



Responsive Public Management

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The changing face of the New Zealand public sector, 1912-2012

Last year marked the centenary of the Public Service Act, a piece of legislation that helped shape New Zealand's public service culture and organisation. After several decades of piecemeal reform, a significant shift took place in the 1980s as part of large-scale economic liberalisation efforts. The Act's 100th anniversary provides an occasion to look back on these changes.

New Zealand is a constitutional monarchy with 4.4 million inhabitants. Beginning in 1856¹, the former British colony² was given control over management of its domestic affairs³, including public services and government administration. New Zealand became independent in 1947, but remains a member of the British Commonwealth.

Economically speaking, New Zealand has a positive growth outlook, with a 2.3% rise in real GDP predicted for 2012⁴. The unemployment rate stood at 7.3%⁵ in September 2012, its lowest level in 13 years⁶. Nevertheless, the country experienced fifteen straight months of recession between 2008 and 2010.

New Zealand's Central Government Agencies employ 45,444 staff⁷, who work either in one of the country's 29 Public Service Departments (ministries or equivalent) or in other public establishments (Non-Public Service Departments, Crown entities (including universities) or state-owned enterprises)⁸.

The Public Service Act of 1912

In the late nineteenth century, the first government administrations were ineffective, costly and plagued by patronage politics. The Public Service Act, which was promulgated in 1912, was designed to correct these weaknesses by depoliticising, consolidating and professionalising the public service. Administrative and political functions were made totally separate - those in power were no longer given a say in recruitment, dismissal and promotion of staff, which was handled by a central organisation, the Public Service Commission, set up in 1913. Political connections and personal ties were replaced by merit and skills⁹. The State Service Act of 1962 bolstered this independence by introducing sanctions for any attempt to interfere with the work of the Commission¹⁰, which was expanded and renamed the State Services Commission. Finally, the State Sector Act of 1988 restored an important role to government ministers by allowing them to appoint executive heads of departments, on the recommendation of the State Services Commissioner.

¹ <http://www.teara.govt.nz/en/1966/government-administrative-system/9>

² On 16 February 1840, the Treaty of Waitangi secured British sovereignty over New Zealand.

³ The New Zealand Constitution Act of 1852 granted the country partial, and later full, autonomy, with the establishment of provincial representative assemblies and the election of a House of Representatives at central level – <http://www.teara.govt.nz/en/self-government-and-independence/2>

⁴ <http://www.gfmag.com/gdp-data-country-reports/210-new-zealand-gdp-country-report.html#axzz2GLLa0800>

⁵ http://www.stats.govt.nz/browse_for_stats/snapshots-of-nz/top-statistics.aspx

⁶ <http://www.dol.govt.nz/publications/discussion-papers/current-recession/desc-1.asp>

⁷ *Human Resource Capability, Survey of Public Service Departments*, State Services Commission, June 2012.

⁸ https://www.ssc.govt.nz/sites/all/files/guide-to-nzcgga-1_nov12.pdf

⁹ <http://www.ssc.govt.nz/publications-and-resources/8793/all-pages>

¹⁰ <http://www.ssc.govt.nz/publications-and-resources/8394/all-pages>

Liberalisation efforts in the 1980s and 1990s

Up until the 1980s, New Zealand was both dirigiste and interventionist (wage and price controls, and government intervention in areas such as telecommunications, healthcare, hotels, banks and publishing). State-owned enterprises generated 12% of the country's GDP¹¹. The economy went into recession in the late 1970s and early 1980s¹² and unemployment began to creep up, hitting a record high of 11.2% in 1991¹³. The country instituted a series of economic, social and government reforms.

Initial liberalisation efforts¹⁴ were carried out under the National¹⁵ government of Robert Muldoon¹⁶. The process was bolstered and expanded when the Labour Party came to power in 1984, and continued after the return of the National Party in 1990. Government economic controls were gradually removed and reforms opened various sectors to competition. Farm subsidies were eliminated¹⁷, interest rates, wages and prices were liberalised, and income-related rents for social housing were abandoned¹⁸. State-owned monopolies were gradually privatised and turned into commercial firms. Interventionism became a thing of the past, and welfare benefits were redefined¹⁹.

One of the most symbolic measures concerned government staffing cuts. After having risen almost continuously since 1913, the number of state employees began to decrease in 1988 with the elimination of more than 11,000 jobs. Total staffing levels fell by 50.8%²⁰ between 1988 and 2000.

In addition, the special status of civil servants was eliminated in the 1990s²¹, thereby minimising the primary differences between public and private employment. Heads of government administrations²² and their deputies were henceforth given renewable, fixed-term contracts and assigned objectives. The public sector was opened up to outside candidates²³ (when there is a vacancy, government employees no longer have priority) and the use of outside consultancies (such as recruitment agencies) was made easier.

In the view of Maurice P. McTigue²⁴, this policy allowed the government to redefine its role and refocus its areas of intervention²⁵. These far-reaching changes were intended to address the crisis affecting New Zealand, but also to respond to contemporary socioeconomic and demographic issues.

The public service today

Today, New Zealand's human resource management shows its great flexibility²⁶. Services are provided by autonomous entities, which contractually report to a supervisory administration or ministry. They have their own resources and keep their own accounts. The country has long been seen as a "laboratory" for "new public management" theories, and was one of the first OECD countries to carry out such wide-ranging reforms, which have radically changed the operation, organisation and culture of the public sector.

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¹¹ <http://www.senat.fir/ga/ga-027/ga-0270.html> (in French)

¹² New Zealand experienced ten quarters of recession in 1977, 1978 and 1983 - <http://www.dol.govt.nz/publications/discussion-papers/current-recession/desc-2.asp>

¹³ <http://www.dol.govt.nz/publications/discussion-papers/current-recession/desc-1.asp>

¹⁴ Liberalisation of prices, wages and interest rates.

¹⁵ Political life in New Zealand is based around two major political parties, the conservative National Party and the Labour Party.

¹⁶ Prime Minister from 1975 to 1984.

¹⁷ "In 1984, nearly 40% of the average New Zealand sheep and beef farmer's gross income came from government subsidies." - <http://www.fedfarm.org.nz/files/2005--Life-after-subsidies--the-NZ-experience.pdf>

¹⁸ This measure, which was introduced by the National government in 1991, was repealed by Labour eight years later - <http://www.nzhistory.net.nz/culture/we-call-it-home/the-state-steps-in-and-out>

¹⁹ Full retirement benefits at age 65, means-tested family allowances, and the elimination of partial government payment for certain medical services.

²⁰ From 59,082 in 1988 to 30,040 in 2000 - <http://www.teara.govt.nz/en/public-service/3/1>

²¹ **The State of the Public Service** (OECD, 2008)

²² Except for the Department of Internal Affairs and the Ministry of Foreign Affairs and Trade.

²³ Government positions are now open to candidates from the private sector and to foreign nationals (with the exception of the Ministry of Defence).

²⁴ Maurice P. McTigue held several ministerial positions between 1990 and 1993 (Employment, Finance, State-Owned Enterprises, Railways, Labour, and Works and Development).

²⁵ <http://www.contrepoints.org/2011/07/06/33825-reduire-letat-a-ses-justes-proportions-la-nouvelle-zelande> (in French)

²⁶ Composite index of openness of the HRM system in central government - *The State of the Public Service* (OECD, 2008).