

New Zealand and UK Compared

This note compares and contrasts the effectiveness of the Minister/senior civil servant teams in New Zealand (NZ) and the UK. It focuses in particular on Ministers' relationship with their Chief Executives (CEs) (in NZ) and Permanent Secretaries (PSs), in the UK.

Overview

There is no doubt that change can be achieved much more quickly, and with less apparent 'opposition' from the civil service, in NZ than in the UK. But it is important to realise that this is in large part due to two key factors, as follows:-

First, the NZ administration is much smaller than its UK counterpart, as is the scale of everything it seeks to do. (NZ's population is 4.4m, the UK's is 63m.) Change in NZ can be agreed upon, and driven through, by a smaller number of key players than is the case in the UK.

Second, there is much less challenge to government decisions in NZ than in the UK:

- a) There is only one Chamber in the NZ Parliament; there is no House of Lords.
- b) NZ Parliamentary Select Committees are less aggressive than their UK counterparts, although all Bills require consideration of public submissions by a Select Committee before being reported to the House for Second Reading.
- c) And the same applies to the NZ media. Newspapers, in particular, carry little of the anti-government criticism which is such a strong feature of UK newspapers, whether broadsheet or tabloid. And there are relatively few comment columns or significant editorialising.
- d) New Zealand has few of the non-government institutions that abound in the UK, and which focus on particular aspects of public policy, such as the IFS or King's Fund.

It is also the case that NZ Government Chief Executives have a relationship with their Ministers that is subtly different than the relationship between UK Permanent Secretaries and their Ministers. But it is hard to pin down why this is so, as the formal relationships are pretty similar:-

Chief Executives v. Permanent Secretaries

Appointment etc.: New Zealand CE's job descriptions and ideal personalities can be shaped by their Ministers, although the State Services Commission (the UK equivalent of the UK Civil Service Commission) does the recruiting and puts a name to a Minister – who can reject it, but this has happened only once in the last 30 years. This is almost indistinguishable from the UK system.

Successful NZ candidates are appointed for a specified term – typically from three to five years - and can only be reappointed following re-advertisement and the usual appointment competition. Compared with their UK opposite numbers, therefore, they have a slightly less certain future career and do not see

themselves as ‘permanent’, although they are frequently reappointed or will apply for, and be appointed to, a similar role in another department. And plenty of UK PSs, too, find that they do not get on well with their Minister, and are either transferred or leave the Service

Accountability to Parliament and the Public: UK PSs are directly accountable to Parliament (in the form of the Public Accounts Committee) for the use of public resources. This can occasionally lead them to require their Minister to ‘direct’ them to undertake specified expenditure if they are otherwise uncomfortable about its propriety or value for money. The NZ system is only a little different in that Select Committees of the NZ Parliament examine *both* the CEs *and* their Ministers on both estimates and on the accounts at year end – i.e. twice a year. So there is no separate (and potentially conflicting) accountability.

NZ departments are subject to Performance Improvement Framework reviews – very similar to the UK’s Capability Reviews.

But NZ CEs are much better known public figures – at least in Wellington – than are their virtually anonymous UK counterparts. There is even an influential magazine that publishes an annual ‘pecking order’ review of CEs – see example at Annex A.

Setting Outcomes: NZ Ministers do not directly set their CE’s objectives. They set out a *Statement of Intent* of what they want their department to achieve. But *Statements of Intent* are a first step, after which there is a negotiation between the Minister and the Chief Executive, mediated by the SSC, during which the CE’s objectives are finalised.

The SSC subsequently judges whether CEs have achieved those objectives. This allows issues and weaknesses to be addressed, and warnings to be given, without great drama. Indeed, I am not aware that any CE has been dismissed for failing to achieve their contractual objectives although the SSC would no doubt say that the non-renewal of contracts with numerous chief executives has reflected lack of satisfaction with the incumbent delivering on objectives.

The system does, however, tend to incentivise CEs to focus more on shorter term objectives than on the longer term management of their departments. They are allowed very free rein in restructuring and in making appointments, and there is some concern that this leads to their often spilling expert and experienced (but perhaps argumentative) staff along the way.

Relationship with Ministers: UK PSs are expected to ‘speak truth unto power’ (even if they often pull their punches) in order to help their Ministers avoid practical and other problems that they might not have foreseen. NZ CEs are under less pressure to do this.

It is also relevant that NZ CEs are told that ‘*In their relationship with Ministers, officials should be guided by a "no surprises" principle. They should inform Ministers promptly of matters of significance within their portfolio responsibilities, particularly where these matters may be controversial or may become the subject of public debate.*’ This in practice tends to discourage the delegation of decision-

making and innovation, unless the innovation is introduced by a new Minister or CE. It also encourages micro-management by Ministers – See Annex A, para 4. Unlike more entrepreneurial organisations, the NZ civil service may be less likely to believe that ‘it is better to seek forgiveness than to ask permission’.

Overall, therefore, NZ departmental Chief Executives and their staff are expected to be a little more acquiescent, and offer rather less ‘push back’, than their UK equivalents.

Commentary

In summary, therefore, NZ senior officials are more driven by short term departmental objectives and less likely to argue with Ministers, than are their Whitehall opposite numbers. This must sound like Nirvana to frustrated UK Ministers and Special Advisers. And, indeed, NZ scores very highly on operational excellence and operational reliability. But New Zealand’s approach has significant downsides, as follows:

1. There is, when compared with the UK, relatively little deliberation, published evaluation and pause for reflection in NZ political decision-making.
2. Cross-cutting objectives cannot easily be written into the relatively tightly drawn New Zealand CE contracts. As a result, government-wide and cross-cutting policies are better coordinated in the UK than in NZ. (The UK has an excellent reputation, in international fora such as in the EU and UN, for inter-departmental consistency.)
3. Another result is that the UK Senior Civil Service (and in particular the ‘college’ of PSSs) is accordingly significantly more collegiate and mutually supportive than its NZ counterpart.
4. CEs are not incentivised to build stable structures and expert and experienced teams
5. UK PSSs generally start with more accumulated knowledge and experience of government – and sometimes of their departments - than do NZ CEs, who are more often brought in from outside. (Only 1 in 7 CE appointments have, over the last 10 years, been made from within the agency.) It can therefore take some time for NZ CEs to find the levers that make things happen, and their relative status is less than that of their UK opposite numbers.
6. Although individual NZ departments are technically and operationally strong and resilient, the wider government is somewhat fragmented and not well tied together.

But both systems have real if contrasting attractions.

- ✓ The NZ approach is more responsive to Ministers’ ideas and beliefs. It is rather like a competitive market; it allows Ministers to indulge in messy uncoordinated experimentation, which often goes wrong, but good ideas have a good chance of winning through more quickly. Once elected, Ministers can simply get on and deliver their manifesto. Senior officials appear committed and fleet of foot.

- ✓ The UK approach is much more deliberative. It doesn't always do so, but it should stop Ministers announcing proposals that have not been thought through, and it does encourage challenge, both within government and externally in Parliament and the media. But senior officials appear slow, cautious, uncommitted and sometimes downright obstructive. And although lots of interesting innovative ideas are piloted in various ways, they are too seldom effectively scaled up to the national level.

So it comes down to a choice between NZ's exciting free market in Ministerial ideas, and the UK's rather dull and risk-averse approach.

One NZ colleague put it as follows: 'In New Zealand, we have a great system of government in that, once elected, Ministers can simply get on and deliver their manifesto. Offsetting this, there are few influences compared to the media, the Lords, quality Select Committees, community based research centres and strong universities, as well as EU obligations, to challenge Ministers. Policy is therefore often poorly thought out, quickly assembled to generate an answer somewhere, and rarely evaluated.'

Both systems work well if you have a Minister with clear aims who is willing to take advice from experienced officials. But both systems go wrong (a) if the Minister dislikes being challenged, (b) if the CE/PS sees their principal role as delivering Ministers' objectives, without worrying too much whether they make sense, and/or (c) senior officials lack appropriate experience of government.

Maybe the key word is 'risk'? The UK is a much larger and more complex society than NZ. It is on the UN Security Council and is a major player in Europe and on the World stage. So maybe the UK does need its much more numerous checks and balances, including its ever-questioning civil service?

[Further Reading: The Institute for Government published a detailed report in 2012: Reforming civil service accountability: Lessons from New Zealand and Australia.]

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ANNEX A

2012 Trans Tasman Review of the Performance of New Zealand Government Chief Executives

'ACC's miserable run continues with its rating in an annual review of state sector

performance sinking like a stone. The third annual review co-ordinated by political newsletter Trans Tasman also had bad news for Building and Housing Department chief executive Katrina Bach, who was ranked the worst of 38 public sector bosses. Ms Bach's rating slumped from 3.93 last year to 2 this year, while the overall performance of her department dropped from 3.75 to 2.86.

The Trans Tasman review, released today, canvassed the views of 19 "opinion leaders" on the performance of state sector leaders, issuing scores of between 1 (bad) and 7 (excellent). The average ranking for agency performance was 4.1 (down from 4.3 last year) and 4.4 for chief executive performance (down from 4.6).

At ACC, the chief executive's rating dropped from 4.5 to 3.7 and the agency overall went from 4.4 down to 3.7. Ralph Stewart replaced Dr Jan White in charge of ACC in September last year, and has since overseen a series of privacy blunders, including the accidental emailing of the personal details of thousands of ACC clients to Bronwyn Pullar. The Trans Tasman review suggested inquiries into privacy breaches at ACC were "likely to expose a lax attitude towards privacy issues" and very little in the way of systemic safeguards. "It may also claim more heads," the review said.

Others taking a hit in the review included embattled Foreign Affairs chief executive John Allen. Persistent leaks to the media and Opposition MPs throughout a restructuring process at the ministry have made for a tough few months for Mr Allen. His score dropped 0.8 to a below-average score of 3.8, and Foreign Affairs as a whole dropped 0.3 to 4.3. The ministry remained well rated for ease of business at 4.6 and quality at 4.4, however. The review suggested Mr Allen might have suffered from "significant micro-management" by Foreign Affairs Minister Murray McCully.

Ms Bach's massive drop in rating comes after a year in the headlines over revelations she swore at and manhandled employee Jaime Rawlings in front of several other staff. Ms Bach was warned over the case and told there "would be a monetary consequence" in her annual performance review. The ruling against Ms Bach was imposed by State Services Commissioner Iain Rennie, who also copped a poor assessment in the review. Mr Rennie's score dropped from 4.06 to 3.43 and the commission fell from 3.94 to 3.31, though Mr Rennie was described as hard-working and diligent with a "methodical approach".

Top performers in the review included Conservation Department chief executive Al Morrison, who scored the highest ranking of 5.41, and Reserve Bank Governor Alan Bollard who was second on 5.35.

Trans Tasman editor-in-chief Max Bowden said the public sector was under "unprecedented pressure" and some in leadership positions were coping well, while others were not. Mr Bowden said a "pivotal moment" in the public sector reforms had occurred at a Cabinet committee meeting in March when senior minister Steven Joyce sprang a surprise with plans for a new super ministry. "The agencies involved were oblivious and even some ministers appeared to be

in the dark as Joyce mounted his coup," Mr Bowden said. The review team's overall pick for agency and chief executive of the year will be announced on Thursday.'