

**Speech to the Institute of Public Administration and Institute of Policy Studies
Tuesday, 13th October, 2009**

It is a real pleasure to be here. To give a little bit of my background in terms of the public sector, I worked for the Ministry of Foreign Affairs and Trade for the best part of five years after my time as a trouble making student leader! I also worked as an Advisor to Marian Hobbs and then Helen Clark for a total of five years. So I have experienced life on “both sides of the fence” as it were. I say this knowing that many of you have far more experience than I do, but to give you some idea of my relevant experience.

I also should note that the views I am expressing today are personal ones. The Labour Party is in its policy development process, but we are not quite at the stage of announcing major planks in the State Sector area at the moment.

I want to speak today about the major policy issues I believe will face the public sector over the next decades and the kind of public services that we will need to meet the challenges, and seize the opportunities of those issues. Before doing that however I think it is important to set the context for the delivery of those services – namely to examine the question of what is the role of government in modern New Zealand and in turn what legislative framework is necessary to translate that governmental role into action.

I am also conscious that I am not delivering this speech in a vacuum, and I want to tie in some of my comments to those made by both Bill English and Richard Norman early in this series. I say this as there is much in principle that I think we all agree on, but I think there are some questions that are up for debate in terms of putting those principles into action that I would like to discuss with you today.

As some of you may know I have just returned from a month in the USA studying aspects of their foreign policy. It became clear early on in our visit that every discussion we wanted to have about foreign policy had to start with a discussion about the healthcare debate. Health is a vexed public policy issue the world over, and in the US more so. There are various ads running on American television in favour and against Barack Obama’s healthcare reforms. As you might know Obama’s plan hinges on extending coverage for healthcare to all Americans, and in the beginning emphasised the creation of a public option for insurance. Oddly in the ads promoting the scheme great trouble is taken to emphasise that this is “not the government deciding what care you receive”. Equally the opponents choose to avoid the phrase public option and talk about “government run healthcare”, or “bureaucrats deciding if you live or die”.

It is all somewhat bemusing for a New Zealander used to, for better or worse, a system based around public or government provision of healthcare. What it does emphasise is that the USA gives us the most heightened example of the importance of putting and answering the question of what is the role of government in a 21st century western democracy?

New Zealand of course has a somewhat different history in terms of the role of government. We have evolved as generally speaking an egalitarian society that

values fairness and opportunity and necessarily looks to government to play a pivotal role. Colin James characterised this well in his speech to the Institute earlier this year as being the quintessential fair go, that promises both freedom to achieve, support to get there and stopping others who might unfairly prevent you. While governments of the 1980s and 1990s particularly sought to reduce the role of government, concerns about the impact of such policies on the 'fair go' have sent a clear message to politicians that most New Zealanders see a role for a government that is there when they and their families need it, and a recognition, not always conscious that we are, as the ad says, all in this together.

This is not to say that there are no limits to the role that New Zealanders expect their government to play. Indeed many New Zealanders sent a message to the Labour Party at the last election that there were limits to their tolerance for the role that government could play in their lives. They made it clear that while they wanted a government that would support them and their families, they did not want intrusion or to be told how to live their lives.

But still there is I believe a place for government in New Zealand that is active and provides support, opportunities and resources to those that need or benefit from them. Strong public services are the heart of social democratic values that I believe in. I do question whether they are a key part of the individualistic ethos of some other parties, but the reality of politics in New Zealand today is that the doctrine of limited government is confined to the fringes.

Having said this, our society is changing. Demographically, we are becoming more ethnically and culturally diverse, we are also somewhat contrarily getting both older and younger. We are changing the way we work and live – we are more mobile, less structured in how we arrange our lives. The role of government needs to adapt to these demographics. In this regard I like Karen Sewell's quote about the new curriculum, that we had to design something that gave the space to teaching young people to live lives we can not imagine, in a world with technology that has not been invented yet.

Moreover those rapid changes in technology, and in turn in how we find and receive everything from information to food is changing what the public expects in terms of services that are provided to them. The look of exasperation on the person in the queue at a fast food outlet at being told there will be a three minute wait has its parallels in terms of getting a response from IRD on the balance of a student loan.

Perhaps more instructive is the way that people get their entertainment or information. My brother teaches a class in media and communication at a university in the USA. He asks them about their viewing habits. This year they indicated that they only ever watch television for live sport, everything else is either watched on-line or through an on-demand service. This is being replicated in New Zealand. One size fits all means nothing to Generation Y.

So what does all this mean for the role of government? My own view is that it requires forging a new kind of social contract between government and its citizens. A contract that acknowledges the rights and responsibilities of citizens in a modern age. In this the government acknowledges its role as creator of and equaliser of

opportunity; in return for your taxation, obeying the rule of law and participating in society, you will see good services and be a part of an inclusive society. In addition I believe that for public services to be effective, as a citizen you will not just receive services but will also play a part in developing, refining and even delivering them. Public Services 2.0 if you like.

I will talk more about this shortly, but in summary the role of government, and in turn the public service, must be to continue to provide the services that the public need and want, but also in a way and in a manner that is responsive and flexible. The role of government is therefore not a static proposition, and as such the public services charged with being the operational arm of that government must also be able to change and evolve. I am not underestimating the size of this challenge – to meet the growing expectations and to be able to evolve, while still performing. But I actually have confidence it can be met.

In part this is because there is much happening in the public service now that adheres to this kind of ideals. We know that many of the policy challenges facing the public service are the ‘messy’ problems that do not neatly fit into the responsibilities of any single agency, that are a mixture of short and long term solutions. Families in crisis rarely have a single issue to deal with. More often than not there are complex linkages of deficiencies in housing, health, skills, addiction or other issues. To solve them we require an adaptive, innovative and flexible approach, similar to the one I have talked about. You and I both know of many examples of how our public service has developed innovative responses to these sorts of issues.

However, and this brings me to my second area of context, I believe that much of the innovation that has occurred in the public sector has occurred despite, rather than because of, the legislative framework that has governed our public sector for the last 21 years.

My strong personal belief is that the current legislative framework for the State Sector does not always facilitate the kind of flexible and responsive service that is needed. In fact I would argue that it works against it in many ways. The State Sector Act and the vote structure under the Public Finance Act sets up a fragmented public service, with power and control all in the hands of individual Chief Executives. It has created a discernible silo effect. From a public point of view, Ministries and Departments are often incredibly difficult to work with for agencies and individuals. In the fifth Labour government we tried to impose some cohesion on the system through the thematic approach: Families, Economic Transformation and National Identity. This did generate some success, particularly in the families theme, but overall these themes were arranged marriages. Real cooperation will only come when there is a structural facilitation and support for it to happen.

The shortcomings of the current framework are clearly understood. For those who have been around for some time in the public service the recently discussed notion of centralised services in HR, IT and procurement must have a certain familiarity to it. The perceived efficiencies of a total devolution have not materialised. On that specific question I have no doubt there are some efficiencies to be gained by looking at the delivery of services, but I think it is important not to believe there is a silver bullet.

But far more than that my concern is that addressing this particular aspect of the arrangements avoids the overall issue as to whether the framework we have can enable the delivery of the flexible system we need for the 21st century. To address the messy problems and to provide the responsive services to a more savvy and questioning public, the framework we currently have is limiting.

Much has been made of the risk aversion of the public service. In some sense I think it is an overblown argument, but there is no doubt some truth to it. In his speech to you Bill English directed the blame for this to the previous Labour administration. I think this is disingenuous. While the mood and whim of particular politicians may have some effect, my observation is that the central role of the Chief Executive more often than not been the source of much of the aversion. As the Review of the Centre exercise revealed “risk aversion was rife because the cost of failure to chief executives who faced losing pay and ultimately their jobs if targets were not met”.

I am not advocating a radical restructuring of the public service. There is no appetite for wholesale institutional change, and it is disruptive and demoralising. However I do believe that the framework should be reviewed to ensure that the system and drivers for the public service actually support the kind of integrated and responsive public service that we all desire. We must avoid a big-bang theory of change, and rather seek to create the environment where continuous adaptation is possible, and owned both by the public and the people who work in the public service.

Any change needs to be based on how to create the environment for innovative and responsive services. The need for such services is agreed across the political spectrum. However, if I might get political for a moment I think the approach of the current government is not actually going to provide that environment.

My concern is that the starting point for the current government is to trade off prejudices about the ‘bureaucracy’ and the need to move services to the frontline, and in how to extract money from the system.

I also believe that the artificial distinction between frontline and backroom services is pure politics and totally unhelpful to developing the public services required for the 21st century. During the estimates hearings I asked a number of Ministers and CEs if they had a definition of frontline and backroom services and staffing. None had. One Minister considered all the staff in her department were frontline because they provided services to the public. Staff who operate websites have long been considered backroom, yet for many New Zealanders government websites are there frontline interaction with the public service.

A 21st Century Public Sector – Issues

In my view the starting point for a discussion about the public services for the 21st century should be with identifying the issues we are facing, the problems that need solving, and the opportunities to be grasped, ensuring we have the structure, people and technology to deliver on that, and creating an environment for those who receive the services to be a key part of the design and delivery.

I am not suggesting that this should happen without regard to the financial situation or that a re-think of aspects of how the state sector operates may not lead to resources shifting, and some jobs or positions disappearing all together. But that should not be the driver for any change – the driver should be delivering the best possible services to New Zealanders.

There is no doubt that a restriction in the amount of resources available to the public service was going to be a reality in a recession hit New Zealand. This was clear whoever would be the government.

There had indeed been growth in funding and staffing in both the wider state sector and the core public sector under a Labour government. I will not divert to a long discussion of this, except to make two main points:

- the most significant increases in staffing were related to the wider state sector in terms of teachers, nurses in particular.
- in the core public sector major staffing increases were in child, youth and family services, corrections and in implementing extensive new social programmes like KiwiSaver and Working for Families. While growth occurred from levels in 1999, as a percentage of GDP spending is stagnant and staffing is in fact well below relative levels in 1990.

But, as I say this was always going to be a tighter environment, and I have no debate with the notion that we need to look at all programmes to ensure they are delivering to the public. But my view is that once we move through the immediate recession, as Treasury tells us we are now doing, the biggest challenge for the public sector is to play its part in how we come out of the recession with a sustainable economic direction for New Zealand.

This needs to be based around establishing an economy that can cope with a changed world. Inevitably for New Zealand it means that we move away from a high carbon, low wage economy to a sustainable economy, protecting and leveraging off our environment, supported by highly skilled, educated people using science and technology to find new and innovative ideas to sell to the world.

The second great challenge alongside creating that economy, and indeed critical to it occurring, is addressing social inequality and supporting social cohesion. It means addressing structural social deficits, 'persistent disadvantage' as the Ministry of Social Development has called it. Economists more and more are acknowledging that the more equal a society is the more prosperous it will be. Practically in New Zealand this is about ensuring that all New Zealanders are able to productively contribute to society.

It will be obvious to you all that in order for the public service to respond to these challenges it needs to operate across current Ministry and Departmental lines in a way that it has not done before. Time dictates that I can't go into all of these, but I want to describe some of the key elements of the organisational change that I think will put the public service in a position to meet complex challenges such as this.

Here it is hard to disagree with the principles that Bill English outlined in his talk of continuity, independence, professionalism and innovation. But putting those values into action does require a change in focus to what Richard Norman calls the Network culture an away from some of the hierarchical and market aspects. In particular:

- (1) The development of flexible, integrated and responsive services means supporting staff to develop networks to encourage and support innovation. Less anyone think this notion of networks is some kind of woolly thinking, it is no accident that the fastest growing companies in the world are all based around communication and networking. Twitter has just added another \$100 million to its value despite having no revenue raising ability. Networks are the way business is being done and it is the way public sector will need to move.

In practical terms this means listening to staff at all levels of the public service about what does and does not work. It means instilling a consistent culture of learning and adapting into the public service. Leadership will be important to this, and I believe an enhanced role for the State Services Commission in providing advice on training and workforce development is essential to making this work. It is vital that there is a strong State Services Commission to balance the influence of Treasury in the further development of the public service.

- (2) Ensuring that services are, to quote the DEMOS report for the PSA, delivered with the public rather than to them. This is where our society is going as I said earlier, but it is vital for ensuring that services are relevant and delivered where they are needed. If we look at an issue like obesity, all the government programmes in the world will not succeed if there is not practical buy-in from the public to making it work. This needs to be developed at all levels of the public service. In practical terms this could include the use of citizen assemblies to discuss major issues and programmes. It will require an open source mentality that accepts that information should be shared, and here I acknowledge the value of the idea of inside out government Mr English raised. It also should place citizens at the centre of operation – single window web and phone approaches are only part of this kind of orientation.

Quite clearly enhanced use of technology is vital in both of these aims.

- (3) Supporting innovation and responsiveness. It is not enough to expect innovation as Bill English said. It is essential that it is facilitated. Practical examples of this include the development of social entrepreneurs both within and outside government. Social entrepreneurs don't need government to succeed, but governments do need social entrepreneurs. In my own electorate I think of the work of Stephanie McIntyre and the Downtown Community Ministry whose model of dealing with homelessness and providing services as diverse as banking and drug and alcohol counselling are having positive results. Or Adam Awad and the Changemakers Refugee Forum who deliver services and advocacy in one complete package. These people work best independently, but with government support. In other cases it may mean imbedding social entrepreneurs in government agencies. In the UK the NHS in Birmingham now has embedded someone with social entrepreneurial skills in their department to create new programmes, that actually look a lot like the

work of PHOs here. The point is not so much what they are doing but that someone is there to drive the innovative thinking.

- (4) Supporting a motivated and professional public service through flexible workplaces that encourage work/life balance, focus on promoting through merit and giving people the space to come and go from the public service. Giving people pride in the workplace through being a leader in sustainability and employment practices. Practically this could include a return to common leave provisions and the Partnership for Quality approach.

Bringing together all of the above is what will lead to improved public sector productivity. But much more than that it will mean that services will be enhanced and more focused on those who use them. None of what I am saying is a criticism of hard-working public servants. What it is is a recognition that we must work together to create the public service of the 21st century that is:

- based on a new social contract that emphasises the changing role of government as an active engager with citizens to develop the services that will improve their wellbeing;
- that is governed by a legislative framework that actively encourages integrated, responsive and innovative government, and public services that can evolve to meet developing needs rather than be subject to big-bang changes;
- that increases the value of building networks, using new technology, taking in ideas and people from the outside;
- and is a place that people want to work and stay working in because they know that they are being listened to, that what they are doing is valued wherever they work be it at the so-called frontline or the back office.

Putting these ideas together, with a good base to grow from, we can meet the messy policy challenges of the 21st century and provide New Zealanders with the quality of public services they need and deserve.

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