Chapter Nine

Reconstructing State Employment in New Zealand

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Introduction

New Zealand, in common with much of the developed world, spent a decade or so deconstructing its traditional public sector structures. Throughout the late 1980s and 1990s the New Zealand public sector entered a brave new world of public management. These reforms were derived from the United Kingdom experience during the Thatcher years, where neo-classical economic ideals dominated. The reforms were therefore typified by the theories of public choice, agency and transaction cost economics. The application of these theories in New Zealand radically altered the systems of institutional, organisational and management control within the public sector, with the aim of creating a more efficient, transparent and performance oriented public sector. The New Zealand reforms have been widely noted as remarkable for their clarity of vision, comprehensive coverage and ideologically driven nature. They catapulted ‘a small country in a peripheral geographical location’ into a key destination on the public management visitors’ tourist circuit. The reforms have been subject to a range of evaluations and scrutiny highlighting their advantages, disadvantages and unintended consequences. Many commentators note that the reforms have resulted in major management and efficiency gains, but that they have not been without cost. Among those costs have been a number of downsides in the state sector employment environment. Given that the underlying structural reforms are now over a decade old, their longer-term consequences have become more apparent. Over recent years, and especially following the election of Labour governments in late 1999 and 2002, there has been an ongoing evaluation of the effects of reform and a move towards greater fine-tuning of the new system in the light of the lessons of that evaluation. This chapter is concerned primarily with the management and employment aspects of both the original reforms and of the current evaluation.

The State Sector before Reform

New Zealand’s modern state sector arrangements can be dated from 1912 when the Public Service Act of that year first established a coherent structure for state...
service employment. Before 1912 the state service was disorganised, subject to political influence and patronage: a time described by one writer as ‘an incredibly dark and dismal period for the career service, for efficient government and for personnel policies’.\(^5\) The 1912 Act was intended to create a professional, unified career-based public service. Central to the Act was the creation of the office of Public Service Commissioner who stood between the politicians and the public service, who acted as the employing authority for the state service and who had overall responsibility for the efficient and economical operation of the service. The 1912 Act introduced a number of features which were to continue as the cornerstones of the state sector until the reforms of the late 1980s.\(^6\) These included:

- The elimination of direct political influence on matters related to individual employment. This was achieved through the statutory delegation of responsibility for personnel matters to the Commissioner. The legislation included an obligation that the Commissioner ‘in matters relating to decisions on individual employees… shall not be responsible to the Minister but shall act independently’.\(^7\) This formulation is retained in s 5 of the current *State Sector Act 1988* for all state employers, which also makes it an offence to attempt to influence the employer in respect of such matters.\(^8\)
- The introduction of a system of occupational classifications ‘according to the nature of the duties required to be performed’\(^9\) and the placement of state servants on the appropriate grade. This led to a detailed and rigid occupational structure operating across the state sector, subject to appeal and review.
- Detailed statutory personnel provisions covering appointments, promotions, transfers and disciplinary matters.
- A merit based appointment system but one which gave existing public servants priority over external applicants, who had to demonstrate ‘clearly more merit’ than an internal applicant.\(^10\)
- An appeal system allowed for appeals against grading decisions, non-appointment, non-promotion and the like as well as disciplinary actions. The Appeals Board was chaired by a magistrate and had one member nominated by the Commission and two by the main service union, the Public Service Association (PSA).

Originally this structure made no provision for employee involvement in the determination of pay and conditions. State sector employees were excluded from access to the arbitration system, which allowed collective participation in the private sector, and had no bargaining rights with the Commissioner. This situation was remedied with the passage of the New Zealand *Government Services Tribunal Act 1948*. This Act and its successors set up a parallel system of industrial relations for the state sector. The system provided for the determination
of the full range of terms and conditions of employment both generally and for occupational classes. The primary principle used in setting pay and conditions in the state sector was that of fair comparability with the private sector although a range of other factors were relevant. A system of compulsory arbitration through a Public Sector Tribunal was created to determine disputes relating to pay and conditions. The Tribunal was chaired by a Judge of the Arbitration Court and included both an employer and employee representative.

This system survived largely intact until the reforms of the late 1980s. The major changes occurred in relation to the Commissioner who became a three person Commission in 1946. This body was renamed the State Services Commission (SSC) in 1962. This first change seems to have been the result of the expanding activities of the state and followed an increase in the number of government departments in 1946 following the report of the Public Service Consultative Committee. The latter change, however, resulted from the recommendations of a Royal Commission into the state services and was intended to address the perception that the Commission had become preoccupied with personnel and industrial relations matters to the detriment of ensuring an efficient public service. Whatever the intention in practice,

the SSC largely continued the tradition set by its predecessor. Personnel and industrial relations matters became its main concern. Indeed, considering the general volatility of industrial relations in New Zealand during the first twenty years of the SSC’s life, it could hardly do anything else.¹¹

Concern with the structure of the public sector continued to be expressed through the 1970s and reached a crescendo in the 1980s. An official, but retrospective, view was that prior to reform the public sector ‘was seen to have a bloated workforce, rigid employment conditions, unclear objectives, and a dearth of consequences for failure to perform’.¹²

The theoretical and practical drivers leading up to the reforms of the 1980s are discussed in detail by Boston¹³ and need not be discussed in detail here. The economic and political theories involved were not unique to New Zealand and lie behind public sector reform generally. Within New Zealand, theoretical and ideological pressures that stressed the need for efficiency and improved management and accountability structures were reinforced by a number of local political factors. These included perceived issues of political accountability. In particular, a belief had developed within the Labour Party, arising from its time in government in 1972-75, that the public service had become impervious to the views of elected governments. A combination of the public service culture and officials’ policy inclinations was seen as having undermined policy objectives.¹⁴

Another factor was that the state pay fixing system was outside direct political control, a situation that had important consequences for government expenditure,
especially for a government determined to exercise tight fiscal control. Awards of significant pay increases during the early period of the 1984-90 term of the Labour government made it clear to the government that fiscal control required significant reforms to the pay fixing system.

The Reforms of the 1980s

The reforms to the public sector came in three phases. The first involved the separation of central government functions from the wide variety of other government and quasi-government organisations covering various state functions, a reform implemented by the *State-Owned Enterprises Act 1986*. The second phase was the reform of the state sector through the *State Sector Act 1988* which repealed the *State Services Act 1962* and the *State Services Conditions of Employment Act 1977* and thus the structure that was established in 1912. The *State Sector Act* brought state industrial relations and employment largely into line with that of the private sector. Finally the *Employment Contracts Act 1991*, which applied to both the state and private sectors, allowed the introduction of significant industrial relations changes. On top of these reforms sat the *Public Finance Act 1989* which introduced new systems of financial management and accountability into the state services.

State-Owned Enterprises Act 1986

The *State-Owned Enterprises Act* was passed to provide a new corporate structure for government trading activities and in particular to require them ‘to operate as a successful business’ and to be ‘[a]s profitable and efficient as comparable businesses that are not owned by the Crown’. Although some government owned entities were already corporations (such as Air New Zealand and the Bank of New Zealand) this number greatly increased with and following the enactment of the *State-Owned Enterprises Act*. Unlike traditional public service entities, State-Owned Enterprises (SOEs) were created as companies with boards of directors who, while responsible to the shareholding ministers, were held accountable on commercial criteria. From an employee perspective the consequence was that the state sector employment structure ceased to apply and much greater flexibility was introduced in setting terms and conditions of employment. Although SOEs were required by the Act to be ‘good employer[s]’ this somewhat nebulous obligation had little substantive impact as the new SOEs sought to impose managerial control and implement new organisational structures and values. Indeed, corporatisation was in many cases the first step toward privatisation, as an unstated object of the Act was to prepare such SOEs for sale. Major restructuring, usually associated with significant reorganisation and large-scale redundancies, preceded the privatisation of many of the new SOEs.
State Sector Act 1988

The second, and most important, phase of reform came with the State Sector Act 1988. It was this Act that abolished the traditional structure for the state sector as a whole and which introduced a radically new vision of state sector employment in which the concept of a unified public sector was abandoned and replaced by one centring on individual departments. The main features of this Act were as follows:

- The role of the SSC was radically altered to focus on reviewing the machinery of government and the performance of departments and their chief executives. This body was itself abolished in 1989 and was replaced by a single State Service Commissioner as chief executive of the SSC. The SSC retains some personnel and industrial relations roles but the main operational function is that of appointing chief executives.

- Individual departments were now headed by chief executives. Each chief executive is responsible for ‘carrying out the functions and duties of the Department’; tendering advice to ministers; for the general conduct of the department and its ‘efficient, effective and economical management’. Political accountability is to the responsible minister but there is also management accountability to the State Services Commissioner through performance review mechanisms. Chief executives are appointed for a maximum term of five years although the term is renewable.

- The chief executive of each department became the employer of the department’s staff with the power to appoint and remove employees and has ‘all the rights, duties, and powers of an employer’ except as otherwise specified. The SSC, however, retains the responsibility for negotiating conditions of employment, although in practice this responsibility was, over time, largely delegated to chief executives. The SSC also retains responsibility for developing and promoting personnel and equal employment opportunities (EEO) policies. A similar division of responsibilities was introduced in the education sector where individual school Boards of Trustees became the employer.

- In conjunction with the new division of employment responsibilities the distinctive system for dealing with state sector personnel and industrial relations matters was abolished and the state sector was brought within the mainstream realm of private sector employment law. This included coverage by the then Labour Relations Act 1987, which governed collective negotiations and provided employment protection through the personal grievance provisions. In other areas the common law governing employment contracts applied. The main remnants of the previous system were a broad, but relatively vague, statutory obligation to act as a ‘good employer’ and an obligation in making appointments to ‘give preference to the person who is...
best suited to the position’. Substantive appeal and review rights in relation to personnel decisions were, however, abolished.

Employment Contracts Act 1991

The Employment Contracts Act was introduced with the objectives of providing a more flexible labour market and enhancing management power in its relationships with unions and employees. This Act had a number of impacts on industrial relations. Generally, the overall impact was a significant individualisation and de-unionisation of the New Zealand workforce. The Act effectively abolished the previous system of collective bargaining on an occupational/industry basis at a national level and replaced it, where bargaining remained feasible, with one of enterprise-based bargaining. The introduction of voluntary union membership in combination with the restrictions on bargaining significantly weakened union strength in general. Although the Act applied to employees generally it played a major role in reshaping state sector employment. The Act came into effect only three years after the State Sector Act and at a time when chief executives were seeking direct control over collective bargaining in their departments. The Act provided the legislative environment which gave the SSC the confidence to delegate to chief executives and gave chief executives the powers to use that delegation in a pro-active and industrially aggressive manner.

Public Finance Act 1989

This Act, while not directly concerned with state sector employment, is of central importance when considering the drivers influencing the changing characteristics of state sector employment. As noted by Boston, ‘the State Sector Act and the Public Finance Act cannot be viewed in isolation from one another: they form an integrated whole’. The Public Finance Act introduced a system based on inputs, outputs and outcomes. In essence, the government, having decided which outcomes (less crime, better educated workforce) it sought, then appropriated the necessary monies necessary to achieve those outcomes. These monies financed the inputs (resources such as labour, physical resources etc) to purchase the necessary outputs (policy advice, service delivery, administration of transfer payments etc) needed to achieve the desired outcomes. In order to operate this scheme, the Act also introduced new and more transparent financial reporting and management systems, as well as improved accountability mechanisms, to allow government and parliamentary monitoring. The responsibility for achieving the contracted outputs rested with the chief executive of the relevant department or agency who was accountable to the relevant minister. Chief executives were also accountable to the State Services Commissioner for the management of their department in terms of their individual performance agreement. The corollary of the new accountability mechanisms
was managerial flexibility — if chief executives were to be accountable not only for the contracted outputs but also the ‘efficient, effective and economical management’ of their department they required the necessary managerial autonomy to achieve the contracted results. The State Sector Act and later the Employment Contracts Act provided the tools necessary for managing the employment dimension of the ‘new’ state sector.

Redesigning the State Sector

The passage of these four key pieces of legislation described above provided the required platform for the reforms to the state sector envisaged in the Treasury’s briefing paper to the Labour government re-elected in 1987. This paper identified the key aspects of the reform programme as clarity of objectives, freedom to manage, accountability and effective assessment and information flows. While the reform process was implemented by Labour, it continued with equal vigour when a conservative National government was elected in 1990.

The legislative platform provided the catalyst for massive change throughout the state sector as the new freedoms accorded by the legislative framework allowed the key reform objectives of structural, infrastructural and cultural change to be implemented. The result was a radically redesigned public sector. One consequence was the formation of the three-tier state described below and, although the basic reform model was similar for all tiers, there were significant differences as a result of the functions performed by each tier.

The Public Service

At the centre was the public service consisting of the core government departments such as Treasury, Ministry of Foreign Affairs and Trade, Ministry of Justice, Ministry of Education and so on. It is these bodies which carry out what most people would regard as the principal functions of government, in particular advice on the development of government policy and the implementation of that policy. Normally the chief executive is accountable directly to a minister and operates under close ministerial control. The employees of these departments are also those likely to have continuing direct contact with ministers. These departments are specified in the First Schedule to the State Sector Act. The chief executive of each department or ministry is appointed by the State Services Commissioner, although the government does have the power to veto an appointment. The chief executive is accountable to the Commissioner for the management of the department.

Crown Entities

Crown entities were those bodies listed in Schedule 4 of the Public Finance Act and consisted of a wide and diverse range of bodies with an enormous variation in function and form that were subject to the provisions of the Act. Crown
entities were created and funded by government to provide specific, but non-commercial, functions and are normally governed by a government-appointed board and managed by a chief executive. The exact status of Crown entities and their link to the central political structure was sometimes less than clear, often deliberately as ministers may prefer a ‘hands off’ policy and the maintenance of a high degree of political distance between themselves and the entity. Indeed, a healthy degree of political independence is often necessary for some Crown entities to work successfully. The two largest groups of such entities are in health (District Health Boards, which administer hospitals) and education (individual School Boards of Trustees), but they include a wide range of other bodies ranging from the Accident Compensation Corporation through to the Fish and Game Councils, the Human Rights Commission and the Trustees of the National Library. Apart from the education service, these bodies were not directly covered by the *State Sector Act* although the Prime Minister may authorise the Commissioner to carry out any of its statutory functions in respect of any part of the state services. The government ownership interest in Crown entities is monitored by related departments/ministries (for those entities other than Crown companies). The government ownership interest in the financial performance of those Crown entities classified as Crown companies is usually monitored by the Crown Company Monitoring Advisory Unit (CCMAU). This unit is a semi-autonomous body attached to the Treasury but providing independent advice to Ministers about Crown companies. CCMAU focuses on ‘entity performance at a company level, while the Treasury focuses on the economic and fiscal implications of the Crown’s investment’.27 There are a few exceptions to the CCMAU monitoring regime. For example, monitoring of health sector ownership now resides with the Ministry of Health and the tertiary sector with the Ministry of Education, and the Accident Compensation Corporation is monitored by the Department of Labour. The CCMAU, however, takes the lead in developing best practice in the monitoring of ownership interest.

A significant amount of government work is conducted in Crown entities and they represent a major interface between the public and the government. Outside education and health however, they are the organisations about which government has known and cared the least. Structurally, their status and governance has been vague: ‘[i]n sum, the Crown entity regime has inadequate governance arrangements, patchy accountability, and significant legislative gaps and inconsistencies’.28 Several politically embarrassing incidents, including inappropriate payments to board members and chief executives of some Crown entities, catalysed more serious review. Hence, detailed guidelines for Ministers, Crown entities, their boards, and public service departments were issued in 1999, and the SSC began working towards a legislative clarification of the roles of Crown entities. This was identified as ‘one of the key initiatives designed to support the government’s goal of improving trust in government organisations’.29
This, in combination with initiatives arising from the Review of the Centre (2001), finally resulted in the passing of the *Crown Entities Act 2004*, both of which are discussed below.

**State Owned Enterprises**

The overall practical effect of the *State-Owned Enterprises Act* was largely to remove SOEs from the state sector employment system. As a side effect, however, the SOEs provided a managerial and employment model for the subsequent reforms to the remainder of the state sector. SOEs operate in a similar way to private companies and are driven primarily by the same commercial imperatives. Generally they operate independently of government, although from time to time political factors may become relevant. A recent example is government modifications to state-owned television charters to require a greater focus on local content which is likely to be at the expense of maximum profitability.

**Implementing the New Design**

The redesign of the state sector, underpinned by the theories of new institutional economics, was based around the key principle of functional separation. This involved the separation of policy functions from operations and service delivery; of ownership from purchase; and of funding, purchasing and provision of services, with the intention of encouraging competition between service providers and creating greater focus, synergy and information. Within the public service, it led to the breaking up of large government departments into separate policy ministries and service delivery departments. For example, the Department of Justice splintered into the small policy-focused Ministry of Justice, a Department of Corrections responsible for the prison and probation service, and a Department for Courts responsible for running of court services. Some other services from Justice were reallocated to other departments. The large Ministry of Transport was restructured into a small policy ministry with the regulatory functions being shifted to new Crown entities such as the Land Transport Safety Authority, the Maritime Safety Authority and the Civil Aviation Authority. These examples were typical of the comprehensive process of restructuring throughout the public service. Moreover changes to the form and status of organisations have remained an ongoing feature and the public service continues to be characterised by mergers, de-mergers, abolition and creation of new entities. For example, in 1995 the Ministry of Agriculture and Fisheries first de-merged to become a Ministry of Agriculture and a Ministry of Fisheries. Then in 1997, a merger with the Ministry of Forestry (which had been formed in 1987) created the Ministry of Agriculture and Forestry. Most employees in these organisations had experienced five restructurings in a ten-year period. Similarly, in 2003, the Department for Courts was merged back into the Ministry of Justice.
The wider state services also joined the restructuring merry-go-round. One of the most important examples was the health sector. A change of government in 1991 heralded a move to ‘managed competition’ through the implementation of a structural model separating the funder, the purchaser, and the provider. This saw 14 Area Health Boards (with community elected boards) transformed into 23 Crown Health Enterprises (with commercial boards of directors accountable under the Companies Act 1993) and with a legislated mandate to work for profit (Health and Disability Services Act 1993). The Act changed the role of the Ministry of Health to that of ‘funder’, created four new purchaser or contracting entities in the form of Regional Health Authorities, and established a Public Health Commission. In 1995 the Commission was abolished and its functions absorbed back into the Ministry of Health. The election of the Coalition government in 1996 saw the profit imperative removed from Crown Health Enterprises and replaced with an instruction to operate in a ‘business-like manner’. In the interim, the numbers of Crown Health Enterprises reduced from 23 to 21 as financially unsustainable regions merged with neighbouring enterprises. Similarly, the four Regional Health Authorities were eventually merged in 1998 to form one purchasing agency, the Health Funding Authority. In 1998 the remaining 21 Crown Health Enterprises became 22 Hospital & Health Services entities (21 hospital regions and one blood service). Most recently these services have been reincarnated as 16 District Health Boards and the Health Funding Authority has been absorbed into the Ministry of Health.

These examples are the tip of the iceberg — structural change has been pervasive throughout the core public service and the broader state sector, and there is no state-funded organisation that has not been impacted. This structural change continues to this day, albeit at a less frenetic pace, and despite a centrally espoused preference not to restructure. More recently the Commissioner has signalled a move from reform to development.

Restructuring the Employment Environment

As might be expected, one of the most important consequences of the reforms has been the immediate and longer term impact on managers and staff, and on systems of industrial relations and human resource management. These changes have fundamentally and irrevocably changed the employment experience of public servants. The reformed state sector was seen as requiring a new model of employment. This model had two main dimensions. The first, much greater control over state sector pay levels was, at one level, a result of the government’s desire to control and reduce overall government expenditure. Greater control over industrial relations and especially pay outcomes was, however, also needed as part of the new state sector management model. If chief executives were to be accountable for their departmental budgets and required to operate within strict fiscal parameters, they required the power to control and manage labour...
costs. This, in turn, required the ability to assert the necessary bargaining strategies to achieve desired cost outcomes. The result was that a much more pro-active and aggressive approach to pay demands and employment generally was adopted both at central and departmental level.

The second dimension was that of a new approach to human resource management at departmental level as chief executives sought to impose a new culture of managerialism and to re-focus the employment relationship at the level of the individual department or agency rather than on the public service generally. The new public management system was reflected not only in the structure of the state sector but also in the management of its constituent organisations. The State Sector Act 1988 removed administrative control from central agencies and devolved managerial responsibility to chief executives. As summarised by Pollitt: ‘[i]t shifted the role of SSC from that of employer and manager of the public service to that of employer of the Chief executives and advisor to the government on general state sector management issues’. The previously centralised bureaucratic control of the public sector became devolved to organisation-specific employment relationships. Underpinning these changes was the drive to establish accountability. ‘[T]he principal concern was to be clear about accountabilities. This concern manifested itself in a simple proposition, namely that managers in the State sector could be held accountable only for things they could control’. The accountability of government agencies was managed via a cascade of contracts: purchase agreements for specified outputs between the minister and the department, performance agreements and employment contracts between the chief executive and the State Services Commissioner and between the chief executives and their senior management, and similarly between management and staff.

**Industrial Relations**

The abolition of the old public service pay fixing system and especially its centralised arbitration and negotiating system allowed much greater flexibility for the government in its approach to industrial relations. From the perspective of the government of the day, the most important change was almost certainly that its ability to control the fiscal outcomes of collective bargaining was massively enhanced. Under the previous system, governments were required to meet the costs of independently agreed settlements. Under the new system the culture changed as governments made it clear they would no longer automatically meet the cost of negotiated settlements and that the cost of any settlement would need to be met from existing funding. This approach led to a much more active bargaining stance by state employers, initially the SSC and later individual chief executives. As a result, the rate of state sector pay increases decreased significantly and fell behind increases in the private sector. Initially, collective bargaining was tightly controlled from the centre, the SSC being the
bargaining party for virtually all state pay negotiations. Over time, however, this control was relinquished and passed to individual chief executives with the SSC retaining only an oversight role and ensuring that government policy on state sector pay was implemented. Greater delegation was partly the result of pressure from chief executives seeking full control over this central part of their operation, but it was also the result of increasing experience within departments and greater confidence by the SSC that the new culture was ‘in place’. Delegations increased markedly following the enactment of the *Employment Contracts Act*.

Within departments the new freedom was employed not only to limit the rate of wage increases, but also to reduce the range of employees covered by collective bargaining and to bring greater flexibility to employment contracts. Traditionally, state agreements had covered virtually all employees. However, with the new managerial emphasis, there was a largely successful, co-ordinated drive to remove senior levels of management from collective coverage, although these managers often then achieved considerably higher levels of remuneration under the new system. Individual contracts were seen not only as allowing greater accountability but also as encapsulating the new management ideology that held that managerial employees should not be unionised. Outside the education sector, where a combination of legislation and strong industrial pressure was required, there appears to have been little resistance to these moves. Other characteristic changes within the period saw specific pay scales replaced by ranges of rates, the abolition of automatic advancement, an increase in individual contracting and the like. In 1995, 17 per cent of employees in the core public service were on individual contracts. By 2001 that number had increased to 45 per cent.

Given the impact of the *Employment Contracts Act* in the private sector, it is worth observing that the degree of change was much less in the state sector. There was, for example, little fragmentation of bargaining below departmental level so that bargaining units remained relatively large. Within the education sector in particular, bargaining continued to be largely at sector level although the traditional division between primary and secondary teachers remained. The ability of state sector unions to continue to bargain effectively was one reason that unions in the state sector fared considerably better than their private sector equivalents. Additionally, unlike private sector unions, state unions also had the advantages of a long tradition of voluntary membership and a membership centred in relatively large-scale, and hence organisable, units. The state unions never experienced the massive declines in union membership suffered by their private counterparts. The Victoria University union membership survey reported that the drop in union membership in the public and community services sector (primarily government employment) was 21 per cent between 1991 and 1999. This figure is the lowest, by a substantial margin, for all industry groups. The report for 2003 states that bargaining density in the state sector was about 61 per cent compared with 13 per cent in the private sector. The major union in
the core public service, the PSA, survived and is the second largest union in the public sector and third largest in the country. The major educational unions remained strong as did the professionally-orientated unions in the health sector. There was some union fragmentation, but this was limited and tended to be confined to particular areas of employment such as prisons, inland revenue and customs. Such unions were usually formed to represent dissatisfied PSA members who felt betrayed and unsupported throughout the extensive restructuring exercises of public sector reform. In some cases such members also tended to disagree with the PSA’s policy of constructive engagement with management during the restructuring period.

**Human Resource Management**

The new public management system reshaped systems of human resource management as responsibility was devolved first to departmental level and then, internally, to line managers. Individual line managers and human resource managers engaged in employment management practices that emulated those of their private sector counterparts. A variety of infrastructural mechanisms was used to bring about change. These included, most prominently, the assurance of accountability at various levels through new forms of employment contracts and performance management systems. These were coupled with a new focus on efficiency and the introduction of the language, systems and ideas of corporate human resource management. The consequence was, inevitably, a marked change in the employment experiences of state sector employees.

SOEs led the way throughout 1986–7 as corporatisation procedures changed them from monolithic government organisations to commercially focused businesses, embracing private sector practices in order to improve their business delivery capacity and as part of the lead-up to ultimate privatisation. Because of this restructuring and privatisation, the number of jobs in SOEs dropped from 84,000 to 22,000 between 1988 and 1997. The SOEs’ successful, no-expense-spared transformations provided a blueprint for the change and creation of Crown entities and the core public service. In the case of the core public service the key change signal was the enactment of the *State Sector Act* in 1988 and over the next year government agencies transformed themselves, both symbolically and practically, through an ‘out with the old, in with the new’ philosophy. This transformation included the wholesale disposal of the Public Service Personnel Manual and the assorted rules, delegations and supporting systems; staff sections were reborn as Human Resource Management (HRM) units; permanent heads and deputy secretaries transmogrified into chief executives and general managers; bureaucratic rules were replaced with ‘high performance workplace practices’; and regulated transparency (such as publicly available pay scales and occupational classifications) was replaced by ‘market related’ employment flexibility (results of job sizing are not publicly available,
Performance-based pay systems were introduced at senior management levels and staff levels, although in practice budget pressures at staff levels often rendered performance pay meaningless for many employees.\textsuperscript{41}

Associated with these changes, and reflecting private sector HRM trends, government organisations flattened their levels of hierarchy and moved to business unit/single focus type structures, thus replicating functional separation imperatives at an organisational level. The approach of agencies to organising and acquiring their workforces changed with a move towards maximum flexibility characterised by a smaller core of permanent staff and increased reliance on a peripheral or transient staffing base of fixed term contractors and consultants.\textsuperscript{42} Restructuring, lack of sector-wide focus, and flattened organisations, accompanied by significantly reduced numbers of permanent staff, contributed to a loss of career structures within organisations and across the public sector. At management levels this was exacerbated by the failure of the Senior Executive Service (SES) established under the \textit{State Sector Act} with the intention of providing a core pool of sector-wide public service management expertise. The failure of the SES epitomised the tension within the Act between giving individual chief executives management autonomy and encouraging the collective entity of the public service as a whole. The success of the SES relied on chief executives relinquishing some of their newly found management discretion over the salaries and conditions of their senior managers. Not surprisingly this did not meet with resounding support with the result that by 2000 New Zealand had the smallest SES in the OECD with a membership of fewer than 30 managers.

A distinctive feature of the \textit{State Sector Act}, which separates public management from private sector management, is the statutory obligation of state employers to be ‘good’ employers. These obligations are mainly written in general, and probably unenforceable, terms but they also include responsibility on chief executives for meeting the aims and aspirations of EEO target groups. Recent research reports that this legislative requirement has resulted in

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\textit{success in producing better EEO outcomes … for target group members by affording them improved access to public service employment … \[W\]ith respect to representation rates the public service consistently and comprehensively outperforms the general labour force. The representation rates found in the public service are nearly double those for the wider labour force.}\textsuperscript{43}
\end{quote}

Target groups, especially women and Maori, fare much better in public service employment. However, although these groups are better represented in the public service, they are not better paid. This issue is not isolated to EEO target groups. The large disparity in pay rates between management and lower level
staff has been reported to government as an issue of concern across the state sector.  

The Consequences of Reform

State sector reform was just one, albeit highly visible, set of changes in the last 15 years. Economic reform, electoral reform, civil rights and social reform have all been implemented through various state mechanisms — primarily legislative and structural. All these changes have contributed to a changing culture affecting not only the workplace but also home life, and even the sports field. The changes to the state sector are only one element of these changes but they have nevertheless permeated and affected most New Zealand households.

Between 1987 and 1992 the core public service reduced in size by 47 per cent from 89,000 to 47,000 staff. Fluctuations in numbers have continued so that by June 2001 there were just over 30,000 staff. However, according to the SSC ‘despite the reduction in the size of the core public service, the overall level of government activity in the economy has been relatively constant over the past 20 years’. In some cases this reduction has come about through the transfer of core public service activities to the Crown entity sector.

As already noted, the economically inspired institutional separations, contracting out of activities, and devolution of managerial discretion led to the rapid disaggregation of the public sector. The reforms gave focus and flexibility but they also produced fragmentation and short-term behaviours. The collective interest ceased to be a salient consideration in the activities of public agencies as organisational and individual objectives and performance became the driving concerns. The introduction of the language and ideas of HRM reinforced this individualist perspective and helped to cement a changed culture.

Because ‘the public sector set out to close the gap between public sector management and the best private sector management’, the clear drive throughout the reforms was for a more business-like corporate culture. This has been reflected not only in the introduction of the notion of management (as opposed to supervision or administration) and a new public sector management vocabulary, but also through the development of a carefully managed corporate image. This is seen in staff presentation, in public consultation documents, in advertising, in reports and not least, in the physical presence of government agencies. For instance, the interior decoration of many government agencies has provided a highly visible sign of a more modern, some might say more profligate, corporate culture. The most politically charged example of this was associated with the creation of Work and Income New Zealand (WINZ), the department responsible for the administration of welfare benefits and unemployment policies. The conspicuous and expensive rebranding of the department, various political scandals concerning the costs of corporate administration and the highly...
personalised image of the chief executive led to several years of political attack, a review of the department, and eventually to non-renewal of the chief executive’s contract. Even Treasury was not immune from this criticism when a scandal regarding the cost of the imported furniture in the chief executive’s office attracted media attention. This corporate re-imaging, and assumed mirroring of the private sector, has however been at some cost and resulted in some loss of sight of the essential nature and fundamentals of the public service. Indeed, it could be argued that the desire to be different, more like the private sector, has led to direct (and indirect) denigration of the people, structures, systems and processes which were perceived to be too public service-like.

However much state sector managers may aspire to be like the private sector there are fundamental differences between the two sectors and in particular different accountabilities. In the final analysis, the state sector remains accountable to the government and through it to the public. Whatever the culture and whatever the formal structure, politicians remain politicians and are driven by political imperatives. One consequence of the changes outlined above has been to make the public sector more exposed to the vagaries of political life. Although formally chief executives are accountable for departmental performance to ministers, who in turn are accountable to and answerable to Parliament, the new structures have, in practice, had the result of shifting responsibility downwards. The focus on accountabilities has often had the effect of personalising particular issues. It is, for example, not uncommon for individual line managers, rather than their chief executive, to front the media over contentious issues in their units. Nor is it unusual now for members of Parliament and ministers to publicly point the finger at individual public servants. Ironically, it seems that a lack of trust in government by its citizens has fuelled governments’ lack of trust in its agencies. This, in turn, has at times strained relationships between ministers and chief executives, resulting in a number of recent high profile cases of a complete breakdown in the relationship. The most high profile example concerned the chief executive of WINZ but this case was not an isolated example.

The perception of a breakdown of public service ethos is no doubt a function of constant restructuring, downsizing, individualisation and loss of career that has led to perceptions of a culture in which there is less trust and less loyalty. Academics and cabinet ministers alike observe that the structuring of institutions and incentives has undermined individual loyalty and the public service ethos, and the change, or loss, of this ethos as a consequence of the reforms has been widely rued by a number of commentators. In keeping with obligations imposed under the *State Sector Act*, the SSC issued a Code of Conduct, and other publications to guide public servants generally and chief executives specifically.
in the public service ethos.\textsuperscript{55} But in a devolved regime, with the multiple cultural and accountability pressures already discussed, these have had little impact.

In one annual report the State Services Commissioner noted that ‘a few high-profile cases of public servants abusing their power, and the public’s trust, has made me take these values less for granted’.\textsuperscript{56} Similarly, he extended these concerns beyond the core public service (hence beyond the then SSC sphere of influence) to Crown entities. It was stated that ‘[t]he transfer of service delivery functions out of departments into separate legal entities that have adopted, consciously or unconsciously, different corporate cultures probably has contributed to the change in long-established Public Service values in these organisations’.\textsuperscript{57} Various measures were taken to address these issues. In November 2000 a State Sector Standards Board, reporting annually to the Minister of State Services, was formed to provide an ‘outside’ perspective of state sector ethos. The Board’s first report summarised a state sector environment in similar terms to that described in this chapter and noted the following as important influences on ethos: leadership, performance management, remuneration, governance, the role of the State Services Commission, and relations with politicians.\textsuperscript{58} Significantly, many of the issues raised by this Board were incorporated in the subsequent Review of the Centre Report (2001), which has been highly influential on the future shape of the public sector.

The pursuit of flexibility, individualisation and focus on the individual business needs of each government agency led to inconsistent and short term human resource management practices across (and sometimes within) agencies.\textsuperscript{59} Training provides a clear example of the resulting problems. Prior to the reforms there was, for example, a co-ordinated public service graduate recruitment scheme aimed at investing in and developing capability for the public service. Recent research, however, shows that there are now very few graduate recruitment strategies operated by government agencies and in some cases there is a distinct preference to recruit only experienced personnel.\textsuperscript{60} Other research has found that organisations often have no training and development strategy and that opportunities for training are generally driven by individual staff initiatives. Consequently, there is limited connection to desired organisational capability.\textsuperscript{61}

The lack of investment in developing the public sector labour market as a whole has come back to haunt all agencies and is now magnified by global shortages in skilled staff. As Walsh observed, early in the public sector change process, the reforms significantly reduced the internal labour market and hence its future survival was a subject of much interest.\textsuperscript{62} By 1997 and 1998 SSC reports noted serious shortfalls in strategic HRM planning in (and across) government agencies, including a lack of forecasting of future skill demands and how to meet them. Famously, in 1999 one public service department (ostensibly due to lack of
internal capacity) used consultants to prepare the departmental brief to the incoming Labour - Alliance Coalition government which during the election had stood on a platform of reducing the use of consultants in the public sector. These issues of human resource capability (and political embarrassment) have given rise to the recent fascination with organisational capability.

Many of the predicted impacts were comprehensively confirmed by the results of a public service wide survey of ‘career progression and development’. This found that while public servants want to progress their careers in the public service ‘half of public servants felt their opportunities for advancement were “Poor”’. This was attributed to ‘[f]lat management structures, a lack of visible career paths, inadequate information about job vacancies, and a perceived preference for departments to source talent externally rather than to “grow” their own’. The report noted that ‘concerns about fairness and its impacts on career progression were a recurring theme … especially related to selection processes and differential access to development opportunities’.

**Trends into the Twenty-First Century**

For the future, one thing seems certain. The experience of public sector employment in New Zealand will continue to change. The direction of that change has been signalled by recent initiatives which address mounting concerns about public management issues including: the perceived fragmentation and lack of coordination of the public sector as a collective entity; issues of skilled labour supply; issues of short term focus created by contract and accountability mechanisms; diminution of a public service ethos; issues of organisational capability; perceived lack of trust of government organisations; and issues of control in the health and welfare sectors.

Many of these concerns were targeted by the *Report of the Advisory Group on the Review of the Centre*, conducted for the Ministers of State Services and Finance. The Advisory Group was made up of public service chief executives, external commentators and a PSA union representative. It proposed improvements to the public management system in three areas: first, integrating service delivery across multiple agencies; second, addressing fragmentation of the state sector and improving its alignment; and finally, developing a stronger culture, a better place to work and a focus on developing people. It was proposed that these improvements would be achieved through ‘new ways of working’. These new ways included changes to the accountability and reporting system; ‘structural consolidation’ (ie reducing the numbers of government agencies), and a culture shift within the state sector. For example, it was proposed that cross-agency ‘circuit-breaker’ teams be established to solve intractable problems in service delivery and to enhance regional coordination of state sector agencies by building on existing models of local coordination. The proposed improvements
to accountability and reporting systems hinged primarily around a better focus on outcomes through departmental Statements of Intent (SOIs). SOIs are planning documents that provide a better link between outputs and outcomes, and are discussed and signed by the minister and the chief executive to signal mutual commitment to ensuring the department’s capability to deliver. The structural consolidation envisages fewer agencies and ‘bigger, more “federal” departments comprising sub-units with compatible objectives’.68 The review report discussed formation of between seven and ten ‘super-networks’ as a move towards ‘substantial structural change’.69 This vision extended to Crown entities, and advocated a reversal of the functional separation between policy and operations. In addition, it called for a review and subsequent legislative change to resolve confused governance arrangements in the Crown entities. This was expected to build on the work already completed in the Crown entities reform initiative.70

Perhaps the most significant proposal was the exertion of greater leadership by the central policy agencies of the SSC, the Treasury and the Department of Prime Minister and Cabinet. After a decade of dealing with Crown entities at arms length, this review applied its recommendations across the state sector. The Advisory Group advocated greater leadership by the central agencies, particularly the SSC, with regard to people and culture. To achieve this, it recommended amendments to the State Sector Act in order to extend the mandate of the State Services Commissioner to Crown entities, and suggested that

[t]here would be benefit in the progressive adoption of common standards, the sharing of good practice, and the development of joint systems or programmes … [I]ndividual agencies’ human resource planning [should] be done within the context of an overarching State sector human resources framework.71

Reassuringly, for chief executives, the review did not envisage any fundamental change from current employment arrangements, so that staff would continue to be employed by their own agencies. They did, however, ‘see a case for more active nurturing of the State sector workforce’.72 One important aspect of the new system was intended to be improved systems of training and development with a particular focus on leadership development. Together these activities signalled an expected change of priority and culture, and it was envisaged that they would promote state sector values and ethos. A further indication of commitment to strengthening state sector skills was New Zealand’s involvement in the recently formed Australia and New Zealand School of Government which involved a partnership with the Australian federal government, some State governments and a group of leading universities in both countries.

Surprisingly, however, given current industrial relations legislation and the sector-wide nature of these initiatives, the recommendations in the review report are all expressed as being in the context of the PSA’s Partnership for Quality
Agreement with the government. As was noted above, a number of other unions have emerged within the public service whilst, within the state sector generally, there are a number of large and well-established unions, especially in the education and health sectors. The review document, possibly because of the PSA representation and the public service experience of the Advisory Group, ignores the presence in the state sector of unions other than the PSA. There may also be a government preference for the more moderate and ‘responsible’ approach of the PSA partly because of experience with the partnership agreement which aims to better integrate the perspectives of staff in the operation of the state sector. In practice however, the government is unlikely to be able to avoid dealing with staff who have chosen to be represented by other unions. If nothing else, the ‘good faith’ requirements of the Employment Relations Act 2000 require consultation and negotiations with all relevant unions. It might also be noted that the report does not deal with representation of the significant number of state employees who have elected not to join a union.

This review gave a clear signal of the intended shape of the public management system for the early years of this century. It essentially proposed an exercise of reconnecting and recentralising that eschews aggressive change in favour of incremental change. In practice, however, the proposed changes are likely to have a very significant impact and one wonders if a perceived restructuring fatigue in the state sector has resulted in a ‘let’s not scare the horses’ approach that adopts the language of soft, incremental capacity building in a plan that in reality would have a major impact on many state sector workers. The report specified the expected differences staff would experience within five years. They ‘will receive more standardised training and education’, ‘will talk more proudly about their jobs, and the value of the State sector’, ‘will be working with other agencies more’, ‘may be working under different management or in a different organisation’, ‘will understand the overall vision and purpose better’, ‘will notice that their views get reflected in policy’, ‘will feel connected to Wellington’, ‘will see senior Wellington people at the frontline’, ‘will have more contact with people in other sectors’, ‘will find work more satisfying’. In other words, audacious incremental change! Indeed, for the observant, this so-called ‘incremental’ approach was exactly the thrust of a recent OECD symposium on the future shape of government reform.

Indeed, many of the recommendations of the Review of the Centre have been put into effect. In mid-2003 a new senior leadership and management development strategy was launched for the public service. A key part of this strategy is an Executive Leadership Programme delivered through the Leadership Development Centre, a Centre sponsored by public service chief executives. In mid-2004 the State Services Commission launched the Human Resources Framework which aims to be a new, shared approach to HRM for the public
service in order to build people capability. The framework provides departments with tools and guidance in four key areas: human resource planning; people capability development; employment environment and conditions; and other special projects. It also established structured secondments within the public sector, a common set of public service induction modules for all departments to incorporate in their induction processes, guidance on recognizing previous service in public service jobs, a process for identifying remuneration pressures across the public service, and encouragement of the Partnership for Quality between departments and the PSA union. In 2005 the State Services Commissioner launched six development goals for the state services: employer of choice, excellent state servants, networked state services, coordinated state agencies, accessible state services, and trusted state services. This is clearly a consolidation of the recommendations from the Review of the Centre.

A raft of legal changes, addressing concerns raised by the Review of the Centre, were brought about through the Public Finance (State Sector Management) Bill. The Bill, when enacted in December 2004, was split into four Acts: the Public Finance Amendment Act 2004, the State Sector Amendment Act (No 2) 2004; the Crown Entities Act 2004; and the State-Owned Enterprises Amendment Act 2004. These represent the largest legislative change in New Zealand public management in the last decade. The amendments to the State Sector Act, in combination with the Crown Entities Act, extend the mandate of the State Services Commissioner beyond the public service to the state services as a whole. This mandate includes providing advice on integrity and conduct to employees; advice on management systems, structures and organisations; and promoting senior leadership and management development, all to the wider state services.

The Crown Entities Act clarifies governance and accountability in order to achieve better alignment between agencies and government objectives. It also provides a framework for integrating Crown entities into the rest of the state sector for a strengthened whole-of-government. The Act creates distinct categories and types of Crown entity and establishes standard governance requirements for each category. These range in the proximity of their working relationship with the government: Crown Agents (eg District Health Boards) have the closest relationship and can be directed by the responsible Minister; Autonomous Crown Entities (ACE) (eg the Museum of New Zealand Te Papa Tongarewa) must have regard to government policy; Independent Crown Entities (ICE) (eg the Electoral Commission, the Human Rights Commission) operate at arm’s length from the government; at even greater remove are Crown entity companies which are established under the Companies Act (eg the nine Crown research institutes), School Boards of Trustees, and Tertiary Education Institutions. In terms of accountability the Act ensures more balanced reporting of Crown entity intentions, actual performance and outcomes.
While some of the ongoing agenda of structural, infrastructural and cultural change is talked about and clearly identified, as in the Review of the Centre and the suite of public management legislative amendments, there are also other developments that appear to be passing largely unnoticed by central agencies and public management commentators. Again, these are likely to impact significantly on the employment experience in parts of the public sector. The reason for this lack of overt interest may be that the initiatives respond to areas in which managerialism and contractualism are not best equipped to adequately control or ensure the quality of service delivery. These areas include the health and welfare sectors where the response has been to use legislated professional control mechanisms. For example, the Social Workers Registration Act 2003, which impacts primarily on employees in the government-funded welfare agencies, sets and monitors competence levels for social workers, thus providing some assurance of professional judgement. Similarly, over the last decade there have been various changes in legislation pertaining to health professionals. These include the establishment of a Health and Disability Commissioner to investigate public complaints relating to the health sector, as well as revamped competence standards for doctors and restructured disciplinary committees. Most recently the Health Practitioners Competence Assurance Act 2003 has been introduced, significantly so-named to encompass a broad range of practitioners in health. It seems likely that this type of occupational legislation will continue to develop and impact on the employment experience of social workers and health practitioners, a significant number of which are employed in, or funded by, the government.

A final factor will be the impact of new employment legislation. The most significant change from the perspective of the state sector in the Employment Relations Act 2000 is the ability to negotiate multi-employer collective agreements, a practice effectively prevented under the Employment Contracts Act as strikes in support of such bargaining were unlawful.

The impact of this change will be, and indeed has been, most marked in the health sector where the relevant unions have been able to negotiate national level agreements with the various separate District Health Boards. An indication of a more co-ordinated approach to the health sector was also seen in the enactment of a Code of good faith for the public health sector. In addition to such matters as requiring provision to be made for patient safety during industrial action, the code contains a number of provisions relating to employment and professional relations in the sector generally. These include the nature of management-employee relations and extend to recognising the role of health professionals as patient advocates and recognising the right of employees to comment publicly on matters within their experience and expertise.
Other significant changes in the state sector are unlikely as the state sector remained both highly unionised and continued to bargain collectively throughout the era of the Employment Contracts Act. The new environment may have contributed to a more vigorous approach to bargaining by state unions that have gained the confidence to attempt to address the comparatively slow growth in income levels. This is particularly evident in the education and health sectors where teachers and medical professionals have been particularly affected by government fiscal restraints. Recently a combination of industrial militancy, the ability to negotiate multi-employer agreements under the Employment Relations Act and government recognition of the uncompetitive levels to which salaries had fallen has resulted in both nurses and teachers receiving increases substantially in advance of the general level of settlements.

Interestingly, the government may be more exposed to grievances by state employees because of the changes in 2002 to the Health and Safety in Employment Act 1992 which added the management of stress in the workplace to employers’ responsibilities. This is because the construction of a leaner, more flexible state sector has arguably led to greater work intensification. The recent core public service career progression survey reported that three-quarters of public servants work more hours than they are employed for, and that heavy workloads were a recurring complaint. This was reported to deter employees from seeking more senior positions and limited their ability to take advantage of development opportunities due to time constraints. The costs of failing to manage workplace stress have recently been brought home by a successful legal action against a government department. The facts of this case provide a stark illustration of how centrally driven budgetary and performance concerns resulted in management largely ignoring clear warnings of increasing workplace stress. The case concerned a probation officer who resigned because of extremely severe stress-related heart problems caused by excessive workloads in an already stressful occupation. The problems, largely arising from staff shortages, were ignored by the department which saw shortages as a means to save money.

Conclusion

The reforms of the late 1980s and early 1990s introduced a comprehensive legislative base as a catalyst of change, and as a reflection of the strategic direction of government. In the employment setting the role of law as a protector of rights was down-played. This chapter is being written at a time when there appears to be something of a turning point in the state sector reform process. The ‘big’ reforms have been achieved and are now firmly embedded, as is the legislative framework and the supporting culture. It did however, become apparent that those reforms had been at some cost. This cost included a level of deterioration in the capacity and capabilities of particularly the core public service to carry out the functions of government. This deterioration should not be overstated
but there seems to be a realisation first, that private sector values and methodologies are not necessarily best suited to all the functions of government, and secondly that the public service had become unduly segmented with the result that there has been a loss of a broader public service culture.

This time, although the rhetoric is different, the mechanisms for achieving further reform in the state sector remain broadly similar — the law, structures, and culture. The degree of legislative change is smaller and less comprehensive, but still significant. For example the Crown Entities Act, the amendments to the State Sector Act, the Public Finance Act and State-Owned Enterprises Act, changes to the Health and Safety in Employment Act and other employment legislation including the Employment Relations Act, as well as the changes in professional/occupational legislation, will in combination have significant medium to long term repercussions throughout the state sector. The role of the law has ceased to be that of a catalyst for dramatic and bold change but has become more focused on achieving normative and cultural evolution within the state sector. The push for change will come from the ‘structural’ mechanisms: the committees, boards and project teams established to implement aspects of the Review of the Centre and the teams, networks and organisational consolidation that emerge as new ways of working. The cultural mechanisms are evident in an emerging new state sector lexicon around co-ordination, capability, sustainability, leadership, values and outcomes. Whether these will be reinforced in state sector workplaces, and across sectors, remains to be seen.

Indeed, as governments worldwide grapple with skill shortages, particularly in the health and education sectors, will a joined up/reconstructed state sector be enough to meet the potential labour market and employment relations challenges that face a small economy such as that of New Zealand?
ENDNOTES


4 In this chapter the term ‘public service’ is used to refer to core government departments while ‘state service’ is used to refer to the wider instruments of the Crown and includes, for example, the health and education services. This usage reflects the definitions in s 2 of the *State Sector Act 1988*. The terms ‘state sector’ and ‘private sector’ are used in a broader descriptive context.


6 The relevant Acts at the time of the 1980s reforms were the *State Services Act 1962* and the *State Services Conditions of Employment Act 1977* and the formulations below are from those Acts.

7 *State Services Act 1962* s 10(1).

8 *State Sector Act 1988* s 85.

9 *State Services Act 1962* s 41(2).

10 *State Services Act 1962* s 26(2).


15 Section 4(1).


19 Technically the previous government department had been the Office of the State Services Commission. This was renamed the State Services Commission with the Commissioner as chief executive.

20 Section 32.

21 Section 59.

22 Section 56. The definition of a ‘good employer’ in this Act is more expansive than that in the *State-Owned Enterprises Act 1986*.

23 *State Sector Act 1988* s 60.


29 Ibid 1.

Trevor Mallard (Minister of State Services), *Terms of Reference for Review of the Centre* (2001).


33 Pollitt, above n 1, 145.


40 State Services Commission, *Public Sector Reform in New Zealand*, above n 12.


42 State Services Commission, *Public Sector Reform in New Zealand*, above n 12.


45 State Services Commission, *Public Sector Reform in New Zealand*, above n 12.


47 State Services Commission, *Public Sector Reform in New Zealand*, above n 12, 7.

48 Scott, above n 30, 224.


50 State Sector Standards Board, above n 44.


52 See the Employment Court case of Rankin v Attorney-General [2001] 1 ERNZ 476.

53 Gregory, ‘Social capital theory and administrative reform: maintaining ethical probity in public service’, above n 3; Trevor Mallard (Minister of State Services), ‘Complying with the new government’s priorities and plans for improving public sector performance and accountability’ (Speech delivered in Wellington, 3 May 2000).


57 Ibid.

58 State Sector Standards Board, above n 44.


Reconstructing State Employment in New Zealand

64 Ibid 11.
65 Ibid.
66 Ibid 15.
68 Ibid 27.
69 Ibid 5.
71 Report, above n 67, 29.
72 Ibid 5.
73 Section 4 imposes the obligation to deal in good faith on the ‘parties to an employment relationship’, which it defines to include the relationship between a union and an employer, and affirms that the obligation applies to the matters of collective bargaining and consultation between employers and employees.
74 Report, above n 67.
77 State Services Commission, *Development Goals for the State Services*, above n 32.
78 *Health and Disability Commissioner Act 1994*.
79 *Employment Relations Act 2000, sch 1B*.
80 *Health and Safety in Employment Amendment Act 2002*.
81 State Services Commission, *Career Progression and Development Survey*, above n 63.
82 *Attorney-General v Gilbert [2002] 2 NZLR 342*. 

279