

Which Reform Is Most Important? - Some Evidence from New Zealand

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Abstract

In public administration circles there are two widely accepted stylised facts about New Zealand. First, New Zealand implemented sweeping public sector reforms and was at the forefront of the New Public Management movement. Second, New Zealand scores very well on several international league tables measuring the quality of government. This paper considers possible connections between these stylised facts by looking at reforms of financial management, institutional structures, information management and appointment processes in New Zealand. Recent data from the government-commissioned “Kiwis Count” surveys is used to identify which aspects of government performance are most important to New Zealanders. It seems that though most commentators have focused on finance and institutional reforms, earlier reforms involving open information, non-political appointments and public accountability are more significant to New Zealanders.

Introduction

New Zealand offers an interesting case study for anyone interested in public sector reform.¹ During a brief period from 1986 to 1994 there were extensive changes to government administration in New Zealand. These included restructuring many departments, reorganising public employment and contracting out some activities, redesigning the system of public finance, and corporatizing a significant part of the public sector, including privatising some agencies.

However, though it is easy to see that much has changed in public administration in New Zealand, it is harder to assess whether the changes were beneficial, or which changes were the most successful. This paper outlines an approach to considering which reforms may have been the most valuable for New Zealanders.

There has been considerable academic debate about the reforms. Among New Zealand commentators some economists have offered strong endorsement (Evans *et al* 1996) and some

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from other disciplines have been scathing in their rejection of a perceived ideological agenda (Kelsey, 1997) or have deplored the appearance of an “enterprise culture” in the public sector (Mascarenhas 2003, p 144). Insiders have offered a comprehensive defence (Scott *et al*, 1990, Scott, 2001) while other observers have provided a detailed analysis (Boston *et al*, 1996) or critique (Gregory, 1995).

International commentators have also been interested. Some have seen New Zealand’s reforms as part of an international pendulum as fashion in public administration moves between ideas (Aucoin, 1990). Others have seen New Zealand at the forefront of a new approach to public management (Lynn 2005, p27); some (including Hood 2005, p11) have emphasised the significance of New Zealand government documents underpinning the new approach (New Zealand Treasury 1987) as a precursor of “new public management.” Critics have suggested that the reforms may have been too mechanically focussed on contracting at the expense of good management (Schick, 1996) or that the strengths of the New Zealand reforms may have been over-sold (“hyperbole”, Rubin and Kelly 2005, p568).

More recently, reports prepared by New Zealand officials have identified problems flowing from an excessive focus on the efficiency of individual departments and some practices have been reversed in order to restore a more “whole-of-government” approach (Wintringham *et al* 2001, Wevers, 2011). Observers have also noted that thinking in New Zealand (and elsewhere) has moved on so that we are now in a “post-new public management” world (Lindquist, 2011).

This range of views demonstrates that any assertion about the value of a reform may be open to challenge. This debate is to be expected since most analyses have focussed on the reforms, their intentions, their intellectual underpinnings and their implementation, assessing the reforms against various criteria that seem important to individual commentators. This paper takes a different approach. Without rejecting the usefulness of expert analyses of government reforms, this paper suggests that any comprehensive assessment should also include some understanding of what is valuable to New Zealanders.

Changes in public policies tend to be justified as a means to enhance the public interest; I suggest that an assessment of the public interest should include some understanding of the attitudes and preferences of New Zealanders. Accordingly the aim is to construct a method of analysis to address the question of which reforms are (more) aligned with the preferences of New Zealanders about how they are governed.

This paper does not include an overview of reform in New Zealand, nor does it provide an assessment of which reforms were successful; it is aimed at the narrower question of whether public attitudes can be used to inform assessments of which reforms have improved the public interest. That requires clarity about concepts of the public interest and about the public’s views of the government; a method to measure public attitudes; and a mapping of attitudes onto different types of reforms. The following section briefly canvasses questions of public interest, to locate this contribution within theoretical discourse. The next section discusses issues of the use and interpretation of citizen surveys. The following section describes the results of recent surveys in New Zealand and the final section considers the implications of those results for assessing reforms in New Zealand.

Public Interest and the Views of the Public and Trust in Government

Public interest is a contested concept; some would say it is an empty concept. Bozeman (2007) points out that public-interest theory has been unfashionable in recent decades and he has balanced that with a useful recent approach to understand concepts of public interest (and the related idea of public value). This paper adopts his definition of the public interest as “the outcomes best serving the long-run survival and well-being of a social collective construed as a *public*” (p12). However, that definition leaves room for many views on what constitutes the public interest, or whether it exists at all.

Cochran (1974) contains a useful taxonomy of theories of public interest. Some (“abolitionists” in Cochran’s terminology) reject the concept altogether; they see no public interest, simply the politics of competing private interests. This idea is not the recent invention of public choice theorists; Cochran traces it back to Arthur Bentley’s efforts to introduce a scientific approach to the study of politics in the early 20th century (Cochran 1974, p332). I am not following the abolitionist approach; as a former public official I find it an excessively cynical approach to the use of authority by the government in a democratic country.

Among those who recognise some public interest Cochran distinguishes a “normative” group. Normative analysts do not concern themselves with the preferences of the public; instead they use lists of criteria with which to assess policy proposals. The more a proposition is seen to contribute to the criteria, the more it is understood to improve public value. This approach sees reforms assessed in terms of their ability to contribute to efficiency, democratic responsiveness, accountability, distributional equity, or other criteria that are considered to be important. As a general rule the studies cited in the introduction all tend to follow the normative approach. However, that may not reflect a deliberate decision by the various authors on the assessment of public interest, so much as a lack of data on the views of the public.

Cochran identifies two other approaches to public value or public interest which involve various degrees of emphasis on the views of people in society; these are either a “consensual” or “process” approach to public value. Under the consensual approach a changing conception of public value is identified through discourse, whereas process theories emphasise the importance of using proper decision procedures to ensure views can be contributed. Both of these are based in a democratic approach to public administration and hold that the views of people must be considered to some degree in any assessment of public value.

These distinctions suggest that there is some contention about whether public preferences should be considered in any analysis of the public value of reforms. For the consensual (and process) approaches it is self-evident that citizens’ views should be considered, since the views held by people are intrinsically valuable. But for an expert/norm-referenced approach the views of citizens may seem irrelevant. I disagree with that expert orientation and prefer a simple norm-based approach as follows. First, effective administration depends on the legitimacy (of government) in the eyes of citizens. Second, legitimacy is influenced by the views of citizens on the design and delivery of government activity. Third, trust in public institutions as voiced by citizens is a proxy which can be used to assess this aspect of the legitimacy of government. That is, public views are

relevant in the assessment of public institutions (and reforms), either because the views of the public are intrinsically important, or because trust in public sector institutions is instrumentally important as a component of the legitimacy (and therefore the effectiveness) of government.

Like other terms in this area, “trust” can be elusive. It is not even beyond dispute that improving levels of trust are always preferable. For example, Bouckaert and Van der Walle say:

“Most research focussing on Western Europe regards trust in government as indispensable for government to function. In Anglo-Saxon research, however, low trust is often regarded as an expression of a healthy democratic attitude, since high levels of trust may facilitate repressive government” (2003, p333).

They also point out that the understanding of what is implied by trust in government is changing as public expectations change:

“Where trust in government used to refer to the belief that government will not become autocratic or allow people to be arrested unjustly, it now refers to more down to earth matters such as the reliability of service or the expectation that policy will correspond to one’s wishes” (2003, p334).

However, even for a small-government Anglo-Saxon it is hard to ignore the role of the government as the sole power able to use coercion to maintain public order, or the importance that the government behave in a trustworthy way and that the public perceive the government to be trustworthy. Whether we are considering civil rights or civic services people’s support for government activities (and therefore the effectiveness of those activities) is likely to be enhanced if the public trust the government.

The view that legitimacy (or trust) is important is widely asserted in government; for example the present leader of the New Zealand state services recently said:

“One of New Zealand’s greatest assets is the trust people have in our public institutions” (Rennie 2011, p6).

In effect, the assertion is that people who mistrust the government are more likely to defy edicts and less likely to comply with their obligations.

“Absence of trust in government results in citizens who do not want to pay taxes, who do not obey the law, etc. and makes necessary an increase in the number of monitoring and enforcement systems” (Bouckaert and Van der Walle 2007, p340).

“Trust in government” means that people believe that the government will do what it says it will do to the point that they act in reliance on that belief. The government could force people to obey because it has the power of coercion, but trust in government reduces the need to use force. Over time, as people see a government that meets its undertakings and refrains from unreasonable force, they develop enough confidence to rely on the expectation that the government will continue to be honest and effective; that is, they trust the government and the government works better as a result. Several aspects may contribute to trust in government; one of them is trust in the institutions of the government system.

That is, when deciding whether to consider the views of people in assessing the public interest there are grounds to do so either because of the intrinsic importance of their views (process/consensual approaches) or because of the instrumental value of their views as they contribute to the effectiveness of government (a normative approach). For the purposes of this paper it is sufficient to assert that citizens' views are significant. There are other matters that also matter; efficiency, integrity, fairness, democratic accountability and other factors are all valuable. I am not aiming to develop a theory of public value; nor am I attempting a complete review of New Zealand's public reforms. For my purpose it is enough to suggest that the views of members the public on the trustworthiness of the government can usefully be included in assessing public value in general, and in considering the relative value of different reforms.

However, it is a big step to move from accepting that levels of trust are important to deciding that some measure of trust might be useful in assessing reforms. The next section considers some of the issues in bridging the divide from theory to measurement.

Measuring Trust and the Approach to Policy

If the concept of trust is elusive, measuring it may be even more difficult. Pundits often pronounce on the public's views, but their sources may be restricted to a small coterie or even their own heads. I suggest that any claim to assess levels of public trust must involve some process of asking the public, but that needs to be done with due care.

Citizen surveys have been used in many countries in recent decades. Many public managers, encouraged by marketing consultants, have used public satisfaction as a measure of the quality of their work. However, in academic circles questions remain. The following paragraphs discuss the major issues that must be considered before public opinion data could be used to consider the merits of policies. These issues are: conceptual, relating to the role of people and the state; analytical, relating to issues of attribution and interpretation of results; and methodological, relating to getting a representative sample. These are discussed in turn.

Concepts of People and the State

Where satisfaction surveys are translated from a commercial to a public context there are immediate issues. Using a market-based technique in a government context suggests that people who interact with the government are in a relationship similar to those who interact as willing buyers and sellers. This is like talking of those who interact with government agencies as "customers." The issue here is not simply a matter of survey design or reporting; the major concern is that a market-based view of satisfaction may distort the approach that public managers take to delivering services. If those who commission surveys move to adopt private sector responses in order to improve their survey results they may create problems, because the new practices may be inappropriate in a context of obligations (Law and Urry, 2004).

This problem partly stems from careless use of terminology. The issue is clarified if roles are distinguished more clearly, as suggested by Alford (2001). He suggests that the term "customer" should be restricted to cases where a willing buyer is trading with a willing (government or privately owned) seller for full value. Those who receive some kind of free or discounted service from the

government should be referred to as “beneficiaries”. Those who are required to comply with some government prescription (including paying taxes) should be called “obligatees.” And when people are considering their assessment of the government in-the-round (perhaps with a view to voting), they are described as citizens.

I suggest it may also be helpful to keep Alford’s distinctions in mind in interpreting survey results (see the section on interpretation, below).

Attribution: The Link between Government Actions and Trust.

An assumption that improved government services leads inevitably to improved levels of trust requires substantiation. In fact trust may be influenced by mood, political scandals, economic cycles or many other social or psychological factors (Bouckaert and Van der Walle 2003, p335). Rather than simply asking whether individuals trust the government it is necessary to also enquire about what aspects of government lead to improving levels of trust (Bouckaert and Van der Walle 2003, p332). And it is inadequate to take the respondent’s priorities without test; it is preferable to use regression techniques to see which factors of government performance are linked to improved overall assessment (Van Ryzin and Immerwahr 2007, p216). The resulting measures of derived importance are sometimes referred to as “drivers”; that is, they identify the factors that are believed to drive the public’s level of trust in government.

However, even with that level of care, it is important not to overstate the case. It is an ambitious assertion to claim that regression demonstrates causality; correlation is the best that can be asserted with confidence (Bruning 2011, Howard 2011b, p94).

Interpretation: The Difference between Broad Perceptions and Specific Observations

Many surveys of performance in government ask about general perceptions of government before focusing more tightly on specific recent experiences of government services. It is commonly reported that broad perceptions are less favourable than specific memories (Erin Research 2008, p16, Phase 5 Consulting 2005, p13). The question is how to interpret that pattern?

One explanation is that when people are asked for broad perceptions they revert to stereotypes and rumour, but when asked about particular events they rely on truer memories. Howard (2011a, p75) claims that interpretation “assumes that citizens are unable to think critically for themselves” and says that calls into question the whole approach; if citizens cannot think critically, why would we ask them for their opinions at all?

An alternative explanation links to Alford’s citizen/beneficiary/obligatee terminology. A general question about perceptions of government, especially about trust in government, may tend to encourage the respondent to think as a citizen (rather than as a beneficiary). In that context, they may think about services they do not agree with as much as they think of those they support. In any society where the citizens have heterogeneous views some of the respondents will not be in favour of some of the activities of the government. In addition, there will be other services which may be of less current interest to some citizens (perhaps because of life-cycle reasons), and there will be others which loom only as obligations. Taken in the round, it is likely that citizens will be less positive about the government in general than they would be when considering activities they have accessed, even if some of those were obligatory.

Methodology: Representative Samples.

A final issue is achieving a sample which is sufficiently representative of the population. A large sample can always be achieved by spending enough money and taking enough time. Various sub-groups (age-groups or ethnic groups) can be over-sampled to achieve groups that are large enough for analysis, and weighting can be used to arrive at a representative group. However, poor response rates can be fatal.

For example, the Canadian Citizen First surveys have a well-deserved reputation for analytical rigour, but they suffer from persistent problems with response rates. According to Howard (2011a, pp70-71) response rates in Citizen First surveys have oscillated between 9 and 15 per cent. Arithmetically, a response rate of 10 per cent means that a 50 per cent response to a yes/no question could represent anything between 5 per cent and 95 per cent agreement in the total population (Howard 2011a, p71). Response rates that low seriously undermine the ability to assert a connection between apparent drivers and actual levels of trust in public institutions.

Criteria for Measurement.

Taking the previous paragraphs as whole suggests a set of criteria that should be considered when assessing different data sources as a possible measure of trust in government, and what policies or reforms are likely to boost trust in government. Those criteria are: A clear concept of the role of citizens (including the difference between beneficiaries and obligatees); evidence on what types of government action will enhance trust; clarity on the difference between responses as a citizen (to broad questions) versus responses as a user (beneficiary/obligatee); and a representative sample with a reasonable response rate.

The next section considers a range of measures that are available in New Zealand against those criteria.

Perceptions of Government and Government Programmes

Though the studies listed in the introduction have generally assessed reforms with little information on the views of the public, some international organisations have drawn on wider views to assess the performance of governments. Assessing government performance is not straightforward. For example, the OECD has conducted a multi-year programme to construct *Government at a Glance* (OECD, 2007 and Lonti and Woods, 2008); after that work their “glance” requires the reader to take in 58 data sets of data to assess government performance in each country (OECD, 2011). However, a number of institutions have collected perspectives in many countries to prepare comparative results-based analyses. Some recent assessments of that type suggest that something is working well in the New Zealand Government. Those results seem to be evidence of some support for (and trust in) government institutions.

For example, the World Bank’s assessment of governments’ regulation of commerce places New Zealand third (of 183 economies) in the world (World Bank, 2012, p116). The World Economic Forum places New Zealand first (of 142 countries) for its control of public funds, avoidance of bribery and for judicial independence (Schwab 2011, p277). Transparency International places New Zealand

first (of 182 countries) in its *Corruption Perceptions Index* (Transparency International 2011). These results are commonly relied on in New Zealand Government reports as evidence of some degree of success (Rennie 2011, p27).

However, these surveys do not rate well against the criteria in this paper. The data in these studies is neither independent nor broad-based. The World Economic Forum relies on the World Bank report for much of their data in this area (Schwab, p521). Transparency International also uses World Bank data, modified by the inclusion of some other sources, but those extra sources rely on responses from a small number of experts; it seems that around a third of the assessments that influence the Corruptions Perceptions Index are supplied by two people (Ignite Consultants 2011, p10). The World Bank report (and therefore the World Economic Forum report) on New Zealand is itself based on inputs from just 40 people over half of whom are lawyers and a quarter public servants (World Bank 2012, p181); this may not be an unbiased source, and certainly cannot claim to be a representative sample.

A more recent series, the World Justice Project's *Rule of Law Index* places New Zealand first for absence of corruption, second for open government and the limitation of government powers and third for regulatory enforcement and effective criminal justice (Agrast *et al*, 2011, p82). This study also used experts, but it supplemented that with surveys of some 66000 people around the world (Agrast *et al*, 2011, p7). That is more reassuring than the other indices as a reflection of the views of the public, and suggests that something may be working well in the New Zealand Government system, but it is not sufficient to point to which types of reform are more conducive to promoting trust as no attempt was made to explore the links. That is, the large samples used in the *Rule of law Index* provide some guarantee that the views are representative, but in the absence of more work they do not show which policies or practices contributed to New Zealand's high rating.

The only study I am aware of that examines levels of trust and the drivers of trust is the *Kiwis Count* survey. This is administered by the State Services Commission; two surveys have been completed and published, one in 2007 (SSC 2008) and the second survey in 2009 (SSC 2010a). These are based on the Canadian *Citizens First* methodology (Erin Research, 2008), which includes an examination of drivers as well as levels of perceived satisfaction with public services. The Canadians have spent a decade improving service performance, and the New Zealand results for the perceived quality of service are already comparable to the levels recently achieved in Canada. As with the other surveys this suggests New Zealand is doing something right.

As with other satisfaction surveys *Kiwis Count* reports a difference between broad perceptions of satisfaction with the government and reported recent dealings with the government. New Zealanders report higher levels of satisfaction on average as a result of their recent dealings with government agencies than they report for dealing with commercial entities (quality scores of 69 versus 65 respectively, SSC 2010b p46). However, when asked their general perception of dealing with the public sector or the private sector only 14 per cent thought public agencies provide better service and 41 per cent disagreed (SSC2010b, p45).

The survey reports make no attempt to explain these discrepancies between reported and perceived satisfaction, but an account based on the difference between beneficiaries and obligatees may assist. Data supplied by the SSC (SSC data 2012) shows that those who used a government service that they saw as mandatory were less satisfied than those who used a voluntary service (67.5 service

score versus 70 respectively). But in total only 30 per cent of the reported interactions were described as mandatory versus 54 per cent that were seen as voluntary. Perhaps when asked to think about the government in general many New Zealanders think about their obligations to the government and the services that they do not value. This is consistent with an earlier New Zealand study which found that “the citizen relationship with the government is a reluctant one” (Yeabsley and Bailey 2001, p6). If so, it is not surprising that the perception result would be less favourable than reported experiences which are dominated by voluntary interaction with the government.

The survey is representative. It is run as a postal survey using names drawn from the electoral register. The response rate was 61 per cent in 2007 and 56 per cent in 2009 (SSC 2010b, p73). On the other hand, the initial survey of the drivers of satisfaction and trust did not have such a strong response rate. It was conducted as a telephone poll in 2007 before the first *Kiwis Count* survey and achieved a response rate of only 26.6 per cent for the main sample (Colmar Brunton 2007, p20). However, there are several balancing points that suggest the estimates of drivers are robust. First, the drivers have been retested and confirmed in both of the main surveys. Second, the drivers were explored in a series of focus group sessions; these discussions did not raise doubts about the methodology or results of the drivers survey (UMR Research, 2008). Third, the drivers of satisfaction (but not trust) have been further tested in surveys by individual departments in New Zealand: these have all produced closely similar results to those found by the 2007 drivers survey (SSC 2010b, p9). These results suggest the estimated drivers of satisfaction are robust and stable, and there is no reason to suspect the same will not apply to the drivers of trust.

Unlike the Canadian survey, the New Zealand survey specifically asks respondents “Overall, to what extent do you trust the public service?” (SSC 2010b, p88). On balance New Zealanders report that they trust the public service (33% at 4 or 5 on a five point scale, versus 19% at 1 or 2 on the scale), but many have no strong view (48% at 3 on the scale) (SSC 2010b, p48). Though this is not a ringing endorsement it is a positive result, and it is an improvement on the result in 2007 (SSC 2010a, p10). Because others have not used a similar question international comparisons are not available.

The survey report raises an issue of attribution with its assertion that New Zealanders’ trust in the public service is “strongly influenced by media reports and anecdotal accounts as well as stereotypes” (SSC 2010a, p32). However, the data does not support that view. In the drivers survey respondents agreed that there was a lot of negative publicity and comment (Colmar Brunton 2007, p27), but when tested against other influences this did not emerge as a driver of the public’s views of trust. Instead, the drivers of trust in the public service, with their respective explanatory powers are (Colmar Brunton 2007, p31):

1. You have confidence that public servants do a good job (38%);
2. The public service provides services that meet your needs (18%);
3. Public servants treat people fairly (15%);
4. The public service keeps its promises – that is it does what it says it will do (14%); and
5. The public service admits responsibility when it makes mistakes (14%).

Between them these five drivers (out of 15 factors that were tested) account for 57 per cent of the variation in trust ratings provided by New Zealanders (Colmar Brunton 2007, p31).

The previous paragraphs suggest that the *Kiwis Count* survey passes the tests as a usable measure of trust in the public sector in New Zealand and of the factors that influence New Zealanders. The drivers, therefore, are an appropriate basis for considering the value of public sector reforms from the point of view of New Zealanders. The next section considers past reforms to see how they rate relative to these drivers of trust.

Assessing Reforms against the Drivers of Trust

There is no means of directly applying the drivers of trust to a list of reforms and establishing some index of compliance to demonstrate direct connections from one to the other. Instead a more qualitative approach is needed. First, the drivers can be studied to identify the types of reform that are more likely to enhance trust; this is based on the focus groups that were used in the study on *Understanding the Drivers* (UMR Research, 2008). Second, some of the major reforms are considered in turn to see which ones appear likely to enhance trust in government.

A repeated theme in the focus groups was that New Zealanders interpreted the drivers of trust in personal terms, and emphasised the quality of their interactions with individual public servants. Instead of talking about the public service as an abstraction the focus groups discussed issues like helpfulness, empathy, listening skills, knowledge and experience (UMR 2008, p97). They were aware of the constraints on public servants working in large organisations, and saw staff as individuals bringing their own attitudes and commitment to the job. Typical focus group comments included:

I think some are really caring. They really do try to do their best. Others think “to hell with it,” they are having a bad day (UMR 2008, p99).

Within reason... they can't do everything. Be honest if you don't know the answer... [Say] I will get back to you and actually get back to you (UMR 2008, p103).

Apologise, acknowledge that they have done wrong and ensure that they will endeavour it does not happen again (UMR 2008, p113).

They need to be knowledgeable and efficient, they need to be flexible and have some discretion without the need for a parliamentary enquiry as to why they have made that particular decision (UMR 2008, p108).

It is like you do feel a bit cared for... it keeps the humanity side of things going as far as government departments go (UMR 2008, p109).

The public servant when they do their job, they are acting in the name of the public service... really that is the whole service making that mistake (UMR 2008, p115).

It's an up-hill battle for the government because as soon as you say “government” people go “ohhh” because there's this preconception... as soon as I think government service I think dissatisfied (UMR 2008, p121).

The public service is not corrupt... The New Zealand Public Service for all its faults and the whingeing they have done is in that regard pretty clean I feel (UMR 2008, p131).

There are clear themes. New Zealanders trust in the public service appears to be influenced by the behaviour of the public servants they meet and the extent to which they see a culture of service, flexibility, openness and probity. Reforms can therefore be examined to see how much they were likely to promote appropriate behaviours and culture.

In that context, the five drivers can be loosely re-organised and summarised into two tests to see whether reforms have tended to promote a culture of:

- *Service* to the public (drivers 1, 2 and aspects of 3); and
- *Openness* in the conduct of public activities (drivers 4, 5 and aspects of 3).

As with any brief categorisation it is simplistic to claim that New Zealander's trust in the public sector depend on a culture of service and openness, but the two ideas capture the essential elements and will serve for this paper. The next step is to apply those tests to New Zealand's reforms.

In the 1980s and 1990s there were many policy changes with significant implications for those involved. However, even if they each achieved the results that were intended, it is less clear that they improved service or openness. A full consideration would require a detailed examination of each policy change. This exercise is more limited, focusing on major areas of change. They are considered in turn.

Corporatisation (and Privatisation): The main effect of the State Owned Enterprises Act 1986 was to move many activities that had been conducted as part of the government into separate commercial structures. Some of those have since been sold. A major rationale for the shift was to improve efficiency by subjecting the organisations to more competitive pressure and by allowing more flexibility to follow commercial practices in the use of assets. That goal appears to have been met in some instances, but not all (Duncan and Bollard, 1992). However, that does not imply that corporatisation improved New Zealanders' trust in the public sector. There are some means by which that could have occurred. For example, if the departments that were corporatized were particularly infested with inappropriate behaviour and culture then their removal could have improved the average level of trust in the remaining institutions of the government. However, there is no evidence that that was so.

Financial Management: The Public Finance Act 1989 changed the government's finances so that departments were funded on the basis of the outputs that they were to produce (rather than inputs), and budgeting and accounting were shifted from cash accounting to accrual accounting. This was a major change leading to more strategic and better informed management and allowing more detailed parliamentary scrutiny of performance. It has probably improved efficiency across the government and it has certainly sharpened the focus of senior officials on matters of efficiency and performance. However, it seems that none of those matters feature in the drivers of trust in the New Zealand government. In fact, if tighter financial management has tended to point managers towards emphasising production targets rather than the quality of individual interactions with the public, that could undermine trust.

Macroeconomic management: The Fiscal Responsibility Act 1994 required the government to publish detailed and long-term statistics about its finances. The Reserve Bank of New Zealand Act 1989 removed the management of monetary policy from direct political oversight and led to much

greater clarity in macroeconomic performance and management. Both have contributed to openness in government and therefore may have assisted trust in government. However, they seem a little more distant from the daily lives of New Zealanders than the factors that are generally alluded to in the drivers of trust.

Public Service Re-organisation: The State Sector Act 1988 removed a set of provisions which constituted public servants as a unified service with distinctive employment law. Instead, every public servant is now employed by the head (Chief Executive) of their department. Chief Executives were moved to renewable fixed-term contracts and they are selected and appointed by the independent State Services Commissioner (subject to a cabinet veto, which has occurred once since 1988). A major motivation behind the Act was to improve the responsiveness and accountability of public servants, especially senior officials. This is consistent with the test of openness.

Whether that act has improved responsiveness and therefore service to the public is debateable. It could be argued that recent moves requiring departments to work more closely together (Wintringham *et al* 2001 and Wevers 2011) are evidence that the State Sector Act has inhibited the kind of flexibility that New Zealanders want to see. However, there is no evidence that the pre-1988 provisions, with a more formally united public service, actually led to better joined-up service to the public than has been available since 1988. If there has been a problem attributable to the State Sector Act, it may be that, compared to what might have happened in a more unified system, the independence of individual departments has tended to reduce the uptake of new opportunities to work together as technology has evolved.

Accepting responsibility for mistakes, on the other hand, has been enhanced. It was previously very rare for any senior public servant to appear in public to explain the actions of their department. Senior officials are now regularly seen on television explaining mishaps and sometimes offering public apologies. To the extent that this is a result of the State Sector Act, it has clearly contributed to openness. It appears from the responses in the *Kiwis Count* survey that more acceptance of responsibility would be welcomed by the public, but the move has been in the right direction.

Re-organisation of Schools and Hospitals: In the late 1980s school governance was shifted to increase local control through Boards of Trustees, elected by parents. In the early 1990s hospital management was shifted into a more corporate governance structure (though half the board members are now elected by the public and the rest appointed by the minister). However, major elements are still centralised. Teachers are employed on terms that are negotiated nationally with the Ministry of Education and most hospital workers are also employed under national agreements. It is not clear whether governance has affected service, but schools probably are more open than they were prior to the change with improved communication to parents. The health sector is also more open with patients. That is partly a professional response to some tragic cases where medical practitioners failed their patients. However, one public reform contributed to openness in the health sector. The Health and Disability Commissioner Act 1994 set up a new independent office to handle complaints about health care providers; reports are published regularly.

1986-1994 Reform as a Whole: Though the State Sector Act and some of the other reforms seem to have contributed to openness and accountability in the public sector (but with some distressing lapses, see Gregory 1998), it seems unlikely that they explain the high scores that New Zealand's public system regularly achieves in international surveys. Other provisions, pre-dating the period of

rapid reform, appear to have made a greater contribution. I nominate three in particular: first, the Official Information Act 1982; second, the Public Service Act 1912 (the relevant provisions of which are still part of current law); and third is a system of public accountability, starting with the appointment of an ombudsman in 1962.

Freedom of Information: The Official Information Act is New Zealand's freedom of information law. It abolished the previous regime of the Official Secrets Act 1951, so that any information in public hands became potentially available to all. Any New Zealander may request information, and the presumption is that it shall be released unless there is good reason why not. Those who are disgruntled at the lack of release may apply to the ombudsmen who order its release if they think it justified. According to the OECD this law is among the most open in the world (OECD 2011). It is now common for the media and opposition politicians to acquire information in response to requests and this is regularly published. More significantly, however, government departments regularly publish reports and data of public significance. There is more that could and should be released, but government is very open in New Zealand.

The Official Information Act created obligations of every public servant; those who hold the information are required to respond to requests. The law now underpins every interaction between the public and officials. It is common for people to ask to see files relating to them. Officials know that that the record will be available for scrutiny. Prior to the act, and the Ombudsmen legislation, it was common for files to contain pejorative references to those using government services. Now that information is open, interactions must be more respectful. This is not just a law affecting journalists and senior officials; it has improved behaviour throughout the government. This directly relates to the drivers of trust, especially those about treating people fairly, keeping promises and admitting mistakes.

Merit-based Employment: The second major law is the Public Service Act 1912, which introduced the merit-based public service; the central provisions of that law are maintained in the State Sector Act 1988. This operates at the top of the public service and also throughout government agencies. It is illegal for a minister to seek to intervene in employment matters relating to individual public servants. Similarly, appointments to jobs must be based on merit for that job, not on the political connections or opinions of the appointee. The State Services Commissioner is responsible for ensuring that the system operates appropriately. According to OECD staff, New Zealand has one of the least politicised public services in the world, with no political interference in senior appointments and a "high aspiration" ethics regime (Matheson *et al* 2007, p25 and p46).

The intention of the law is clear. The opening provision of the State Sector Act 1988 says it aims "to ensure that employees in the state services are imbued with the spirit of service to the community" (long title, section (a)). A merit-based system does not guarantee that the public meets officials that do a good job or who provide services that the public needs, but it does mean that public managers can focus on those matters without considering the politics of every appointment. Political appointees can provide good service and meet the needs of the public, but they must also consider political priorities. A permanent non-partisan service can concentrate on developing staff members to provide the service that New Zealanders need. That is its function and it has been the function of the public service for 100 years. The merit-based public service seems more significant as a means

of delivering the service that New Zealanders want from the government than the reforms of 1986-1994.

Public Accountability: Things go wrong in any system, even the best systems. Openness and service demand that mistakes are identified and fixed, and that these processes are seen to happen. A major step towards that goal was the Parliamentary Commissioner (Ombudsman) Act 1962 which set up a new independent role. Ombudsmen receive complaints from anyone who has a concern about how they were treated by an agency of the government. Ombudsmen investigate and recommend solutions; they are not bound by existing policy or precedent, they aim for fairness. They report annually to parliament; that means their reports are public. They are “a valuable outlet for bringing an unresponsive bureaucracy to account” (Joseph, 2007, p366). Sometimes the threat of involving the ombudsman can be enough to encourage a more sympathetic response from an official.

Some issues may not involve individual misfortune; instead they raise questions of the efficient use of public money or misuse of funds. Another independent officer, the Auditor-General has the power to investigate and report. This is not a new office; the position was established by the Public Revenues Act 1878. In recent years the role has expanded and the Public Audit Act 2001 established the role as an officer of parliament. The auditor does not wait for complaints; she prepares an annual programme of reviews of government finance and management. Her published reports regularly call for improvements in administrative practice; it is then the responsibility of managers to decide which changes they make, but they make those choices in the knowledge that the auditor will return and comment further on their performance.

Sometimes public commentary is not enough and a management response is necessary. The State Services Commissioner also has an independent power to conduct investigations. He publishes his reports but, because he is the employer of the heads of government departments, he can follow-up his reports with sanctions where necessary. The process of appearing in public to acknowledge mistakes (driver 5) is often a result of pressure applied by the State Services Commissioner.

Taken together the system of public accountability has strengthened considerably over the 50 years since the Ombudsmen were established in 1962. Through that time public accountability has certainly increased openness and it has also encouraged service.

Conclusion

The reform of public sector agencies is a topic of perennial interest; experts argue forever about whether change is required and how it should be managed. This paper suggests that, as well as the views of experts, it is useful to consider the views of the public. Fundamentally that is because any reform ought to be intended to improve the public interest, and in that context the preferences of the public are relevant. That is either because the public's views are intrinsically interesting or because legitimacy of the government is a contributor to effective government, and legitimacy exists in the minds of the public.

For the purpose of this analysis of public sector reforms, trust in the public sector is used as a proxy for legitimacy. There are a number of complications involved in measuring trust and drawing a

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connection to policy options, but the *Kiwis Count* survey, and the associated drivers of trust offer a useful measure applicable to New Zealand. In essence, the survey suggests that trust in the public sector in New Zealand can be improved by encouraging a culture of service and openness.

Trust in government seems likely to have been little effected by some of the most-heralded reforms of recent decades. On the other hand, earlier provisions including the Official Information Act 1982, the establishment of the Ombudsmen in 1962, and the Public Service Act 1912, have brought in far-reaching and enduring changes to the culture and behaviour of public servants. Those systems are at the heart of service and openness in New Zealand and therefore they appear to have made a major contribution to trust in government in New Zealand.

This does not mean that other reforms have not been valuable; they each need to be considered on their merits according to relevant criteria. But, whether or not the other reforms have been useful, experience in New Zealand suggests that there are major gains to be made in promoting freedom of information, a merit-based non-partisan public service and public accountability.

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