Abstract
This article draws upon co-author Masashi Yui’s unique database on state sector organisational restructuring in New Zealand from 1960 to 2017. It shows that if the peak years of structural change, 1986–92 – the ‘revolution’ which saw New Zealand as a world leader in what became known as New Public Management – were seismic shocks, then they have been followed by an apparently endless number of aftershocks, which distinguish the post-peak period from the 25 years preceding it. The article speculates as to whether there could be links between the amount of organisational restructuring, unsatisfactory productivity rates in the New Zealand state sector, and the embedding of the ‘managerialist’ culture that was introduced by the ‘revolution’.

Keywords machinery of government, organisational restructuring, managerialism, productivity, state sector, New Zealand

Masashi Yui and Robert Gregory

Quakes and Aftershocks
organisational restructuring in the New Zealand state sector, 1960–2017

Thirty years ago New Zealand’s State Sector Act 1988 transformed the country’s central governmental system into what was widely seen at the time as an exemplar of public management reform, a poster child for what soon became known as New Public Management (Boston et al., 1996). These changes involved, inter alia, a massive restructuring of the country’s machinery of government, and were accompanied by the adoption of ‘managerialist’ practices in an effort to make the state sector more like corporate business in how this machinery was run. We do not discuss the pros and cons of these radical changes, but instead draw upon a unique body of empirical research conducted by co-author Masashi Yui for his as yet uncompleted PhD in public policy at the School of Government, Victoria University of Wellington, documenting all cases of organisational restructuring in the country’s state sector between 1960 and 2017. This research enables comparisons to be made for the first time between the amount of restructuring that occurred in the New Zealand state sector in the nearly three decades before the ‘revolution’ of the
late 1980s and early 90s, and in the 30 years since then.2

Governmental restructuring

The radical structural changes that were implemented mainly in the period 1986–1992 were dramatic events in the history of New Zealand governmental administration. To use a seismic analogy, these massive quakes have been followed over the past 30 years by a whole host of aftershocks, successive and seemingly endless cases of organisational restructuring, which have left the governmental ecosystem fluid and relatively unstable. Such restructuring has been much more likely to occur in the restructuring, such as the creation of new government organisations, the abolition of existing organisations, the transfer of functions between organisations, and the change of organisations’ names. These changes were made through replacement, merger, splitting, absorption, take-over of responsibilities, rebranding, and so forth.

This study uses an empirical method to further understand the transformation of the state sector that occurred between 1986 and 1992, by comparing the amount of central government organisational restructuring that occurred in the decades both before and after this time; that is, in the 57 years from 1960 to 2017. The data presented here in graphs, which help to identify trajectories over time and any patterns of structural reorganisation.

All New Zealand governmental organisations that have existed over the past nearly 60 years have been included in this study, a total of 327.5 The study first identified 457 structural reorganisations at the levels of departments/ministries, non-departmental bodies, Crown entities/agencies and state-owned enterprises (or SOEs), all of which were carried out between 1960 and 2017. Departments/ministries include public service departments as well as non-public service departments, such as the New Zealand Defence Force and the Police, which are not bound by the State Sector Act 1988. Crown entities/agencies are government-controlled entities specified as such first by the Public Finance Act 1989 and later by the Crown Entities Act 2004. State-owned enterprises, such as New Zealand Post Ltd and the Transpower New Zealand Ltd, are essentially government-owned companies created by the State-Owned Enterprises Act 1986. Non-departmental bodies are not a legally constituted group of state service organisations, but for this study this categorisation was applied to non-departmental government organisations existing until the mid-1980s and early 1990s, which were predecessors of Crown entities/agencies or state-owned enterprises that are now legally constituted forms and collectively governed by respective laws. This study classified them into this category if they were either body corporates that were established under specific statutory acts, and for which the government had power to nominate a majority of governing board members, or corporations/companies whose shares were totally held by the government. These corporations/companies were listed in the annual reports of the controller and auditor-general, as required by section 79 of the Public Revenues Act 1953.

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In New Zealand there is no single source of ready data that can be used to provide a comprehensive picture of machinery of government changes over a long period of time and in chronological order. Therefore, this study collected data on structural reorganisations from a variety of sources. The primary source was the Archway agency list organised by Archives New Zealand, and based on public records transferred from organisational entities which have engaged in record-keeping activities from 1840 to the present day. In Archway the entities are called ‘agencies’, and there are currently 5,337 agencies documented in the system. Archway contains descriptive information on government organisations, including the functions they performed. For this study’s purposes, Archway is useful because information on structural organisational changes carried out to date can be obtained by tracing changes of locations of records. This enables the researcher to identify administrative changes (creation, disestablishment, merger, name change, transfer of functions between departments, etc.) and also predecessor/successor and superior/subordinate relationships. The information provided through Archway
was cross-checked with relevant statutes, including the State Services Acts of 1962 and 1988, the Crown Entities Act 2004, the State-Owned Enterprises Act 1986, the Public Finance Act 1989, the Parliamentary Commissioner (Ombudsman) Act 1962, the Ombudsmen Act 1975 and the Official Information Act 1982, where equivalent information is available as statutory amendments. Additional sources used for this study were Statistics New Zealand’s New Zealand Official Yearbook (1957–2012), the State Services Commission’s and the Ministry of Justice’s Directory of Official Information (1983–87; 1988–2017) and the State Services Commission’s annual reports to Parliament (1955–2017). Also, the annual reports to Parliament of government departments and agencies published in the Appendices to the Journals of the House of Representatives, and the New Zealand Parliamentary Debates were consulted when sufficient and reliable information was not readily obtained from the other materials. In addition, this study has made extensive use of government press releases available at the official website of the New Zealand government (www.beehive.govt.nz).

Research findings

How much restructuring?

Figure 1 shows that from 1960 through to 2017 the number of government departments and ministries declined gradually, except for a spike in the late 1980s. In 1960 there were a total of 44 such departments; by 2017 the number had come down to 33. During the term of the fourth Labour government, 1984–90, the deputy prime minister (later prime minister), Geoffrey Palmer, engaged on what he termed a ‘quango hunt’ to reduce the number of arm’s-length bodies. As Figure 1 shows, this hunt was not particularly fruitful, as ‘traditional’ quangos (here termed non-departmental bodies, or NDBs) continued to increase in number (apart from a short-lived reduction under Prime Minister Robert Muldoon’s government), and from the late 1980s there was a huge and rapid increase in the number of Crown entities (as they became called), resulting from the hiving-off of functions from large conglomerate departments. State-owned enterprises,
first established in the mid-1980s, have declined only marginally in number.

In Figure 2 one gains a graphic picture of the number of individual cases of restructuring carried out between 1960 and 2017. It is clear that in the 30 years since the radical changes of the late 1980s and early 90s there have been far more cases of restructuring than in the preceding two decades. Removing these years from the count shows that between 1993 and 2017 there were a total of 198 reorganisations, compared to a total of 90 between 1960 and 1985; that is, an increase of more than double. The big quake continues to be followed by frequent, though usually smaller, aftershocks.

Which types of organisations were restructured?

As shown in Figures 3 and 4, departments/ministries have been the main target of restructuring, while reorganisations among Crown entities were regular occurrences from the time of their inception in the late 1980s through to the late 1990s. Reorganisations among SOEs have been much less frequent, though there have been a considerable number of reorganisations involving a mixture of one or more of the three categories since the late 1980s. Much of this reflects changes in the legal form of various organisations, from being departments or ministries to becoming Crown entities or SOEs.

During the peak years (of radical restructuring), 1987–92, as indicated in Figure 5 a high proportion of departments/ministries were subjected to restructuring – about 42% of them on average. This was matched only in 2011, when 41% of departments and ministries were involved.

As Figure 5 shows, in the years before the fourth Labour government pursued radical change, the proportion of departments and ministries subject to change had been much lower, with peaks of 28% in 1972 and 25% in 1978, compared with an average of just over three reorganisations per year from 1960 to 1985. From 1993 to 2017 there was an average of nearly seven per year.

What types of restructuring?

Figure 6 shows the fragmentation of larger departments and ministries that occurred during the peak years, 1987–92, reflecting
the separation of many ministries from their operational arms, the hiving-off of a plethora of departmental functions to single-purpose Crown agencies, and the privatisation of state-owned assets. The figure also shows that since 1998, and especially in the earlier years of the Labour-led governments from 1999 to 2004, and then under the National-led government of 2010–12, there were prominent moves towards more ‘joined-up’ government, especially as many departments and ministries were reconnected to their operational arms.

There were 24 cases of name change for departments/ministries during the whole period. Seven such changes were made during the 28 years before the introduction of the State Sector Act 1988, and 17 have been made since then (i.e. up to 2017). Name changes were most common under both the Clark and Key governments, each with five cases.

**Which organisations were more and which less likely to be restructured?**

There are variations in changeability of government organisations over time. When classified by policy area, far fewer reorganisations were found in the areas of defence, finance and foreign affairs, and in the legislative and Cabinet offices. On the other hand, policy areas that are strongly connected with people’s interests were most likely to see restructuring – examples are business and economy, welfare, and communities and social groups. Communities and social groups are the policy area of those departments/agencies that deal with interests of particular clients: women, Māori, Pasifika, seniors, youth, people with disabilities, and so on. More restructuring in sectors targeted at these particular groups of population is mostly explained by differences in the way of delivering public services to them – i.e. through a stand-alone organisation or a larger department responsible for a wider range of functions. Figure 7 shows the number of reorganisations in sectors that were most susceptible to restructuring, and how the focus of restructuring has changed among sectors over the past 60 years. The business and economy sector was commonly found across time, whereas welfare and communities and social groups have become the main focus since the late 1980s and early 1990s. Restructuring in the energy, information and communication, and transport sectors was largely a result of corporatisation (and subsequently privatisation) and departmental functions being transferred to agencies.

**Which governments did the most restructuring?**

During the years 1960–2017, National or National-led governments held office for 68% of the time and initiated 58% of all the restructurings, while Labour or Labour-led governments, in office for 32% of the duration, instigated 42% of the changes. So, proportionate to the time in office, significantly more restructuring was carried out by Labour or Labour-led governments than was conducted by National or National-led ones. This may not be surprising in view of the fact that it was a Labour government that was responsible for the peak years of restructuring. When those years, 1986–92, are set aside, the data shows that National or National-led governments, which held office for 37 of the remaining 51 years – that is, 73% of the time – conducted 62% of the changes, Labour or Labour-led governments for 38% of the changes, over only 12 years, or 24%
of the period. Proportionately, therefore, Labour or Labour-led governments were, overall, markedly more inclined to restructure than were their main political opponents.

As Figure 8 shows, the Labour-led governments of Helen Clark (1999–2008) engaged in the most restructuring in their earlier years, after Jennifer Shipley’s National-led government in the late 1990s, and before another reorganisational boom occurred during the first years of the National-led governments of John Key. This figure also illustrates the ‘seismic aftershock’ effect of the upheaval of 1986–92: only 30% of the restructurings occurred in the years beforehand – that is, 1960–85 – with 70% occurring afterwards, between MMP electoral system from the mid-1990s?

While some organisational changes, including the establishment of new agencies, resulted from the politics of government formation, the data is inconclusive. There is some evidence, though weak, that government restructuring is more likely to occur in the first two or three years of a new government’s time in office: the third Labour government led by Norman Kirk generated markedly more cases after coming into office in 1972 than there had been during the preceding 12 years, and Muldoon’s government seems to have got most of its reorganisational energy out of its system in 1978 before leaving things

1993 and 2017. As shown in Figure 8, outside the period 1986–92, Labour or Labour-led governments were significantly less likely to reduce the numbers of governmental agencies than were National or National-led governments, while both centre-left and centre-right governments were more or less equally inclined to create new agencies.

When was restructuring most likely to occur and who – politicians and/or bureaucrats – impelled it?

Can the fact that there were markedly higher levels of organisational restructuring in the New Zealand state sector from 1993 through to 2017 than in the 25 years prior to the changes introduced by the fourth Labour government be explained in part by the country’s adoption of the largely intact. The National government of Jim Bolger was caught up in the reformist frenzy in its initial years, 1990–93, and after Bolger was deposed as prime minister by Jenny Shipley in 1997 there was, in the following year, another burst of intense reorganisation. A similar pattern is evident, on the face of it, in the first two or three years of the Clark-led governments, before another spurt occurred in the second term of office of John Key’s National-led government, 2011–14.

Such a pattern, while not strongly pronounced, seems unexceptionable, as new governments might be expected to come into office with policies that they believe require organisational change for their implementation, and they may also have fresh notions about how the machinery of government as a whole can

be better organised. On the other hand, it is possible that bureaucrats can most effectively promote their own reformist agendas during such times.

Figure 8 shows that the National government led by Prime Minister Robert Muldoon was, of all administrations during the whole period covered by the study, markedly the least likely to engage in state sector organisational restructuring. By and large, Muldoon kept intact the machinery of government that he had inherited from his predecessors – having famously said that he wished to leave New Zealand no worse than it was when he took office. The commission for the Future, established during Muldoon’s time as prime minister, did not survive his growing political impatience with it. The commission was abolished, but not before it had predicted the advent of ultra-fast broadband, the internet, high-definition flatscreen TV sets and ‘pocket telephones’ (Morton, 2016).

Organisational mortality

What in New Zealand has been the answer to Herbert Kaufman’s (1976) question: are government organisations immortal? Apparently not, although some have much longer life-spans than others. During the period studied, 55 organisations were abolished, of which five were ministries or departments, the rest being non-departmental bodies, Crown entities or SOEs (including those that were privatised). Only five ministries or departments were done away with entirely – the Legislative Department, the Government Printing Office, the State Insurance Office, the Audit Department and the Canterbury Earthquake Recovery Authority.

Discussion: why did restructuring become more frequent?

These preliminary findings from Masashi Yui’s database raise a number of questions. Foremost among them is: why, after such an upheaval, has restructuring continued to occur so frequently, at a rate much higher than what had occurred before? Organisational restructuring in some shape or form will always be required, and cannot be regarded as a negative thing in and of itself, and ‘turf battles’ and the like have historically been as characteristic of New
Zealand government administration as elsewhere. Clearly, successive governments since the early 1990s have been addressing 'fragmentation' and 'silosisation', in their efforts to re-establish 'joined-up government', a more strategically coherent state sector; all this in a much more complicated politico-administrative ecosystem than ever before, and when social and technological change demands that the machinery of government be constantly kept fit for purpose.

Major reorganisations, like the creation in 2013 of the large (by New Zealand standards) bureaucracy the Ministry of Business, Innovation and Employment, reflect this, and, as with this ministry, governments of different political stripes have continued to reshape the bureaucracy according to their own preferences and priorities: for example, the National-led government’s establishment of Work and Income New Zealand in the late 1990s, melding the former Employment Service and the income maintenance function of the then Department of Social Welfare; and the current Labour-led government’s creation of a Ministry of Housing and Urban Development, bringing together a number of functions previously carried out by several agencies.

However, it may also be that managerialism tends to foster more managerialism, as more people are recruited to bureaucratic executive positions who tend to see ‘good management’ as a function, in the first instance at least, of ‘good’ organisational design, depending on their definition of ‘good design’. It is also plausible that the end of the unified state sector career service in 1988, and its replacement with a position-based system, without the establishment of a unifying senior executive service, has seen the inculcation of a managerialist culture, in which structural reorganisation both within and among agencies is an instrument that can be used by executives and managers to expand or consolidate their own control and to advance their personal careers, in ‘bureau-shaping’ behaviour (Dunleavy, 1991; Norman and Gill, 2011). Also, organisational restructuring can be used to move people out of jobs, when employment laws may make this otherwise too difficult or costly. Or it may simply be a surrogate for genuine innovation designed to effectively achieve better policy outcomes.

Strong criticisms of the New Zealand public service have recently been levelled at it by Sir Geoffrey Palmer, who, as deputy prime minister and then briefly prime minister in the fourth Labour government, was — ironically — one of the principal promoters of the radical changes of that time (Palmer and Butler, 2016). Palmer and Butler have called for a full royal commission of inquiry into the state services, which would be the first such inquiry since 1962 (although one was held in 1968 on wage-fixing procedures in the state services). In April 2018, in a speech at a function to mark the 30th anniversary of the State Sector Act 1988, Palmer summarised what he considered to be the main problems that need to be addressed. These include far too much ‘managerialism’, and ongoing problems of creating a public service with a sense of collective purpose, rather than it being a collection of separate fiefdoms. Only then, in Palmer’s view, will the quest for effective collaborative inter-agency action be effectively fulfilled.

Both in his book with Andrew Butler and in his speech at the anniversary, Palmer strongly criticised the ‘endless restructuring’ that continues to characterise the New Zealand state sector. In doing so, he was echoing the sentiments expressed back in 1998 by the then state services commissioner, who warned of the risks to productivity and staff morale generated by what he called a ‘restructuring culture’ (State Services Commission, 2013). Nearly 20 years later, a New Zealand Productivity Commission draft report argued that state sector productivity was significantly lower than productivity in the corporate (or ‘measured’) sector (Productivity Commission, 2017). And New Zealand’s overall productivity rates were well below those achieved in other countries, notably Australia. No data is available on state sector productivity in the decades before the radical changes of the 1980s and 90s, so it is not possible to demonstrate that productivity growth was in fact greater during that period than it has been since then. Nevertheless, the Productivity Commission report provides no evidence that state sector productivity overall was enhanced by the upheaval of the 1980s and 90s, and we are left to speculate on how a different package of reforms might have improved productivity levels. The report does not explicitly identify excessive restructuring as one of the major problems with state sector productivity, and it says little or nothing about the impact of the radical changes on these productivity levels.

However, if there is a negative correlation between the amount of organisational restructuring, on the one hand, and systemic productivity, on the other, then the data presented in this article would suggest that New Zealand’s state sector was probably more productive in the 20 years before the radical changes of the 1980s and 90s than it has been since then. Of course, it is not possible to draw this conclusion with any certainty, as there are many more factors that need to be taken into account.

Conclusion
Whatever the case, it can be said with certainty that the ‘restructuring culture’ remains alive and well in the New Zealand state sector. How much of this has been driven internally by organisation chief executives and top management, and how much has resulted primarily from ‘external’ factors is not clear. Further
research is needed to try to trace the connections between the degree of organisational restructuring and such dimensions as public service motivation and morale, and to test hypotheses about its occurrence, and beyond that to determine the conditions under which it is an effective instrument in enhancing productivity and effectiveness, and when it is simply a manifestation of other, less laudable, motivations. Perhaps it is simply appropriate that in a seismically challenged country, where many aftershocks follow major earthquakes, the New Zealand state sector’ landscape should find itself built on ever-shifting political and bureaucratic sands.

1 This is an edited version of a paper prepared for the RC27 Management Reform Models: flawed or the future?, International Political Science Association, World Congress.

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