomes are increased (Family Planning International, 2010).

Ultimately, for millions of women and couples the world over, the London Summit's recent spotlight on family planning is likely to lead to very real life-changing benefits. As discussed, there are many reasons why New Zealand should do more to ensure that all women and couples in the Pacific are able to experience these benefits. The development of a health policy that explicitly reaffirms New Zealand's commitment to the Programme of Action, and therefore family planning, would be an ideal first step towards making these benefits a reality for women and their families in the Pacific.

-
- 1 A woman is defined as having an unmet need for family planning if she is fecund, married or in union, aged between 15 and 49, and wants to limit or space her pregnancies but is not using any form of contraception.
 - 2 The contraceptive prevalence rate is the percentage of women aged 15–49 who are married or in union and who are using a modern form of contraception.
 - 3 To be eligible, countries had to have a per capita gross national income less than or equal to \$US2,500 in 2010. Despite having high unmet need, most Pacific Islands fall just above this.
 - 4 The development policy explicitly identifies 'sustainable economic development' as the 'primary focus' of the aid programme and justifies support for the remaining three themes based on their role in 'enabling' greater economic development.
 - 5 The total fertility rate is the average number of children a woman could be expected to have at the end of her reproductive years. Six of the world's high-fertility countries (four children or above) are in the Pacific and regional experts believe that fertility decline may have stalled in as many as seven Pacific Island countries.
 - 6 The wanted fertility rate is the actual number of children a woman wants to have had at the end of her reproductive years. When compared to the total fertility rate, it is a useful indicator of the level of unintended pregnancies and unmet need for family planning.
 - 7 The bonus arises when a majority of the population is in the working age group. While the bonus can play a critical role in promoting economic growth, it does not guarantee it. A range of other steps must also be taken, including investing in education, creating jobs and enabling people to save.

References

- Asia Pacific Alliance (2008) *Intimate Relations: sex, lives and poverty*, Wellington: Asia Pacific Alliance
- Bernstein, S. and C. Hansen (2006) *Public Choices, Private Decisions: sexual and reproductive health and the millennium development goals*, New York: UN Millennium Project/United Nations Development Programme

Bill and Melinda Gates Foundation and DFID (2012) 'Landmark summit puts women at heart of global health agenda', <http://www.londonfamilyplanningsummit.co.uk/1530%20FINAL%20press%20release.pdf>

Birdsall, N., A. Kelly and S. Sinding (2003) *Population Matters: demographic change, economic growth, and poverty in the developing world*, New York: Oxford University Press

Family Planning is Back on the International Development Agenda: Why should New Zealand play a greater role in the Pacific?

- Bueno de Mesquita, J. and P. Hunt (2008) *International Assistance and Cooperation in Sexual and Reproductive Health: a human rights responsibility for donors*, Colchester: Human Rights Centre, University of Essex
- Canning, D. and T. Shultz (2012) 'The economic consequences of reproductive health and family planning', *The Lancet*, 380 (9837), pp.165-71
- Cates, W., Q. Karim, W. El-Sadr, D. Haffner, G. Kalema-Zikusoka, K. Rogo, T. Petruney and E. Averill (2010) 'Family planning and the millennium development goals', *Science*, 329 (5999)
- Family Planning International (2010) *Integrating HIV and Sexual and Reproductive Health: a Pacific specific mapping*, Wellington: Family Planning International
- Haberkorn, G. (2008) 'Pacific Islands' population and development: facts, fictions and follies', *New Zealand Population Review*, 33/34, pp.95-127
- Jones, L. and R. Lander (2012) *Resource Flows for Sexual and Reproductive Health and Rights in Asia and the Pacific: gaps and opportunities*, Bangkok: Asia Pacific Alliance (forthcoming)
- Kennedy, E., S. Mackesy-Buckley and S. Subramaniam (2013a) *The Case for Investing in Family Planning in Solomon Islands: a cost-benefit analysis*, Melbourne: Family Planning International and the Burnett Institute (forthcoming)
- Kennedy, E., S. Mackesy-Buckley and S. Subramaniam (2013b) *The Case for Investing in Family Planning in Vanuata: a cost-benefit analysis*, Melbourne: Family Planning International and the Burnett Institute (forthcoming)
- Leahy, E., E. Engelman, C. Vogel, S. Haddock and T. Preston (2006) *The Shape of Things to Come: why age structure matters to a safer, more equitable world*, Washington, DC: Population Action International
- Ministry of Foreign Affairs and Trade (MFAT) (2011) International Development Policy Statement: supporting sustainable development, Wellington: MFAT
- MFAT (2012a) 'Promoting human development', <http://www.aid.govt.nz/about-aid-programme/how-we-work/policies-and-priorities/promoting-human-development>
- MFAT (2012b) Information provided by MFAT under the Official Information Act, received 19 April
- MFAT (2012c) Information provided by MFAT under the Official Information Act, received 28 May
- MFAT (2012d) Information provided by MFAT under the Official Information Act, received 22 July
- National Statistics Office of Papua New Guinea (2006) *Papua New Guinea Demographic and Health Survey*, Port Moresby: National Statistics Office of Papua New Guinea
- OECD (2011) *New Zealand Development Assistance Committee Peer Review 2010*, Paris: OECD
- OECD (2012) 'Query Wizard for International Development Statistics', OECD, <http://stats.oecd.org/qwids>
- O'Neill, B., B. Little, L. Jiang, K. Smith, S. Pachauri, M. Dalton and R. Fuchs (2012) 'Demographic change and carbon dioxide emissions', *The Lancet*, 380 (9837), pp.157-64
- Pacific Islands Forum (2012) 'Forty-third Pacific Islands Forum communiqué', 28-30 August, Rarotonga, Cook Islands
- Population Action International (2011) *Why Population Matters*, Washington DC: Population Action International
- Phumaphi, J. (2011) *Family Planning and Economic Growth*, New York: Council on Foreign Relations
- Rallu, J. and A. Robertson (2009) 'The demographic window of opportunity in Pacific Island countries: future prospects', in United Nations Economic and Social Commission for Asia and the Pacific, *Pacific Perspectives 2009: crisis and opportunities*, New York: UNESCAP
- Robertson, A. (2009) 'Family planning in the Pacific', in W. Narsey, A. Robertson, B. Prasad, K. Seniloli, E. Jongstra, S. Smiles, B. Hau'ofa and F. Pene, *Population and Development in the Pacific Islands: accelerating the ICPD programme of action at 15*, proceedings of the regional symposium, University of the South Pacific, Suva
- Samoa Bureau of Statistics (2010) *Samoa Demographic and Health Survey*, Apia: Samoa Bureau of Statistics
- Singh, S. and J. Darroch (2012) *Adding It Up: costs and benefits of contraceptive services – estimates for 2012*, New York: Guttmacher Institute and United Nations Population Fund
- Singh, S., J. Darroch, L. Ashford and M. Vlassoff (2009) *Adding It Up: costs and benefits of investing in family planning and maternal and newborn health*, New York: Guttmacher Institute and United Nations Population Fund
- Secretariat of the Pacific Community (2007a) *Republic of the Marshall Islands Demographic and Health Survey*, Noumea: Secretariat of the Pacific Community
- Secretariat of the Pacific Community (2007b) *Solomon Islands Demographic and Health Survey*, Noumea: Secretariat of the Pacific Community
- Secretariat of the Pacific Community (2007c) *Tuvalu Demographic and Health Survey*, Noumea: Secretariat of the Pacific Community
- Secretariat of the Pacific Community (2007d) *Nauru Demographic and Health Survey*, Noumea: Secretariat of the Pacific Community
- Secretariat of the Pacific Community (2009) *Kiribati Demographic and Health Survey*, Noumea: Secretariat of the Pacific Community
- Secretariat of the Pacific Community (2011) 'Pacific Islands' population tops 10 million', http://www.spc.int/sdp/index.php?option=com_content&view=article&id=74%3Apacific-islands-population-tops-10-million&catid=1&lang=en
- United Nations Economic and Social Council (2011) *Flow of Financial Resources for Assisting in the Implementation of the Programme of Action of the International Conference on Population and Development, report of the secretary-general to the 44th session of the Commission on Population and Development*, New York
- United Nations Population Fund (UNFPA) (2004a) 'Programme of Action adopted at the International Conference on Population and Development', New York: UNFPA
- UNFPA (2004b) *ICPD +10: progress in the Pacific*, Suva: UNFPA Office of the Pacific
- UNFPA (2011a) *Financial Resource Flows for Population Activities in 2009*, New York: UNFPA
- UNFPA (2011b) *State of World Population*, New York: UNFPA
- UNFPA (2012) International Parliamentarians' Conference on the Implementation of the ICPD Programme of Action, <http://www.unfpa.org/public/home/parliamentarians/pid/9492>
- World Bank (2011) *World Development Report 2012: gender equality and development*, Washington, DC: World Bank

Philip S. Morrison and Dan Weijers

Well-being in Wellington

A Report on the June 2012 Well-being and Public Policy Conference

Introduction

International interest in including a broad range of measures of well-being in national accounts and in using well-being research to inform policy making was greatly stimulated by the Stiglitz report (Stiglitz, Sen and Fitoussi, 2008). The essential message of this report was that if we want well-being to feature as one of our country's outcomes it has to be measured and monitored appropriately to test its responsiveness to public policy interventions. In order to bring these issues to a New Zealand audience, editors from the *International Journal of Wellbeing* organised the Well-being and Public Policy conference held at Victoria University of Wellington over the three days of 13–15 June 2012.

The science of well-being is relatively young so there is much that well-being researchers still do not know. For example, we are not sure which measures of subjective well-being, if any, should feature in national accounts of well-being

(we could include self-reported measures of emotional happiness, satisfaction with life, flourishing, or a combination of such measures). We also do not know what kinds of well-being research could usefully inform public policy; how

measures of subjective well-being relate to conventional measures of poverty; how we can best measure the well-being of children; or whether we can develop a meaningful measure of 'gross national happiness'.

The case for developing measures of subjective well-being rests heavily on the fact that many social well-being outcomes are either poorly captured or not measured at all by market transactions. For example, commuting raises GDP per capita but decreases peoples' well-being (Kahneman et al., 2004). Surveys of subjective well-being – which ask questions like, 'all things considered, how satisfied are you with your life?' – provide an opportunity to assess the impact of many important events and circumstances more comprehensively than we can by observing market responses. Examples include the response to natural disasters (e.g. earthquakes) and environmental conditions (e.g. pollution), and also changes to social policy (e.g. altered provisions to parental leave provisions).

The aim of the Well-being and Public Policy conference was to foster debate on the concept and measurement of well-being as it relates to public policy. The conference attracted nearly 100 attendees, of whom

Philip Morrison is Professor of Human Geography at Victoria University of Wellington and Dan Weijers is a Postdoctoral Fellow in the Philosophy programme at Victoria University of Wellington.

nearly half came from outside Wellington and about a fifth from overseas. Just over a third of all delegates were academics, two-thirds of whom came from outside Wellington, including 12 from overseas. Of the non-academic delegates, nearly half were employed in national or local government positions and about a quarter were employed in other, mainly research and policy advice, institutions. In this summary we report the main points made at the conference and conclude with our view of the implications for Australasian policy makers.

Keynote speakers

Sponsorship by the Treasury, Statistics New Zealand, the Institute of Policy Studies, Victoria University of Wellington and the Open Polytechnic of New Zealand made it possible to attract four international authorities in the field of well-being and public policy: Professor Andrew Clark of the Paris School of Economics; Robert Cummins, professor of psychology, Deakin University, Australia; Paul Frijters, professor of economics at the University of Queensland; and Robert MacCulloch, holder of the Matthew S. Abel Chair in Macroeconomics, University of Auckland.

In the seminal economics paper in the field, Richard Easterlin (1974) highlights the paradox that although richer people and richer countries tend to report themselves as happier than their poorer counterparts, average self-reported happiness in developed countries has remained fairly steady for the previous 50 years. The reason, Easterlin argued, is that increases in happiness due to rising income are cancelled out by the negative effect of social status comparisons. In his paper, 'Income comparisons, the Easterlin paradox and public policy', Andrew Clark argued that utility we get from income being relative in this way does not necessarily mean that other potential policy goals (employment, marriage, social relations, etc.) are better, because the utility we get from these sources can also be moderated by social comparisons and adaptation.

Robert Cummins argued that identifying changes in subjective well-being is complicated because of its homeostatic properties. In his

presentation, 'Set-points for subjective well-being: real or imagined', Cummins argues that both individuals and societies have a 'set-point' level of subjective well-being and that any deviation from this set point is quickly corrected by an internal homeostasis mechanism (except when the mechanism breaks down, which can happen when unfavourable environmental conditions overwhelm an individual's resilience-related resources for too long). Cummins' presentation was important because, according to him, it included the first direct empirical evidence in support of his set-point theory. Cummins' presentation was also controversial because, if his set-point theory is right, both the foundational assumption within positive psychology that we can learn to be lastingly happier and the belief of many economists that public policy can raise both individual and collective well-being come into question.

In a second paper presented later in the conference, Professor Cummins spoke on 'Measuring subjective well-being to inform public policy'. He argued that when our ability to manage homeostasis fails, then the resultant loss of positive mood (well-being) is conducive to depression. In what Cummins suggests may be one of the most effective initiatives to enhance population well-being and national productivity, he applies his Australian Unity Wellbeing Index to geographic regions and specific demographic groups in order to help policy makers allocate scarce resources to disadvantaged groups more effectively.

In Paul Frijters' keynote address, 'Second chances at happiness in life', he asked whether we are born to be unhappy or whether there are indeed second chances for people with unfortunate childhoods. Are divorce and the death of a family member events you get over or do they scar you for life? Do countries go through prolonged unhappiness or do they bounce back quickly after adversity? Does the glow of a promotion or marriage last forever or fade over time? Frijters' empirical evidence suggested an ability to break out of, or at least stretch, the 'homeostatic' control process and therefore that there are many chances for

happiness and unhappiness in life. Such conclusions challenge policy makers to identify those contexts most likely to improve peoples' appraisal of their well-being.

In his later address to the conference workshop on the well-being of children, Professor Frijters continued his earlier theme by asking 'Whatever happened to happy kids?' Citing evidence from Australia on child happiness and the age-happiness relationship in general, his presentation dealt with unique data on the happiness of children from age 10 to 15 in Australia (documenting a large decline as children go through the turmoil of teenage years) and evidence from Australia, the United Kingdom and Germany on the happiness profile through life (people tend to start getting happier again from the age of about 45). It was pointed out during this presentation that the stark difference between the average happiness of 35-year-olds and 10- and 60-year-olds seems to counter the strong version of the set-point theory, since large changes in happiness appear to happen over time despite homeostatic adaptation to many day-to-day events.

The fourth keynote speaker was Robert MacCulloch. In his paper, 'Happiness, contentment and other emotions for policy makers', Professor MacCulloch pointed out that happiness research is based on the idea that it is useful to study empirical measures of individual welfare, namely the answers to simple well-being questions, such as 'Are you happy?' He went on to provide several examples of how happiness research has added useful information on important issues over and above the information provided by traditional economic data. For example, when reserve banks are deciding between official cash rate levels that are likely to have the effect of either increasing unemployment and decreasing inflation, or vice versa, it is useful for them to know how changes in inflation and unemployment affect people's happiness. (A 1% increase in unemployment has at least twice the negative impact on happiness as a 1% increase in inflation.) In this way, happiness research can be used to help evaluate trade-offs between

previously difficult to compare economic outcomes.

Conference presentations

A total of 45 papers were presented at the conference. Some of the main themes and relevant presentations are discussed here, and each of the presentations is summarised in the extended conference report on the conference website.

Operationalising national well-being frameworks

Several talks discussed national well-being frameworks and how to operationalise them. James Kelly provided an historical context for understanding the Australian Treasury's approach to their 'well-being framework' which sets out a conceptual approach for understanding well-being. His paper offered high-level guidance to staff as to what needs to be considered 'in providing an objective and thorough analysis of options in advice to the Government of the day'.

In May 2011 the New Zealand Treasury released a working paper outlining what it meant by living standards in its vision, 'working for higher living standards for New Zealanders'. In his paper, Girol Karacaoglu presented the details of and case for a living standards tool designed to assist policy analysts to consider the key elements of the living standards framework in their day-to-day work. The living standards tool included suggested indicators for each key element of the framework and is currently being tested by Treasury staff.

Terms such as well-being, subjective well-being, progress, quality of life, health and happiness are often used interchangeably, but, as Imogen Wall pointed out, there are benefits in differentiating between them in a clear conceptual framework. Such a framework has allowed the Australian Bureau of Statistics to develop a set of measures of well-being across a range of domains, including health, education, work and housing. Helen Spong reported on the bureau's recent efforts to gather qualitative information via workshops, social media and expert panels on what Australians aspire to. Aspirations were collected for the four domains of society,

economy, environment and governance for a refreshed set of headline indicators, using a dashboard rather than a composite index.

Presenting a different cultural perspective on this issue, Yoshiaki Takahashi explained that Japan's well-being index is made up of three dimensions: socio-economic conditions, physical and mental health, and 'relatedness'. Takahashi also discussed the development of indicators designed to capture these dimensions.

Other examples of the development of well-being indices were reported by Katherine Trebeck. The exclusive focus on financial growth under GDP policies, she argued, has resulted in damage to the social, human, natural and physical assets needed if current and future individuals, families and communities are to flourish. Trebeck explained how these assets have been incorporated into the Oxfam Humankind Index (under a sustainable livelihoods approach) for use in otherwise marginalised communities.

Choosing the right well-being indicators is an important and difficult task which can have far-reaching consequences. An example which Michael Givel brought to the conference is Bhutan, which began working towards its GNH (gross national happiness) index as early as 1972. Givel compared recent data on GNH from the Bhutanese government with an alternative index (which assessed the same nine domains as the GNH index but used different indicators for each domain). He found that Bhutan's results on their GNH index were markedly different from the results of his alternative dashboard. Givel argued that claims about the levels of well-being in Bhutan, and many other countries, should not be taken at face value because a different set of indicators can paint a very different picture.

Measurement issues

What one uses as the central measure of well-being helps to qualify the contribution material standards of living make to our well-being. This point was well illustrated by Sharon Dane, Karen Stenner and Elizabeth Hobman, whose survey results underscored fulfilment of

psychological needs, as being those most strongly associated with people's feelings. Social support played the strongest role in predicting positive feelings, and lack of respect was the strongest predictor of negative feelings. Measuring these distinct facets of social well-being, they argued, is essential in isolating and evaluating the different contributions made by material and psychosocial prosperity.

The wider context is also important, especially those broad social, economic and environmental features of a locality. Francesco Devicienti and Ambra Poggi addressed these local context effects via the concept of 'efficiency': namely, that some households, because they are in relatively deprived areas, may be less efficient at converting income into well-being. They conclude that minimum income levels may, therefore, have to be higher in poor regions in order to compensate for lack of opportunities in those areas.

The relative strengths of objective and subjective measures of well-being continue to be debated. In their paper, Arthur Grimes, Robert MacCulloch, Les Oxley and Nicholas Tarrant tested the predictive power of well-being measures for an objective indicator of how people value countries' relative attractiveness, namely net migration. As a revealed preference indicator of people's (re) location choices, net migration over 50 years is used as an indicator of national well-being in this ongoing study. In the study they found that both material and life satisfaction outcomes are important determinants of the choice to migrate.

On the debate over the most appropriate measures of well-being, Yoshiaki Takahashi and colleagues considered the respective merits of the standard satisfaction and happiness questions. Based on small group interviews in seven regions and cities in Japan, they find that while 'life satisfaction' questions tap individual and economic aspects, such as income and employment status, 'happiness' questions are more related to the status of relationships with family and friends. Takahashi argued that, if the aim of subjective well-being measures is to provide information that is not already provided by traditional economic

indicators such as GDP, then the most appropriate measures of subjective well-being are questions about happiness, not satisfaction.

The well-being of children

A particularly timely focus of the conference was children. Simon Chaple's paper drew attention to the relative lack of information on how children's well-being relates to their well-being later in life, and to the differential well-being effect of experiencing poverty as a child.

At the same time, children differ markedly and this difference needs to be recognised. Nowhere is this clearer than in the case of children with disabilities. Using photographic documentation in a school setting, Maree Kirk investigated what constitutes well-being in children with Down Syndrome. The factors which influenced their well-being were different from those normally cited as affecting people's well-being, and Kirk argued that the ability to recognise these differences is important for professionals and service providers.

While we are increasingly concerned with well-being policies relating to children, children tend not to be included in policy development. Jenna Swan and Jonathon Sargeant made the point that children are capable of contributing meaningfully to the development of policies that affect them if they are only asked and listened to. Bronwyn Hayward made a similar point and suggested a potential educational solution to the problems facing our children: the social agency, environmental education, embedded justice, decentred deliberative democracy and self-transcendence (SEEDS) model of ecological and citizenship education.

Poverty and well-being

Despite the considerable attention paid to the relationship between subjective well-being and income, we still know relatively little about how well-being varies with different income levels below the poverty line. Using cross-sectional evidence from the New Zealand General Social Survey, Philip Morrison and Margreet Frieling documented the sensitivity of this relationship to the way both well-

being and income are measured, and how the level of aggregation (e.g. individual versus household) affects the estimated relationships. They found that well-being does not always rise with income among low-income respondents.

In contrast, Bryan Perry focused on the material well-being of low-income households because income per se is a poor indicator of well-being at this level, where day-to-day living conditions vary widely. The unreliability of household income is particularly important to consider when monitoring poverty, and this may signal the need for greater reliance on other indicators, such as health, education, and possibly subjective well-being, to assess the lives of the poor.

The study of dynamics by Kristie Carter and Fiona Imlach Gunasekara highlighted the prevalence of mobility in and out of states of low income, allowing them to contrast cross-sectional deprivation rates of 6–7% with deprivation rates of double that over seven years as people re-entered states of low income. In other words, many more people experience poverty over a period of time than do at any one moment in time. Instruments such as longitudinal surveys which capture the dynamics of people's lives are therefore central to the monitoring of well-being.

Conclusion and implications for Australasian policy makers

Overall, the presentations at the conference represented the growing international and local interest in using a more diverse range of well-being indicators to inform policy decisions at all levels of government. The complexity of the issues raised in some presentations also provided insight into the difficulties of creating and using new measures and constructing appropriate and useful indices of well-being. Despite these complexities, however, there were presentations of successful uses of well-being research, and of innovative measures of well-being developed to inform policy decisions.

Informal and semi-formal polling of the conference delegates confirmed the organisers' belief that the conference was a big success. However, many well-being and public policy-related questions

remain unresolved, and research into well-being in New Zealand in particular is still in its infancy. Consequently there was widespread interest in the forthcoming special issue of the International Journal of Wellbeing on well-being and public policy, as well as a possible follow-up conference.

In our opinion, the conference made it clear that Australasian policy makers are at an important juncture. Both Australia and New Zealand have fairly solid theoretical well-being frameworks, and have made tentative steps towards investigating indicators for the key domains in those frameworks. Unfortunately, these frameworks are of little use if they do not come with a complete set of effective indicators based on local data and the support of the policy making community. In many cases the local data required for this task is incomplete or non-existent, and we won't know which new indicators are going to be effective until we test them. In New Zealand we especially lack a nationwide panel data set, in which individuals making up a nationally representative set are surveyed every year over a long period of time. Such surveys are expensive to set up, but the ongoing costs associated with them are much lower than they used to be, thanks to widespread internet access and the efficiencies of online surveys. In the current political and economic situation, surveys about hope, happiness and flourishing are unlikely to be high on the list of funding priorities. But, without further funding for better data sets, we might sit at this juncture and do nothing. Better data sets would bring sharper minds to bear on the problem, with the likely result of a set of indicators which cover all important policy domains and are sensitive enough to produce results that can inform how effective new policies are.

But even without these better data sets, Australasian academics and policy makers still have access to a lot of data relevant to new indicators of well-being. The most outstanding of these is the Australian panel data set HILDA: the Household, Income and Labour Dynamics in Australia survey, which has been used to generate a number of insightful, and

policy-relevant, papers on subjective well-being. Although New Zealand lacks such a comprehensive panel survey, we do administer a number of cross-sectional surveys, from which a great deal can be learned about the distribution of both objective and subjective measures of well-being. Probably the best known is the World Values Survey, to which New Zealand has contributed two samples. Surprisingly, these have received very little attention from local researchers, despite their allowing cross-country comparisons (Morrison, 2012).

Several researchers have administered their own surveys (e.g. Fortune et al., 2010; Ganglmair-Wooliscroft and Lawson, 2008; Koopman-Boyden and Reid, 2009; Sibley, Harre and Houamau, 2011), but nationally representative surveys typically require much larger samples than can be commanded by individual researchers. Two large biennial cross-sectional surveys

now meet this criterion. The most recent is the New Zealand General Social Survey (NZGSS), administered by Statistics New Zealand (Brown, Wolf and Smith, 2010). Results from the 2008 and 2010 rounds of the GSS were used by Morrison and Frieling in their analysis discussed above. The other is the longer-running Quality of Life Survey, administered by a consortium of local bodies. This survey has been particularly useful for understanding variations in well-being across the country (Morrison, 2007, 2011). In addition, the Ministry of Social Development has been at the forefront of many measures of well-being (Ministry of Social Development, 2008) and the quinquennial census has also been used to generate non-subjective measures of family well-being (Cotterell, von Randow and McTaggart, 2009).

We hope that the well-being and Public Policy conference stimulates further interest in the use of these existing

data sources for policy-related research and the development of a New Zealand panel survey that includes subjective well-being questions.

Conference organising committee:

Philip S. Morrison, Dan Weijers and Aaron Jarden.

- 1 See the executive summary here: <http://www.stat.si/doc/drzstat/Stiglitz%20report.pdf>.
- 2 A full conference programme with abstracts and presenters' contact details, some of the PowerPoint presentations and a full conference report are available from the conference website: <http://www.wellbeingandpublicpolicy.org>.
- 3 <http://www.wellbeingandpublicpolicy.org>.
- 4 The *International Journal of Wellbeing* – www.internationaljournalofwellbeing.org – is an 'open access' journal, meaning that all of its contents can be accessed without subscription. The special issue on well-being and public policy will be published late in 2012 or early in 2013.
- 5 A good recent example of the benefits of panel data can be found in the work of Carter and Gunasekara (2012), which made use of Statistics New Zealand's seven-year panel survey, the Survey of Family, Income and Employment. The ongoing nature of the survey enabled Carter and Gunasekara to discover unique insights into the repeat pattern of entry into, and exit from, poverty for many New Zealanders.
- 6 A full list of papers from this survey is available from their web site: <http://www.melbourneinstitute.com/hilda/biblio/>.
- 7 <http://www.worldvaluessurvey.org/>.

References

- Brown, D., J. Wolf, J. and C. Smith (2010) 'The determinants of subjective well-being in New Zealand: an empirical look at New Zealand's social welfare function', paper presented at the New Zealand Association of Economists conference, available from http://www.stats.govt.nz/browse_for_stats/Corporate/Corporate/nzae-2010/determinants-subjective-wellbeing.aspx
- Carter, K. and F.I. Gunasekara (2012) *Dynamics of Income and Deprivation in New Zealand, 2002–2009: a description analysis of the Survey of Family, Income and Employment (SoFIE)*, Wellington: Wellington Department of Public Health, University of Otago
- Cotterell, G., M. von Randow and S. McTaggart (2009) 'Using census data to examine changes in well-being for Samoan, Cook Island, Tongan and Niuean households', *Social Policy Journal of New Zealand*, 35 (June), pp.93-111
- Easterlin, R.A. (1974) 'Does economic growth improve the human lot?', in P.A. David and M.W. Reder (eds), *Nations and Households in Economic Growth: essays in honor of Moses Abramovitz*, New York: Academic Press
- Fortune, S., P. Watson, E. Robinson, T. Fleming, S. Merry and S. Denny (2010) *Youth '07: the health and well-being of secondary school students in New Zealand: suicide behaviours and mental health in 2001 and 2007*, Auckland: University of Auckland
- Ganglmair-Wooliscroft, A. and R. Lawson (2008) 'Applying the international well-being index to investigate subjective well-being of New Zealanders with European and with Māori heritage', *Kotuitui: New Zealand Journal of Social Sciences online*, 3, pp.57-72
- Kahneman, D., A.B. Krueger, D.A. Schkade, N. Schwarz and A.A. Stone (2004) 'A survey method for characterizing daily life experience: the day reconstruction method', *Science*, 306, pp.1776-80
- Koopman-Boyden, P. and S. Reid (2009) 'Internet/email usage and well-being among 65–84 year olds in New Zealand: policy implications', *Educational Gerontology*, 35, pp.990-1007
- Ministry of Social Development (2008) *Children and Young People: indicators of well-being in New Zealand 2008*, Wellington: Ministry of Social Development
- Morrison, P.S. (2007) 'Subjective well-being and the city', *Social Policy Journal of New Zealand*, 30 (July), pp.74-103
- Morrison, P.S. (2011) 'Local expressions of subjective well-being: the New Zealand experience', *Regional Studies*, 45 (8), pp.1039-58
- Morrison, P.S. (2012) 'Age and well-being: is New Zealand really different?', *New Zealand Population Review* (forthcoming)
- Sibley, C.G., N. Harre and C.A. Houamau (2011) 'The gap in the subjective well-being of Māori and New Zealand Europeans widened between 2005 and 2009', *Social Indicators Research*, 104 (1), 103-15
- Stiglitz, J., A. Sen and J.-P. Fitoussi (2009) *Report by the Commission on the Measurement of Economic Performance and Social Progress*, Paris: Commission on the Measurement of Economic Performance and Social Progress

STAND OUT



FROM THE CROWD.

WHEN YOU'RE READY TO RISE ABOVE THE REST, CONTACT THE VICTORIA UNIVERSITY SCHOOL OF GOVERNMENT.

We're the only school of government in New Zealand. Located in the heart of government, we have access to the people, places and policy makers that will shape your future.

Our staff have extensive public sector experience and your study will be applied through relevant case studies.

Our courses are flexible to accommodate your work schedule. We also offer a range of study options to suit your needs and experience. Choose from Certificate or Diploma Courses that will take your career to the next level and open the door to a Masters Degree in Public Management or Public Policy.

Whatever level you study, you'll find our courses and those who take them are highly sought after.

To find out more and to enrol, contact the School of Government now.
You can email sog-info@vuw.ac.nz, call 04-463 5453 or visit www.victoria.ac.nz/sog