

Reform of the State Sector Act

Consultation Response from PwC

October 2018

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1. Why we are responding

We are making a submission to the consultation process because we care about the Public Sector, and we want it to be in the best position possible to drive positive outcomes.

Our organisation's purpose is to build trust in society and help solve important problems. In New Zealand, and particularly in Wellington, we live our purpose through the positive change we deliver in our work with Public Sector clients. We see what is working and what could work better for our clients, individually and at a whole of system level. Many of our staff and partners have worked in the Public Sector, and many expect to do so at future stages of their careers.

Personally and professionally, we see our future as deeply linked to the future of the Public Sector. The outcomes from the State Services Act reform will affect our employees as New Zealanders and as people committed to careers working within and for Public Sector agencies. We care about the outcome of this review, and we acknowledge the commitment from the State Services Commission to drive better outcomes for New Zealanders now and in the future.

We are highly supportive of the direction of the proposed changes. We agree with the proposals for bringing the best people for the job - especially in an ever-changing world. Promoting diversity and inclusion means decisions are made by people from a range of backgrounds, skill sets, life experiences, abilities, and beliefs, all of which lead to better outcomes for New Zealanders and our communities. We also agree with the intentions outlined in the "Leading better outcomes and solutions" section. We discuss the levers available for supporting a more collaborative support in our response.

2. The challenges facing New Zealand's Public Service

The New Zealand Public Sector is highly regarded. For the most part, it functions well, and the system (legislation, agency structures, funding mechanisms) supports individual agencies to fulfil their individual mandates.

Many opportunities exist for government agencies to work together, but there are structural and other practical barriers to collaboration. We see these barriers most clearly when there are high levels of complexity to overcome, significant issues to solve, or where people with a high level of needs must navigate across multiple agencies to get needed services.

New Zealand's Public Sector agencies are unusually small and autonomous when compared to other jurisdictions, resulting in a high level of fragmentation and duplication. Being small and duplicative can result in having multiple similar operations, none of which have the scale to reach high levels of efficiency or effectiveness (e.g. debt collection or IT services). High levels of autonomy has resulted in silos between agencies that make it difficult to sustain collaboration and cooperation. These silos can be broken down or worked across in a crisis, such as the Canterbury Earthquake response, and with specific and special effort. However, this is usually in specific special cases and must be actively sustained because it is not the norm.

Structural barriers can be compounded by attitudes and behaviours within the Public Sector. In some instances, we have seen low levels of trust among government agencies. And for some public servants, being employed by a single agency (rather than being an employee of, for example, the Public Service) and having long tenure can promote a narrow, single agency perspective on success, even when solutions and actions require broader thinking and participation. We also see public servants who view their Minister as the customer, and do not readily see New Zealanders as customers.

3. Creating a modern Public Service for a modern New Zealand

A case can be made for updating the State Sector Act to strengthen the accountabilities of Chief Executives and their agencies to tackle issues and secure outcomes that cut across multiple agencies.

However, a broader view can be taken of the legislative change required to support collaboration. Agency interpretation of the Privacy Act and Statistics Act, for example, had led to many agencies not sharing their data or information as a default position, even when sharing can be for the greater public good. It is positive that the Statistics Act is currently under review to consider data sharing issues.

When considering ways to better support collaboration, there are a few changes that can help create a more modern public sector:

- Creating roles and incentives for Chief Executives and other leaders that “lean against” the silos.
- Consolidating agencies so their boundaries are drawn more widely.
- Re-orienting current silos by creating agencies with new functional mandates. Examples can include:
 - Specialist capability to deliver efficient and effective services at scale. These capabilities can be administrative (e.g. a single public sector debt collection or IT function) or strategic
 - Achieving outcomes for specific problems (e.g. the Canterbury earthquake, housing unaffordability and climate change)
 - Customer types (e.g. Whanau Ora or New Zealanders with highly complex social needs).
- Reducing institutional autonomy.

Apart from reducing institutional autonomy, all of these changes can be supported by the State Sector Act and Public Finance Act as they are written today.

4. *Commitment to Māori*

Through our work, particularly the experience of PwC' Manukura Māori business team, we know all too well that Māori are also raising concerns about the lack of an holistic and joined up approach in the Public Service and, also, the shortcomings of the Crown in meeting its Treaty obligations to improve outcomes for Māori.

Our vision for the future of New Zealand is one where Māori are partners in public policy design and implementation. We support any move away from a model where Māori have policy 'done to them' to one where Māori are at the heart of policy decisions and transformative delivery models.

We see a focus on the commitment to Māori in the State Sector Act review as positive. There are many opportunities to improve the way the public sector and Māori work together. We think the State Services Commission has a fundamental role in providing clear expectations and genuine permission space to achieve a better, more equal New Zealand.

The real challenge will be to move beyond a high-level commitment to Māori through Treaty principles¹, into tangible actions and a system-wide strategy that will make a real difference on the ground. Changes to consider include:

- An explicit reference in the State Sector Act for the public sector to have obligations under Te Tiriti principles. This would mean the public sector and Māori work in partnership, where Māori actively participate and are being protected as the public sector honours its Treaty obligations.
- A requirement for upfront consultation with Māori, and seeing policy design as a process done together from the outset.
- Appropriate levels of Māori participation in key roles in the public sector, and urgent upskilling of public servants in Te Ao Māori values and behaviours.
- Support from the State Services Commission to empower public sector leaders to work alongside Māori in new ways.
- Tangible recognition for leaders who demonstrate they design and deliver policy and services in a way that is consistent with Te Ao Māori.

We also know that a wealth of solutions already exist in Te Ao Maori. We see a genuine opportunity for State Services Commission to support leaders taking a more agile and inclusive approach to their work with Māori communities. Many public sector leaders are cautious about adopting these models, but through this programme of reform, State Services Commission has a once in a generation opportunity to show we expect our leaders to be agile, creative and immersed in New Zealand's unique context and possibilities.

¹ *New Zealand Māori Council v Attorney-General 1987*

5. Tools for a more flexible Public Service

We support creating new organisational forms designed to better enable system collaboration, in particular Public Sector Joint-Ventures and Executive Agencies. These two organisational forms will be useful for implementing some of the changes suggested in this document. While proposing to formalise Public Sector Executive Boards in updated legislation would send a strong message, we believe the desired effects can largely already be achieved under existing legislation.

There are other practical opportunities to consider for a more flexible public sector, these are as follows:

- **Collaboration and productivity tools:** It is difficult for agencies to collaborate because the tools and technology they have and use limit collaboration with each other. Even when agencies have the right tools available, data sharing and security requirements often limit their ability to collaborate. This can be solved by simplifying the ways of working together by using the same technology (e.g. document management systems, email).
- **Shared physical space:** Space is not always made available to bring people from different agencies together, and the space that is available is not always conducive to collaboration. Office space could be available for public sector agencies to consume 'as a service' as needed.
- **Empowerment for data sharing:** Although mechanisms are in place to share data across the public sector, information is often not shared to gain a 'whole view' of the customer or when it is for the greater public good. A review of the Privacy Act and Statistics Act (currently under review), with a focus on making it easier to share information, could make it easier for public sector agencies to work together.
- **Development of modern problem solving and innovation skills:** There is insufficient capability and capacity in the areas of evidence based decision making, hypothesis based problem solving, agile methods, co-design, and innovation. These skills are increasingly required to tackle complex and significant issues. We suggest an active focus on building these skills broadly across agencies and partnering with others to access this capability in the shorter term.
- **Workforce mobility:** It is difficult to formally transfer public sector employees to another agency because salary and entitlements are often not consistent between agencies. Standardisation of employee terms and conditions can increase mobility across the public sector. However, a more deliberate approach is required to grow public sector knowledge at all levels. Workforce mobility promotes public servants that can think at a whole of system level and often results in them fronting the consequences of their work.
- **Increasing insight into customer needs and experience:** We need customer, whanau and iwi insight, and direct involvement in the policy design, service design, and implementation processes as a normal course of action. Too often, there are limited efforts in this space, and they are time and scope constrained. Focus group testing after formulation and evaluations post implementation are examples these limited efforts. We also see agencies develop customer journey maps and personas based on what they believe is true for customers rather than engaging customers directly.
- **Working with customers to reset expectations:** Customers often have low expectations of Public Services, assuming long wait times, the need to prove and reprove circumstances and eligibility, and the need to provide the same information repeatedly. Customer pressure can help raise the bar through consumer driven service level governance, customer charters, social media driven campaigns, and other methods used before in other jurisdictions.

6. A trusted Public Service

Principles and values

We support having a core set of principles and values that the Public Service collectively strives to uphold, but we do not support embedding this kaupapa in legislation. Values have changed dramatically and for the better over the last thirty years. Values should be a subject of ongoing debate, and debate itself is a vital part of their evolution.

Instead of embedding the principles and values of the Public Service in legislation, we support the State Services Commission and other leaders in driving ongoing debate and discussion on principles and values, and their practical meaning, evolution, and application.

Other considerations

Pushing Ministers to a performance management role rather than delivery of services

Most Ministers are currently focused on delivering outputs or outcomes related to their individual portfolios rather than taking a broader view. This approach is not always conducive to collaboration to tackle complex issues. There is an opportunity to shift more Ministers' responsibilities to a performance management role across the system. Focusing on the most critical issues facing New Zealand, these Ministers could manage performance across multiple agency outputs and outcomes. The introduction of a Minister for Child Poverty Reduction is an example of this opportunity.

Wider global trends impacting New Zealand

Any reform of the public sector needs to respond to the wider global megatrends affecting New Zealand. Four of these megatrends are highlighted below:

- **Demographic and social change:** New Zealand's demographics are changing. The number of New Zealanders aged over 65 is projected to increase by 75 per cent over the next 20 years². This means our workforce will support older workers, and the public sector will have to respond to the increased demand for services needed by an older population. We are also seeing increased multiculturalism, where the proportion of Asian and Pasifika New Zealanders are projected to increase by 70 per cent and 51 per cent, respectively, over the next 20 years³. This means the public sector will need to adapt to meet different cultural needs.
- **Climate change:** New Zealand's economic dependence on natural resources and being an island nation puts us at risk from sea level rise and extreme weather conditions. Agriculture, our biggest industry, is also our largest contributor to carbon emissions⁴ and is under increasing scrutiny for its impact on the environment. This is a unique problem for a developed country. Long term implications will need to be considered for infrastructure, investment, and policy decisions.
- **Rapid urbanisation:** More and more people are moving to cities in New Zealand⁵. Auckland's population is growing disproportionately compared to the regions. Housing affordability and sustainable transport infrastructure are significant issues faced by our largest population centres, and these issues will influence future infrastructure, investment, and policy decisions.

² Stats NZ, 2016,

http://nzdotstat.stats.govt.nz/wbos/Index.aspx?DataSetCode=TABLECODE7560&_ga=2.212141268.1162310573.1539295802-193259829.1511136287#

³ Stats NZ, 2016,

http://nzdotstat.stats.govt.nz/wbos/Index.aspx?DataSetCode=TABLECODE7560&_ga=2.212141268.1162310573.1539295802-193259829.1511136287#

⁴ Ministry for the Environment, 2018,

http://www.mfe.govt.nz/sites/default/files/media/Climate%20Change/final_greenhouse_gas_inventory_snapshot.pdf

⁵ Stats NZ, 2017,

http://nzdotstat.stats.govt.nz/wbos/Index.aspx?DataSetCode=TABLECODE7563&_ga=2.245679300.1162310573.1539295802-193259829.1511136287#

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- **Declining trust:** In an era of societal polarisation, declining public trust, policy by conspiracy theory and fake news⁶, we believe that the public sector has a vital role to play in maintaining fact and reason in public debate.

We anticipate the public sector will need to demonstrate and promote “radical transparency,” not only over the way in which the latest decision was made or the content of a Chief Executive’s expenses, but also over:

- the true state of society (for example inequality, poverty, environmental condition, jobs, job security, housing quality and security), and
- public sector agency performance and ability to meet New Zealanders’ increasing expectations.

Information is currently gathered and performance is measured only for easy to obtain metrics. “What is measured gets managed” is true, but what is measured is most often “what is easy to measure” rather than “what is important to measure”. Today it can be difficult to understand true performance or influence meaningful results.

Despite its importance, radical transparency can be a source of anxiety for public sector leaders. It can feel too risky. This legislation reform is an opportunity to demonstrate a commitment to transparency and provide backing to those with the courage to provide it.

⁶ Edelman Trust Barometer, 2018, <https://cms.edelman.com/sites/default/files/2018-01/2018%20Edelman%20Trust%20Barometer%20Global%20Report.pdf>



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