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Ideasroom

The future of New Zealand's state sector

Central government has abdicated responsibility and accountability by decentralising its decision-making. When the dust clears from the present crisis, we should look at bringing back specialised departments headed by real experts

Even before the Covid-19 crisis, the Ardern Government had been finding it difficult to get important policies implemented – as one minister put it, you could pull the levers of power but nothing would happen.

The most conspicuous case was Kiwibuild, which relied on the private sector lining up quickly to build the affordable housing the Government wanted to fund and facilitate. That programme failed when the private sector opted not to massively reallocate scarce resources from more profitable uses to foster a cheap-housing boom.

A while back, Ministers Shane Jones and Phil Twyford were talking about reviving the former Ministry of Works, abolished in 1988, to enable government itself to undertake the planning and construction of infrastructure projects, rather than relying on contracts or partnerships with private sector providers.

At the same time, as District Health Boards and local medical practices have found themselves on the front line in battling the coronavirus, a gap has opened up between the high-level assurances from central government regarding the availability of protective equipment and testing kits and the failure of these supplies to reach places they are needed.

These signs of disconnection between what the elected Government wants to do and its ability to deliver on the ground suggest it is time to take a deep and serious look at two of the key pillars of the state sector reforms pushed in 1987 by the New Zealand Treasury and adopted by the Fourth Labour Government. Those two pillars were the ‘funder-provider split’ and the adoption of a ‘new public management’ model for running the civil service.

During the Rogernomics reforms, the old model of a career public service, headed by senior figures drawn from within the public service ranks, and directed by ministers directly accountable for the delivery of public services, was dumped. The public service now operates under a managerial model, with outside appointees on short-term contracts at the top, many services delivered by third parties under the Treasury’s model of a contractual funder-provider split, and government departments often stripped of professional expertise in favour of generic managers.

The Director-General of Health, Dr Ashley Bloomfield, is a conspicuous and fortunate exception to the general rule of having departments headed by non-specialist managers who

do not understand the core business of their organisations and don't have time in their short contract terms to learn that core business.

Looking forward to how our government is to be run in future once we emerge from the Covid-19 crisis, here are a couple of suggestions. It should be noted they are inconsistent with the State Sector and Crown Entities Reform Bill currently before Parliament, which perpetuates, rather than fixes, the problems addressed here.

First, delivery of services. Under the funder-provider split, private sector contractors and autonomous entities separate from the relevant departments are contracted, supposedly at arms' length, to perform the front-line work. The contracting process is often capricious and driven by a race to the bottom.

Responsibility for the poor quality outcomes of underfunding is dumped on to providers, not the funders at the top. In a crisis, the result is the spectacle of ministers and officials describing the effective action they are taking in terms of making resources available but having to wait for delivery by others as those resources trickle down to the front-line workers through complex and often inefficient channels over which ministers do not have direct control.

In both health and education, central government has abdicated responsibility and accountability by decentralising decision-making, using the funder-provider split as cover for withdrawing resources. We would do better with a clear arrangement allowing professional providers the freedom to exercise their vocational skills and judgment to the best of their ability within a unified nationwide institutional architecture where clear accountability for resourcing decisions and their consequences lies at the centre. Let the buck stop with the Minister and his or her department, where it belongs.

In turn, that has implications for the organisation of the public service. With renewed accountability and responsibility, there will be a need again for specialised departments staffed with and headed by real experts faced with the right incentives.

When the dust clears from the present crisis, it would be a good idea to quietly drop the Public Service Legislation Bill and go back to the drawing board on public sector restructuring.