



Public Service Commission, Briefing on state of the public service 2022

Report of the Governance and Administration
Committee

May 2023

Contents

Recommendation.....	2
Introduction.....	2
Public Service Act	2
Trust in the public service	3
Resource and staffing capability	3
Adjusting remuneration.....	3
Professional development	4
Flexible working arrangements.....	4
Encouraging new leaders.....	4
Building a more agile public service	5
Improving regional service delivery.....	5
Improving efficiency.....	5
Value of this briefing paper and long-term insights briefings.....	6
Appendix.....	7

Ian McKelvie
Chairperson

Public Service Commission, Briefing on state of the public service

Recommendation

The Governance and Administration Committee has considered a briefing on the state of the public service from Te Kawa Mataaho—Public Service Commission, and recommends that the House take note of its report.

Introduction

In December 2022, Te Kawa Mataaho—Public Service Commission (the commission) released the briefing paper *Te Kahu Tuatini State of the Public Service*. The Public Service Act 2020 requires the Public Service Commissioner to prepare a briefing to the Minister every three years on the current state of the public service in New Zealand.¹

The commissioner determines the briefing's focus, taking into account matters of significant public interest. Briefings are released in the middle of a term of Parliament to ensure that necessary information is communicated before the next election. This is the commissioner's first briefing of this type.

We held a hearing with the Public Service Commissioner, Peter Hughes, and members of his senior leadership team. This report summarises key points from the briefing paper and our hearing.

Public Service Act

The Public Service Act is administered by Te Kawa Mataaho—Public Service Commission and aims to achieve better outcomes for public service agencies. It sets a framework for a modern public service, its purpose, and its principles. These principles are political neutrality, free and frank advice, merit-based appointments, open government, and stewardship. The Act also supports Māori–Crown relationship building, digital transformation, diversity and inclusion, and leadership development.

Under the Act there is increased flexibility for agencies to collaborate. The Act created a framework for interdepartmental executive boards (IEBs). IEBs bring together chief executives from various agencies to tackle complex issues that cannot be resolved by one agency. In 2021/22, two such boards existed, the Strategic Planning Reform Board, which manages the Government's resource management reforms, and the Border Executive Board, which was established to manage New Zealand's border in response to the effect of COVID-19. Three IEBs have since been established: the Executive Board for the Elimination of Family Violence and Sexual Violence, the Climate Change Chief Executives Board, and

¹ As required under schedule 3, section 16 of the Public Service Act.

the Interdepartmental Digital Executive Board. These boards all enable a joint approach to decision-making.

Trust in the public service

New Zealand has consistently ranked highly in global indices that compare public sectors. New Zealand ranked second equal in 2022 on the Transparency International 2021 Corruption Perceptions Index.² It also achieved a score of 99/100 in the Freedom in the World 2022 report. As part of this report, New Zealand also scored 40/40 for political rights and 59/60 for civil liberties.³

Every three months, the commission carries out the Kiwis Count Survey. This uses a random sample of 1,000 New Zealanders to provide an insight into people's level of trust and confidence in the public sector. Survey results in 2022 found that 83 percent of people in New Zealand trusted the public service.

While overall trust in the public service remains high, the level of trust differs between ethnic groups. This is particularly evident for Māori, who generally report a lower level of trust in the public service. However, Māori representation in the public service workforce is increasing. The number of Māori leaders has doubled since 2016, and 18 percent of departmental chief executives are now Māori. The commission is focused on increasing opportunities and development for Māori employees to continue this progress. It acknowledges that a more diverse public service will contribute to increased trust and confidence in the sector.

Resource and staffing capability

In June 2022, the public service employed 60,381 full-time equivalent staff throughout New Zealand and globally. There are 37 public service agencies. In 2021, the commission launched Te Taunaki, a public service census. The survey aims to better understand public servants and their needs to implement policy changes that benefit employees. We heard that public servants are highly motivated to work in the public service for two reasons: engaging in work that makes a difference, and opportunities for professional development.

Adjusting remuneration

We heard that, when their work aligns closely with their values, some public servants will accept significant pay discrepancies compared with similar roles in the private sector. The commissioner told us that public servants tend to be highly motivated by non-financial factors. However, the commissioner said that there is a level at which lower pay becomes a challenge for retention but added that income is not considered a priority for many public servants and that some could be recruited by other organisations offering higher salaries.

We asked what is being done to retain staff, particularly given differences in salary. Recently, the commission revised and re-issued pay guidance for the public service. We heard that this would loosen restraints on pay, particularly for senior roles. The commission

² The [Corruption Perceptions Index](#) ranks 180 countries and territories on their perceived levels of public sector corruption.

³ The [Freedom in the World Report](#) assesses the condition of political rights and civil liberties across 195 countries and 15 territories in the world.

also told us that leadership teams have always had the ability to go beyond pay guidelines to deal with retention risk, and often use this power. The commission noted that the current economic environment and tight labour market increases staff turnover. It acknowledged that the competitive market can make it difficult for the public sector to maintain staff. It said this was particularly the case in specific areas, such as IST.⁴

Professional development

The Act identifies important principles and values of being in the public service. However, public servants are not formally trained in these areas. We heard that the commission aims to provide training to upskill public servants in their work.

Te Taunaki highlighted public servants' desire to develop their knowledge and expertise. The commission is improving career development opportunities to make the sector more attractive. Its approach is modelled on the Australian Public Service's Public Service Academy. This would focus on training public servants in the basics of the public service, including its principles as defined by the Act. We heard that in August 2021, the Policy Project⁵ delivered a course on *What is policy making?* to staff members in the Ministry of Ethnic Communities Graduate Programme. We were assured these programmes are made available to more staff to increase their opportunities to learn.

Leadership Development Centre

The Leadership Development Centre (LDC) helps new leaders move to more demanding roles. The LDC supports the aims to improve public sector training. Its work focuses on leadership which values diversity and fosters inclusivity in the workplace. All public service agencies have access to Inclusive Leadership resources from the LDC. The briefing reported that, as of 2022, almost all agencies offered leadership development opportunities, either internally or externally.

Flexible working arrangements

We asked about the commission's approach to working space and arrangements. The commission has office space in the Reserve Bank building and operates in an open-plan environment. It uses "hot-desking", the practice of allocating desks only as required rather than providing each employee with their own desk. We heard this significantly reduces costs. Of the commission's employees, 80 percent use flexible working arrangements. The commission is committed to supporting flexibility and hybrid working. It acknowledges the wellbeing benefits this brought to employees during COVID-19 and said that offering flexible working can help attract and retain talent.

Encouraging new leaders

We asked what the commission is doing to identify leadership potential and provide training to potential future leaders. The commission encourages promotion to leadership roles and ensures that leadership training is provided.

⁴ Information and Software Technology.

⁵ [The Policy Project](#) is a team within the Department of the Prime Minister and Cabinet that provides guidance, tools, and training to support policy agencies to build capability.

We asked whether leadership opportunities extend to the graduate and internship programmes offered to students from ethnic communities. The Ministry for Ethnic Communities offers a growing number of programmes for graduates from under-represented backgrounds. The commission told us that, as these programmes are relatively new, it is not yet possible to follow these graduates' careers to see whether they take advantage of leadership opportunities. However, the commission closely monitors representation of various groups throughout the public sector workforce.

Building a more agile public service

The commissioner noted that over the next three years, he expects to see greater movement of people and resources in the public service to increase efficiency.

Improving regional service delivery

Although most public servants work in the regions, we have the impression that most significant funding decisions are made in Wellington. We asked whether the commission was working to devolve decision-making to other places so that it is not entirely in Wellington. We heard that the commission has appointed Regional Public Service Commissioners under the Act, who facilitate regional service delivery. They are senior public servants who can convene the local heads of government agencies, iwi, and local government. Their leadership helps to shift decision-making towards regions to ensure that regional needs and issues are identified effectively. We encourage the commission to prioritise devolved funding decision-making to the regions.

The commission said that it is focused on building a system that coordinates the regional and national levels of the public sector. However, it described the process as an evolution, rather than a step-by-step change. It acknowledged that it would take time for the Regional Public Service Commissioners to build up regional decision-making. The commission also said that the way in which money is currently allocated to programmes is quite targeted. This means it can be difficult to combine money from different national programmes to achieve specific regional outcomes.

Improving efficiency

We noted that disruptions in the public service are costly and wanted to understand how this is managed efficiently. We heard that the public service is highly devolved to allow each agency to manage its business in its own way. The commission aims to maintain this devolved nature but also improve the alignment of public sector agencies. For example, the Act enables the designation of system leaders which are chief executives designated to manage certain areas. The commission has identified seven system leaders in the key areas that need system level management.⁶ We understand this is a more efficient way to manage resources. The commission told us that it supported devolved decision-making but felt that some aspects of the public sector could be centralised to improve efficiencies. It wants managers throughout the public sector to be able to manage their staff in a way that makes

⁶ The seven areas identified as system leads are regional public services, property, procurement, digital, data, information security, and service transformation.

sense to them, but some decisions, such as IST and procurement, could be made effectively at a higher level.

Value of this briefing paper and long-term insights briefings

We asked the commissioner for his perspective on the value of this briefing paper. He noted that these types of briefing papers will help to inform strategic thinking about the public service. He said that, before MMP, post-election briefing papers supplied the public service and the new government with in-depth material to inform strategic decisions. However, under MMP, governments tended to be elected with an existing policy platform. He said that this briefing and other new briefings introduced by the Act would supply similar information at a more useful time in the MMP election cycle. The commissioner said that, in his view, it was necessary to regularly collate strategic information because the public service is the institutional memory of government.

We noted that the long-term insights briefings we have received have tended to be quite narrow and look at single issues. We expected these briefings to be broader. The commissioner said that he thought the long-term insights briefings had generally been good. We heard that, for the first round of long-term insights briefings, his main concerns were that all relevant departments completed the briefings to a high standard. For the next round, he would expect long-term insights briefings to be highly relevant and less narrow. He would expect agencies to work together to provide joint briefings on issues that are relevant to New Zealand. For the third cycle, he said long-term insights briefings should look more like blueprints of the issues affecting New Zealand.

Appendix

Committee procedure

The report of Te Kawa Mataaho—Public Service Commission, *Te Kahu Tuatini State of the Public Service*, was presented to the House and referred to us for consideration on 8 December 2022. We met between 14 December 2022 and 3 May 2023 to consider it. We heard evidence from Te Kawa Mataaho—Public Service Commission.

Committee members

Ian McKelvie (Chairperson)

Rachel Boyack

Hon David Bennett (from 8 February 2023)

Naisi Chen

Jamie Strange

Hon Michael Woodhouse (until 8 February 2023)

Advice and evidence received

The report of Te Kawa Mataaho—Public Service Commission, *Te Kahu Tuatini State of the Public Service*, is [available on the Parliament website](#).

A recording of our hearing can be accessed online at the following link:

- [Hearing of evidence 6 April 2023](#).