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# State of the Future

Strong public services  
for tough times





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## Introduction

This is a background paper for a PSA-wide discussion on our work and our workplaces, what they should look like and how they need to change. It is an opportunity for us to explore, refresh and further develop our agenda, Democracy at Work.

The 2008 election saw a sharp spotlight on the public sector and this has been intensified by the global economic downturn. We have a new government that brings different approaches to the role of the public sector and how it works.

But even without these challenges, change is inevitable. Successful public services cannot be static but must constantly adapt to meet new circumstances in order to continue to deliver valued services.

It is important that we, as a union, must also adapt to change if we are to continue to influence the quality of our jobs and workplaces, our relationships with employers, and how public services are delivered. It's about the sustainability of jobs and services and how they contribute to the sustainability of our communities, economy and environment.

These are important issues for PSA members but also for everyone with an interest in the quality and availability of public services. We want to see this discussion extended to include government, employers, other unions and community organisations.

We invite you to take part in this discussion and contribute your ideas for better workplaces and strong public services valued by citizens.

### The public sector

Public services are delivered by a range of publicly-owned or publicly-funded organisations, such as:

- ▶ Government departments
- ▶ Public health agencies including district health boards
- ▶ Local authorities
- ▶ Crown entities
- ▶ Crown research institutes
- ▶ State-owned enterprises
- ▶ Tertiary education institutions
- ▶ Non-government organisations (NGOs)



## Democracy at work

### The PSA strategic agenda

Democracy at Work is the PSA's strategic agenda and the outcome of extensive research and discussions with members around the country.

PSA members care about the quality of public services. They work with pride and professionalism in often stressful jobs. They have a strong interest, individually and collectively, in the quality and effectiveness of the services they deliver.

Having a voice in decisions is intrinsic to a good job and to an engaged and productive workforce. High-performing workplaces tap into the knowledge, commitment and ideas of staff to identify problems and find solutions. They provide opportunities for innovative thinking that is not divorced from reality but engages with citizens. Without this, it is hard to see how we can shape public services to respond to public preference and achieve the best possible results.

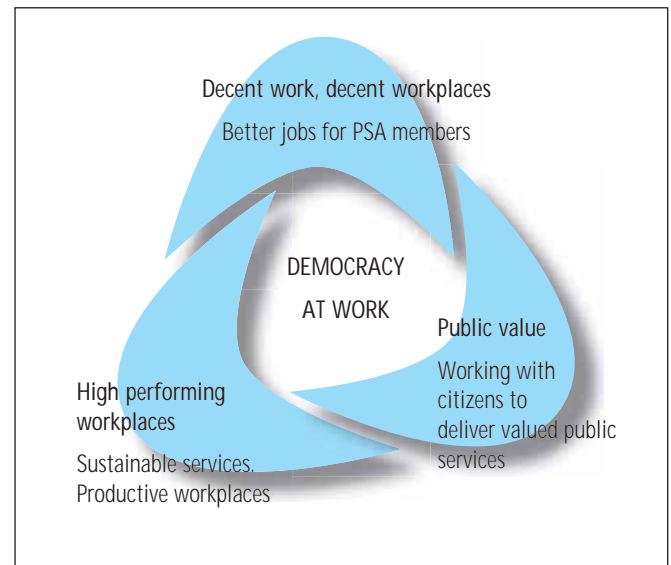
This agenda reinforces the public sector ethos: one of trust, integrity and commitment to service and to the central claims of citizens in the design and delivery of publicly-funded and democratically-authorized services.

The PSA's Democracy at Work agenda has three interwoven strands. In summary:

#### Decent jobs, decent workplaces – better jobs for PSA members

- High-trust work environments and inclusive management styles
- A cohesive worker voice through collective dialogue and effective union organisation
- Satisfying, interesting work and secure jobs
- Fair pay and conditions and a good balance between work and other aspects of life
- Safe and healthy workplaces.

### Democracy at work - the PSA's goals



#### High-performing workplaces – productive and sustainable services

- Positive and productive workplace relationships and practices
- Workers' knowledge mobilised to improve efficiency and the quality of jobs and services
- Networking and collaboration within and between state agencies
- Effective work design and meaningful work organisation
- Rethinking the balance between risk management and innovation.

#### Public value – working with citizens and staff to deliver valued public services

- Building trust in public institutions through dialogue with citizens
- Respecting the views of public sector workers
- A new professionalism that is based on dialogue and influence in service design and greater autonomy in service delivery
- Reappraising the relationships and structures at the heart of government.



## Join in the discussion

### Talk about strong public services for tough times

This document is the basis for a PSA-wide discussion about our work and workplaces and the services we provide to the public. The discussion is taking place at a time of economic uncertainty and the prospect of rising unemployment – but also a time when the public sector's role assumes even greater significance.

All PSA members are invited to take part in the discussion. We want to know what you think. Your knowledge and ideas will contribute to our strategy for the next three years.

There are a number of ways you can join in the discussion.

#### Workplace discussion

Organise a discussion at your workplace on the issues that interest you, and let us know what conclusions you come to. We can send you an information pack that includes:

- ▶ a discussion kit and feedback form
- ▶ discussion prompt cards.

#### Regional meetings

The PSA is holding meetings around the country to talk about the issues. Information will be sent to delegates. Look out for details in the PSA Noticeboard.

#### Online resources

Online resources are being developed and will be available on the PSA website. These include:

- ▶ Video clips where PSA members talk about their work
- ▶ An online discussion forum – a place where you can go to have your say and to see what other PSA members think
- ▶ Surveys and polls.

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## Questions

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### Decent work, decent workplaces

- What would make you want to stay in your job longer?
- In what way could your work arrangements be more flexible without undermining the quality of service or creating difficulties for colleagues?
- How do workplaces need to change to reflect the growing diversity of the public sector workforce?
- What can be done to enhance careers across the public sector?
- How can our terms and conditions support ongoing training and career development?
- What more needs to be done to ensure that all workplaces are healthy and safe?
- What's needed to ensure fair pay systems?
- How can we increase union membership to improve bargaining outcomes?
- How can members be more closely involved with collective agreement negotiations?

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### 2 High performing public sector workplaces

- What would your workplace and work practices look like in a high-trust environment?
- What is the role of the union in building high-trust workplaces?
- Why should we care about productivity?
- What changes to your workplace and the way you work would enhance productivity?
- How do we know whether or not we're delivering value for taxpayers and ratepayers?
- How can union members work with employers to ensure value for money whilst safeguarding their interests as workers?

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### 3 Public value

- What can unions do to ensure workers have a voice in decisions at work?
- In what ways can public sector employees work together with citizens to improve the design and delivery of public services?
- What changes could be made to improve collaboration across government and between agencies, including local government?
- When is it OK for public services to be delivered by not-for-profit organisations?
- When is it OK for public services to be run and delivered for private profit?
- Where services have already been contracted out, how can we better manage the relationship between funders and providers?
- What red tape could we do without?

# 1

## Decent work, decent workplaces

- 1.1 Changing work and workplaces
- 1.2 Safe work, secure careers
- 1.3 Fair industrial relations

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## 1.1 Changing work and workplaces

### Issues

The work we do, how we do it and even the workforce itself is changing. Some of the major forces on the labour market include:

- ▶ The impact on New Zealand of changes to the world economy
- ▶ Continuing globalisation – people and jobs moving internationally, growth in productivity in emerging economies
- ▶ The baby blip moving into and through the workforce and the baby boomers moving out of it, and a more diverse workforce
- ▶ The need to acknowledge Maori culture in public sector workplaces
- ▶ Rapid advances in communication and other technologies
- ▶ Changing skill requirements to match public expectations of more personalised and responsive services
- ▶ Climate change and its impact on the viability of work practices and industries





There is a challenge for organisations delivering public services as they come under increasing pressure from taxpayers, ratepayers and governments to do more for less. But cutting jobs will have a negative effect on services and public satisfaction and fail to address the biggest challenges facing New Zealand. To realise the full benefits of the public sector, we need to promote innovation in policy and service delivery and treat fairly and with respect the people developing those policies and delivering those services.

Traditionally, people working for public agencies have accepted the “public service bargain” of lower salaries but better conditions. As changes to legislation have lifted employment standards across the economy – for example, four weeks’ leave, paid parental leave, employer contributions to retirement savings – the public sector’s competitive advantage has been eroded.

The skills shortages that exist in many areas of the economy, including in the publicly-funded sector, are likely to continue to get worse. To attract and retain good people in the public sector, employers will need to provide the sorts of workplaces and conditions that meet the needs of our increasingly diverse population.

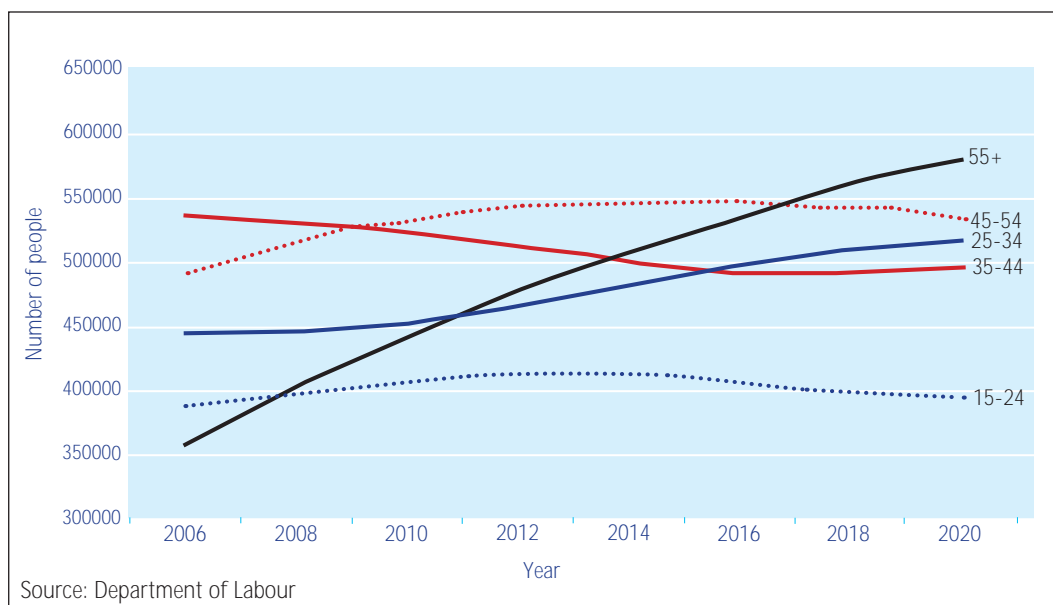
### A changing labour force

Today’s employment conditions and workplaces still substantially reflect 20<sup>th</sup> century rather than 21<sup>st</sup> century ways of working. Too often they are characterised by a top-down, low-trust approach to management, narrowly-focused performance controls, inflexible hours and work practices, and little regard for commitments outside work. Addressing the skills shortage means addressing issues like these and focusing in particular on groups who are still under-utilised in the labour market – women, Maori, older workers and young workers.

Young workers are a relatively small part of the public sector workforce but they are critical to the future. There is evidence that young workers are less attracted by traditional career structures and more by factors such as the chance to learn new skills, flexibility around ways of working, and varied, interesting work.

Our workforce is ageing. People aged between 50 and 64 years make up almost a quarter of the total workforce. As this workforce retires, skills shortages in the public sector are exacerbated. Some employers are beginning to recognise the importance of this group of workers but

Labour force projections by main age band 2006-2020





fundamental changes, including flexible working options and opportunities for interesting work and training, are needed if we are to retain the valuable skills and experience they offer.

The workforce is becoming more ethnically diverse, reflecting in part the growth of migration from Asian countries. Pacific peoples constitute a growing proportion of the population and this will be reflected in workplaces.

The public sector is a significant employer of Maori yet the work environment and work practices make little concession to Maori cultural values. This is becoming increasingly untenable in the face of Maori cultural renewal. Maori workers can find themselves in difficult and uncomfortable situations that confront deeply-held values and loyalties. Bridging the ethos of the public sector with the ethos of Maori culture is a challenge the public sector has to address.

There are more women in the workforce than ever before. The public sector has long been an employer of choice for women, providing career prospects, valuable and interesting work, and more flexible working arrangements. However, women are more likely than men to be employed in lower-level positions in the public sector. The rates of pay for work done largely by women lag well behind similar jobs done largely by men.

Women returning to the workforce after time away to care for children or older family members often come back to jobs below their level of experience and expertise. They may be viewed by employers as less committed to the job and they may not have access to the same career and development opportunities as those who have not worked part-time or taken time out of the workforce.

There are many other employers who will be interested in the skills, knowledge and experience of these workers so it is crucial that public sector employers address issues such as providing secure and interesting work, flexibility around hours and working arrangements, and safe and healthy jobs.

### Questions

- ▶ What would make you want to stay in your job longer?
- ▶ In what way could your work arrangements be more flexible without undermining the quality of service or creating difficulties for colleagues?
- ▶ How do workplaces need to change to reflect the growing diversity of the public sector workforce?



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## 1.2 Safe work, secure careers

### Issues

- ▶ The speed of change has changed the definition of job security
- ▶ Ongoing training and career development are necessary investments to attract and retain a highly-skilled public sector workforce
- ▶ The public sector is failing to capitalise fully on the career opportunities that exist because it is not joined up
- ▶ More has to be done to lessen the dangers and stresses of working at the front line in public service delivery.

### Public sector careers

Nowadays, job security is about having opportunities to learn new skills and continue to develop these throughout working life, rather than having the same job for life. People are an organisation's most important asset; the skills and knowledge of public sector workers are as much part of public infrastructure as roads, hospitals and school buildings.

Even in tough economic times, the public sector cannot sacrifice training and allow skills and knowledge to become outdated.

The huge variety of different roles and challenges in the public sector should be a key inducement for attracting talented people, with opportunities to pursue a range of stimulating career opportunities across the public sector.

The reality is different. Despite nine years of talk about a joined-up public sector, there is still not a strong sense of a common public service and it continues to be difficult to move easily between agencies. Many agencies only recognise service with a narrow range of other public sector agencies and none will commit to recognising service in related community sector roles.

### Safe and healthy workplaces

People are paid to do their jobs, not to put their health or their safety at risk. Workers delivering public services often undertake dangerous and stressful work. They are at the front line of government policy and this can mean giving bad news or taking strong action. Working with the public can mean the need to balance public rights of access or action with the right to a safe and healthy workplace. The desire for governments to make savings must not be at the expense of workers' health and safety.

Workload pressure is a significant contributor to stress-related illness. A high percentage of public sector workers report excessive workloads, with many feeling they have to work additional, unpaid hours. The most common reasons given



for excessive workloads are staff shortages and long delays in filling vacancies.

Since 2003, all employers have been required by law to set up systems, in partnership with employees, to manage angry clients, workplace pressure or dangerous physical situations. Yet despite the legal requirement, many public sector employers have not established these systems and processes.

The prospect of privatised accident compensation raises questions about cover for medical costs, loss of income and ongoing rehabilitation in the event of work-related illness or injury.

### Questions

- ▶ What can be done to enhance careers across the public sector?
- ▶ How can our terms and conditions support ongoing training and career development?
- ▶ What more needs to be done to ensure that all workplaces are healthy and safe?



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## 1.3 Fair industrial relations

### Issues

- ▶ Fair industrial relations are intrinsic to an apolitical public sector
- ▶ Strong unions provide the democratic organisation for their members to talk on an equal footing with their employer
- ▶ The reliance on performance-related pay systems is an obstacle to productive performance management and the free exchange of information and ideas
- ▶ Women's pay continues to lag significantly behind men's.

Many people choose to work in the publicly-funded sector because they want to make a difference and contribute to their communities. No matter which political parties are in government, public sector workers continue to deliver services to improve the lives of New Zealanders. The issues that have to be dealt with on a daily basis don't change because the government does.

Since 1913, public sector workers have organised themselves through the PSA to have their say about how public services should be delivered and what the conditions they work under should be like. Throughout this long history, the PSA has not only sought to improve working life and living standards but has also taken a consistent stand in defence of an apolitical public service. So it is of concern when industrial relations in the public sector are politicised.

It is political when someone new to a job is asked to choose between loyalty to their employer's preference for an individual or staff association contract, or their own desire for a union-negotiated collective agreement. It is political when an employer does not recognise or respect the workplace delegate or genuinely consult with union representatives about workplace issues. It is political when an employer refuses to collectively negotiate pay with the union.

An apolitical public service is essential for effective and democratic government. The politicisation of public sector industrial relations

is not just an attack on the rights of those working to deliver public services, but on the nature of the public service itself.

The law surrounding employment relations has an enormous impact on workers' lives. It has ramifications for their family's wellbeing, their ability to pursue a successful and rewarding career, and how they plan their future. Any changes to employment law require careful consideration and widespread public consultation.

Recognition of bargaining through a union as an employment right should be a fundamental tenet of employment law.

#### **Bargaining for decent pay and decent work**

Rates of pay and employment conditions are important. If they are seen to be inadequate or unfair, morale suffers and it becomes more difficult to attract and retain talented people.

Collective bargaining is about improving the quality of working life. It is an opportunity to address issues of fairness to not only enhance individual well-being but to lead to better, more successful and productive organisations. It is part of the wider engagement between the union and the employer that recognises the mutual interest and benefits to be derived from the organisation's success. A high-trust working environment is conducive to principled and constructive bargaining.

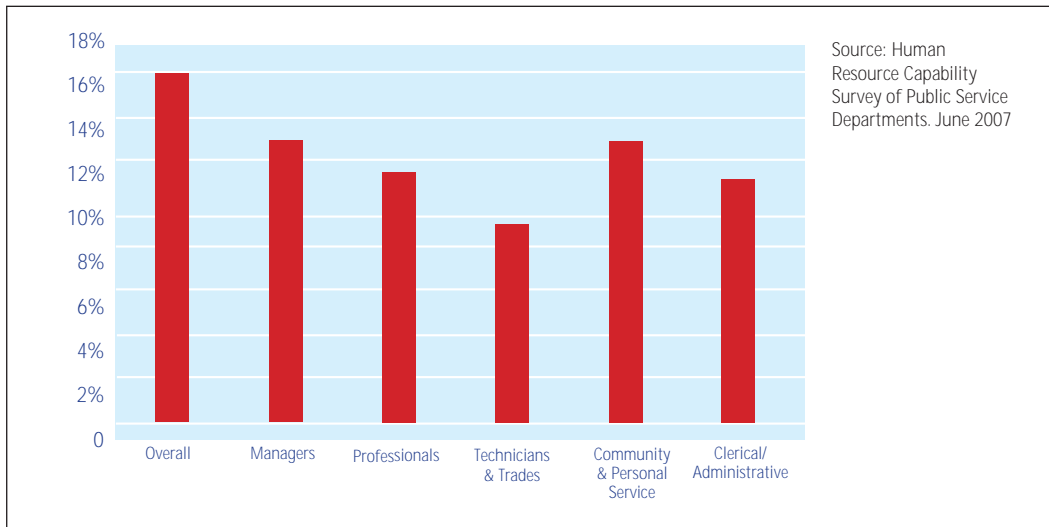
Pay systems in the public service and local government have been characterised for nearly two decades by a reliance on so-called market rates and performance-related pay. These mechanisms lack transparency and fairness, are wasteful of time and resources, and contribute to discontent and the loss of talented staff.

Nor do they contribute to improved work performance. Performance-related pay is an impediment to collegiality and teamwork, the ready exchange of information and ideas, and effective performance management linked to career and skill development.





### The gender pay gap – the percentage gap between men and women's pay in the public service, by occupation



Public service pay movements lag behind the health and education sectors and slightly behind the private sector. Even within the health sector there are large groups of low-paid workers. The “public sector bargain” that has traditionally compensated for lower salaries through better conditions has been severely eroded. All workplaces now enjoy conditions such as workplace-based retirement savings, parental leave and a minimum of four weeks’ annual leave.

In tough economic times, there is a temptation for governments to cut public sector staff and real wages and cut or contract out public services. But tough times demand strong public services. As the recession begins to bite, the demand for public services will grow. This is not the time to compromise the staffing and quality of public services.

#### Pay and employment equity

Women in particular have been disadvantaged by a system of discretionary bonuses and the lack of transparency in pay setting.

Women's average hourly pay rate in the public sector lags 16% behind that of men's (see graph). This is a significant pay gap that disadvantages women at all stages of their lives, including their

ability to save for a comfortable retirement. Pay equity reviews show that unequal starting salaries and performance-related pay systems are major contributors to this pay gap.

To attract, retain and make best use of the skills and talents of women workers, public sector employers will need to be more assiduous in addressing pay and employment equity issues and improving arrangements for workers with family and caring responsibilities.

#### Questions

- ▶ What's needed to ensure fair pay systems?
- ▶ How can we increase union membership to improve bargaining outcomes?
- ▶ How can members be more closely involved with collective agreement negotiations?

# 2

## High performing public sector workplaces

- 2.1 High-trust workplaces
- 2.2 Productive public sector workplaces
- 2.3 Value for the taxpayer/ratepayer dollar



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## 2.1 High-trust workplaces

### Issues

- ▶ Decent workplaces are characterised by a culture of autonomy, mutual trust and clarity about what is to be achieved
- ▶ People work best when they have more control over the way their work is organised and carried out
- ▶ A collective union voice facilitates worker participation and promotes collegiality
- ▶ Managers get better results from providing leadership and modelling good practices than from exerting control.

### Building respect and trust

Relationships matter in the workplace. When there is genuine partnership in the workplace there is an atmosphere of respect and trust. It makes sense that people work best when they are respected for the work they do and are trusted to make decisions about how to do things better.

Strong unions provide the democratic organisation for their members to talk on an equal footing with their employer, from the worksite to the strategic level. Partnership arrangements provide a safe and positive place for constructive collective dialogue about how work is done.

We take this approach because we think it is the best one. It is not about party politics or ideology but about respect for the staff and professionals who not only play a critical role in the delivery and quality of public services but have an informed view about how things might be done better.

A workplace where workers are 'engaged' will display a number of characteristics: the managers will seek input from workers in the development and design of services; workers will feel that their voice is heard; there will be willingness from both managers and workers to be adaptable and flexible so that shared organisational goals can be achieved.

Decent workplaces are characterised by an overall culture of autonomy and high trust between managers and workers. This means:

- There is clear direction to enable workers to deliver quality services.
- Management-worker relationships are collaborative, supportive and based on trust.
- Feedback on performance is timely and constructive and goes both ways.
- Individual work issues are dealt with sensitively and confidentially and in accordance with employment law.
- Decision-making is fair and transparent.

The high-trust environment promotes greater autonomy on the part of workers who have greater control over the pace of work, the working environment, work design and patterns of work. Worker participation in these decisions is supported by the collective processes of the union. In particular union mechanisms are able to mediate different needs and preferences and provide opportunities for workers to have a voice in decisions.

In high-trust workplaces, there is greater autonomy around working patterns, including hours of work. There are conversations about work organisation and a willingness to explore





different ways of working in response to different needs and preferences. Solutions that everyone can live with are collectively negotiated and as a result the stress engendered by conflicting demands on time is reduced, as is the resentment engendered by perceptions of preferential treatment.

### Management

The role of confident and adaptable management in enabling high performance through providing clear and visionary leadership and communication is vital. Management that follows the command and control model is likely to fail in engaging workers to deliver public value, and devalues their professional skills.

Accountability is important but the requirement for incessant reporting and monitoring – the “tick-the-box” culture – can lead to workplace stress and divert resources from the real task at hand.

Most importantly, staff need the space to be creative. This means they must trust their employer and the employer must trust them. Of course, this is easy to say but much harder to apply in practice. Sometimes the risks for managers can seem too great and the default position can be to be risk-averse. This seems to be most apparent at middle-manager level – and part of the challenge is to senior managers to be permissive and supportive of innovation and a strong worker voice.

### Questions

- ▶ What would your workplace and work practices look like in a high-trust environment?
- ▶ What is the role of the union in building high-trust workplaces?

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## 2.2 Productive public sector workplaces

### Issues

- ▶ If New Zealand is to prosper as a nation, then it is important to increase productivity – and this means that the public sector (as well as the private sector) needs to look at what productivity improvements can be made
- ▶ By international standards, New Zealanders work long hours – but this is not reflected in our country's productivity rating.
- ▶ Countries that have high tech, high wages and high skills in their workforces are at the top of the OECD productivity 'league tables', whereas New Zealand is low down.
- ▶ Since 1999, government has invested significant money in rebuilding the capacity and capability of public services which were run down during the 1990s period of budget cuts
- ▶ PSA members have consistently identified the quality of management as a critical factor impacting on their ability to deliver quality public services





Productivity should not be about cost-cutting, job losses or working harder for less. Nor should it be about how many 'widgets' are produced each hour. This is too simplistic an equation for public service delivery. Rather, public sector productivity is centred around the notion of public value – that is:

- high-performing services relevant to the needs of citizens
- services that are efficient and cost-effective
- services that provide value for the investment of money.

It makes sense that democratic workplaces will be more productive – more creative, performing better, and quick to respond. People who feel that their work is valued, that their voice is heard in the workplace, and that they are treated fairly are able to make a stronger contribution to the productivity of the organisation than those who are disengaged from their work

Public services underpin a high-performing economy, which depends on the delivery of efficient and effective services to enable high performance. Such an economy employs workers with high wages and high skills, who are able to be highly productive.

We don't have an accurate picture of how the public sector is performing in the productivity stakes. Some things – for example, social work with families – cannot be easily measured, nor does the measurement guarantee the impact and effectiveness of an action. But we can know that the social worker's engagement with a

### The seven drivers of productivity

These are the things that have been shown to support productivity and improvement:

- 1 Building leadership and management capability
- 2 Creating productive workplace cultures
- 3 Encouraging innovation and the use of technology
- 4 Investing in people and skills
- 5 Organising work
- 6 Networking and collaboration
- 7 Measuring what matters

Source: New Zealand Department of Labour

### New Zealanders are hard working but this is not reflected in New Zealand's productivity rating



family over a period of time has enabled better outcomes for the family in their education, health and employment.

A simple count of the number of reports written and visits made by a social worker won't capture the value to the country of her skill and knowledge in assisting the family. Getting the measurements right – and knowing what cannot be measured in numerical or dollar terms – is key. Getting it wrong can lead to wrong decisions, demotivated staff, lack of innovation, and wasted time.

In other cases measurement will show that public services are delivering more: 900,000 people have signed up for Kiwisaver, and Inland Revenue

has the job of managing the distribution of their contributions. This has required additional staff and investment in IT systems in order to provide the public with a quality service.

### Questions

- ▶ Why should we care about productivity?
- ▶ What changes to your workplace and the way you work would enhance productivity?



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## 2.3 Value for the taxpayer/ratepayer dollar

### Issues

- ▶ Public services are paid for by taxes, rates and user charges
- ▶ New Zealand public services achieve a high level of satisfaction with citizens
- ▶ Technology has the potential to ensure greater value for money whilst at the same time raising public satisfaction
- ▶ Joined-up public services are necessary to reduce duplication and increase effectiveness
- ▶ Government spends \$2 billion per year on ICT

In 2009, we know that times are going to be tough. From all quarters – local and central government, employers and the public – there is a sharper focus and pressure on value for money in the public sector and in local government.

Citizens have the right to expect that their public services will deliver value for money. However this is not expressed solely in keeping the cost of the service at the lowest possible level. There is an expectation that the service will be cost-effective and efficient – and also that it will deliver quality outcomes which meet the needs of the citizen, often in a complex environment. Balancing these factors is a real challenge for public sector managers and staff, and is one of the elements of public value.

Getting service delivery right first time may not be the cheapest intervention but is more cost-effective if it means the task does not have to be done again.

Union members are willing to engage in a dialogue with employers about how to get better results and work 'smarter', provided that this is not undercut by assumptions of job losses, cost-cutting and a drive to do more with fewer resources.

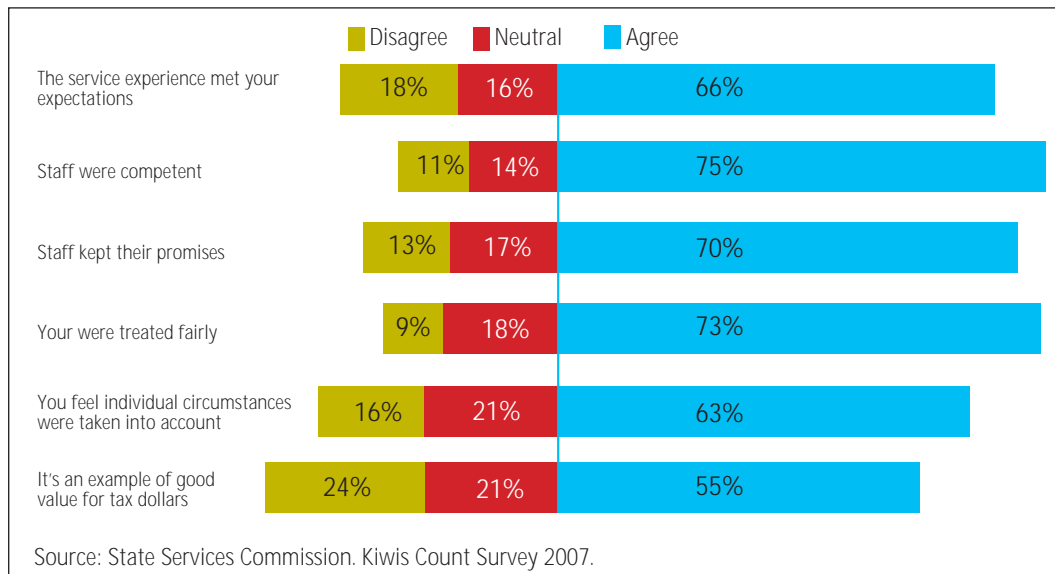
Looking at how to make better use of resources and how services and functions can be shared may be one of the things that union members are asked to consider.

Government is the largest purchaser of IT in New Zealand, and invests significant sums of money in some of the biggest IT projects in the country. Making better and innovative use of technology is one of the seven drivers of productivity identified by the Department of Labour (see page 23). An important part of achieving this is ensuring that the users of the technology – the staff - are fully involved in the decisions on what is required, and when it is purchased are given full training in its operation.

**Questions**

- ▶ How do we know whether or not we're delivering value for taxpayers and ratepayers?
- ▶ How can union members work with employers to ensure value for money whilst safeguarding their interests as workers?

**Performance of public services on drivers of satisfaction with service quality**





# 3

## Public value

- 3.1 Making the lives of families and communities better
- 3.2 Integrated and accountable public services
- 3.3 In praise of bureaucrats



### 3.1 Making the lives of families and communities better

#### Issues

- ▶ Public value is about public service organisations maximising the value of their services to the public
- ▶ Public services touch all aspects of citizens' lives, and they are delivered by many different organisations: government departments, district health boards, local government, crown agencies, state-owned enterprises and private and not-for-profit providers contracted to central and local government.
- ▶ People can fall through the cracks when they have to deal with multiple agencies.



### Public value

Public value is the notion that citizens have a stake in their public services. Think of citizens as shareholders in how their taxes and rates are spent. The value may be created through economic prosperity, social cohesion or cultural development, as well as by direct services to individuals.

Accountability is partly what makes public services different from the private sector. Public services are upwardly accountable – to a democratically elected Parliament – and outwardly accountable – to the general public. Public value suggests there should be a conversation between public service organisations and the public. In other words, if resources are tight, then that should be explained. If tough choices about priorities are needed, then those should be described.

There will always be resource limits, but public value has the potential to unlock the creativity of all employees if they bring their knowledge to bear on the challenges facing their service. So, staff must develop an “outside-in” mindset, looking at their service from the standpoint of the service users and the public. This simple principle has implications for what it means to manage people fairly and effectively in the public services.

The public value of services is expressed not only in user satisfaction with the service received, but also in the ethos and culture expressed in their delivery. Trust is at the heart of the relationship between citizens and government.

There are two elements of democracy that contribute to public value:

- A high value placed on the voice of workers – through the creation of opportunities for unions and employers to work together on a shared agenda – can help create and sustain the high trust needed to unlock employees’ potential.
- All public sector employees thinking creatively about how their service can become the best that it can be, based on a ‘conversation’ with the public about the resourcing, shaping and delivery of services.

There are elements of risk in this approach: managers may fear the risks of opening up the debate and the decision-making. How this can be managed effectively and creatively is one of the greatest challenges for managers. There is a challenge in finding the mechanisms that allow the public to influence the design of public services. But the potential for enhancing quality and making gains from the perspectives of all concerned is high.

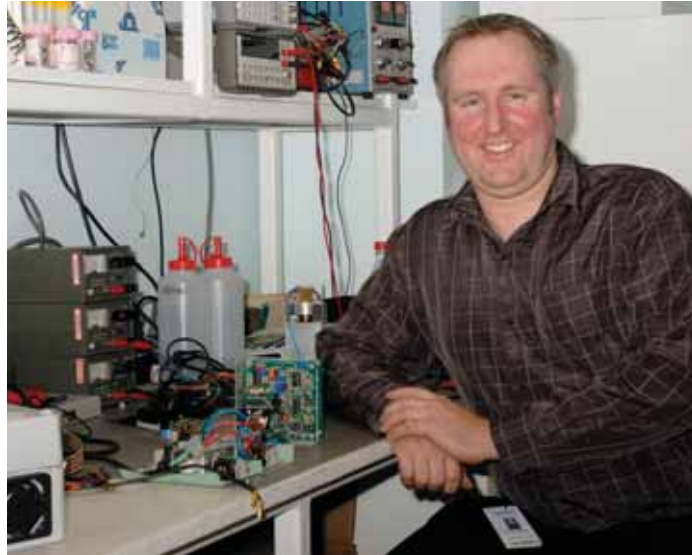
Public value is not just about value for money. It’s about frontline workers having more input into policy and citizens and communities working with frontline workers to generate, produce and implement solutions.

Public value runs counter to the idea of public sector workers as passive implementers of services and citizens as passive recipients.

Instead, public sector workers are a valuable knowledge asset on what works best, and should be listened to, while citizens have a legitimate interest in the shape and delivery of public services.

Together, public sector workers and citizens can play a much greater part in ensuring services are meeting people’s actual needs and circumstances and are valued for the contribution they make to the lives of individuals and society.

Public value adds a new dimension to the ethos of public service and to the professionalism of public sector workers.



People's perception of public services can be at odds with their personal experiences. 'I think our public services are costly and wasteful, employ too many people and don't provide good quality service. But when I had to go into in hospital / register my car online / contact the Kiwisaver call centre / talk to my Council about recycling, I found the service was excellent: timely, efficient, good value, staff were helpful and competent and it met my needs and expectations.'

Public services are not a 'drag' on the national economy: they are a vital part of how it works; vital in delivering public goods such as health, education, food and road safety, crime prevention and so on. Public servants are wage earners, taxpayers and ratepayers: their taxes and rates support investment in public services, their expenditure supports the wider economy through purchases of goods and services provided by the private sector.

### Questions

- ▶ What can unions do to ensure workers have a voice in decisions at work?
- ▶ In what ways can public sector employees work together with citizens to improve the design and delivery of public services?



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## 3.2 Integrated and accountable public services

### Issues

There are problems with our public services as currently constructed:

- ▶ Services are often fragmented and the structures make collaboration difficult in the face of increasingly complex problems, particularly where services have been contracted out
- ▶ Managerialism and performance pay undermine trust within our workplaces
- ▶ The public sector workers' ethos of service has been undervalued
- ▶ Funding is often inadequate to meet the requirements for service delivery, including decent pay and conditions
- ▶ Contracting out public services can place key areas of government activity beyond the reach of meaningful accountability.





### Joined-up public services

Our public services have been shaped by the reforms of the 1980s and 1990s. Authority has been devolved to departments and other agencies which were made responsible for the employment of their own staff, managing their own budgets and achieving the objectives identified either by the government or in legislation. The public service has become fragmented, many state assets have been sold and many public services have been contracted out to the private and not-for-profit sectors.

There is a lot of good work happening where departments and agencies are working together to ensure the best outcomes for citizens, and this is part of a value-for-money approach, ensuring that resources are not duplicated or used ineffectively.

But often much of this happens in spite of, and not because of, exhortations from government for agencies to collaborate. There are examples of excellent cross-agency work that is kept below the radar because there is a fear that, for example, head office won't like it, the senior manager won't champion it, finance will put blocks in the way.

Without a collaborative, whole-of-government environment the complex problems that face New Zealand's society, economy and environment will be harder to tackle effectively and quickly.

### Contracted-out services

Behind the move to a more commercial model was a belief that public sector workers and providers are essentially self-seeking and always put their interests ahead of those they are there to serve. The disciplines of the market were therefore required to manage performance. The other major rationale was to drive efficiencies and reduce the cost to the taxpayer.

There has been a heavy price to pay. Contracting out public services can place key areas of government activity beyond the reach of meaningful accountability. Ministers and public sector managers lose control over the quality and delivery of services and have little or no say in the pay and conditions of workers delivering services.

The market-driven approach to service delivery runs counter to the public service ethos of serving the public and the ethical and professional standards that accompany that ethos.



### Privatisation and public-private partnerships

There has been no privatisation of state assets since 1999 but privatisation has re-surfaced as an issue. For example, it has been proposed that ACC be opened up to private insurers which would see a return to the problematic privatisation of the late nineties. There have been strong signals that many local government services are to be privatised.

Public-private partnerships (PPPs) are a form of privatisation that involve private companies building, running and owning essential infrastructure and then renting the road, school or hospital to the public for 15, 30, 75 or even 99 years.

They have been used extensively overseas – adding significant long-term costs for taxpayers and ratepayers – and are now being proposed to fund New Zealand infrastructure projects such as building schools and managing prisons.

British taxpayers are well aware of the cost of being locked into these long-term leases on infrastructure. For the next 18 years, they will be paying \$1 million a year to maintain a PPP-built school – even though it closed last year.

In London, a flagship PPP hospital is technically bankrupt because it is locked into a 30-year contract it cannot afford. It has to pay \$49 million a year – \$22 million more than if it had borrowed the money from the government. This is money that could have been spent on health care.

These are not isolated examples but serve as a warning against repeating costly mistakes. New Zealand has a successful history of building, running and owning the infrastructure that is the foundation of our economy and society. We don't need PPPs when the government can continue to build roads, hospitals and schools, working with the private sector where necessary but retaining ownership and control of these vital assets.

### Questions

- ▶ What changes could be made to improve collaboration across government and between agencies, including local government?
- ▶ When is it OK for public services to be delivered by not-for-profit organisations?
- ▶ When is it OK for public services to be run and delivered as a profit-making venture?
- ▶ Where services have already been contracted out, how can we better manage the relationship between funders and providers?

### 3.3 In praise of bureaucrats

#### Issues

- ▶ The politically-expedient distinction between frontline staff and “backroom bureaucrats” is false. All perform vital functions in the design and delivery of public services.
- ▶ The original meaning of bureaucrat was someone who was appointed on merit – rather than through patronage – to carry out the functions of government without fear or favour. But it is often used as a pejorative term.
- ▶ Thanks to our so-called “bureaucrats” and their strong commitment to the ethos of public service, New Zealand has the least-corrupt public sector in the world.
- ▶ What people don’t like is pointless bureaucracy. Public sector workers hate it because it gets in the way of the job they were employed to do.





### Bureaucrats . . .

The New Zealand public sector generally has a good story to tell. Surveys show that people are reasonably satisfied with the public services they receive. The use of technology means the public has fast access to information and can register online as a voter, calculate how much their retirement savings will be worth in 20 years' time, or download a report on the local school.

As well, New Zealand consistently ranks as having one of the least corrupt public sectors in the world, according to the annual surveys by Transparency International.

But none of this serves to shake the public prejudice of a hidebound bureaucracy, rooted in the rules and rigidities of an earlier era.

It's a prejudice that is often fanned in election years when open season is declared on public sector workers. But in case the public thinks this means cutting back on teachers or nurses, politicians are quick to distinguish between "frontline" staff (vital) and "backroom bureaucrats" (dispensable).

This is a politically-expedient distinction that does not bear scrutiny. The backroom work of tackling tax evasion helps to fund health and education; clerical workers let doctors get on with their job without having to stop to answer the phone; the logistics expert in head office ensures an outbreak of foot and mouth disease can be contained.

The functions carried out by so-called backroom bureaucrats make it possible for frontline staff to carry out their roles. Both are vital to the effective delivery of public services; neither can exist without the other.

### . . . and bureaucracy

We need up-to-date and highly efficient management and administration systems to deal with the complexities of delivering effective public services. And they have to be accountable

because this is public money. We may not always like the bureaucracy of accountability but we can't get rid of it altogether.

What everyone hates is pointless bureaucracy – the red tape and form-filling that creates a barrier to clear communication and effective service delivery. No-one dislikes it more than public sector workers themselves.

Most people who choose to work in the public sector do so because they want to use their skills to make a positive difference to society. There is a sense of accomplishment in contributing to the public good, whether as a social worker, a call centre worker, a gardener or a policy analyst.

A major study by the UK Audit Commission in 2002 found that one of the main reasons people had resigned from the public sector was workload stress and frustration caused by bureaucracy, performance targets and paperwork. Many felt that the content of their work was driven not by what matters but by what could be measured. In short, they felt impeded in doing the work they had been employed to do.

Bureaucracy is necessary to ensure the public sector is accountable and is "fair, impartial, responsible and trustworthy", as required by the State Sector Code of Conduct. But if bureaucracy is misdirected or is used to stifle initiative and avoid risk, it can undermine the effective delivery of public services, disadvantage the citizens who rely on them, and lead to the loss of talented staff.

The trick is to achieve a balance between the need to be fully accountable and a clear focus on meeting the needs of citizens in the most efficient, effective and timely way possible.

And the best people to ask about ways of beating bureaucracy that gets in the way of strong public services are public sector workers.

### Question:

► What red tape could we do without?

