



Focusing on the Front Line

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Ladies and gentlemen. Every week brings news of worsening economic conditions. Throughout New Zealand, individuals and businesses are feeling the pinch from higher interest rates and increased costs for everyday essentials like food and petrol.

Within households, and in the private sector, people are tightening their belts, and making hard decisions about where they should be spending their money and where they have to show restraint.

Today, I am going to suggest to you that it should be no different in the state sector.

It's time to stop the growth in bureaucracy we have seen over eight years of the Labour Government. It's time to focus public spending on front-line services that make a real difference in people's lives, rather than paper-shuffling and report-writing that does not. It's time to cut out the low-quality spending that goes on in the state sector and let New Zealanders keep a little more of their own money.

Before I talk about this further, I want to make one thing clear: New Zealand's state sector is made up of a wide range of agencies and the kind of services they provide varies enormously. Many agencies, like the Police and district health boards, provide services to the public, but these are not the agencies I want to focus on today.

Today, I want to talk about those state sector agencies, or parts of agencies, which exist chiefly to provide services to the government.

These agencies make up the core bureaucracy of New Zealand. They assist the government by providing services like policy advice, funding, purchasing, research, monitoring, and administration.

The bureaucracy includes a lot of government departments, or parts of government departments. But it also includes many Crown entities whose role is primarily to serve the government, rather than to provide front-line services. The Tertiary Education Commission is a good example.

Governments need good advice, they need a sound system of financial management, they need to know what's working and what isn't, and they need to know how their decisions will affect society and the economy.

There is a legitimate question, however, as to how big the bureaucracy should be, relative to those parts of the state sector that actually provide services to the public, like teachers, nurses, and the police.

An overly-large and poorly-focused bureaucracy is a drag on the rest of the country. It uses significant resources which could have been used in providing front-line services or which needn't have been raised in tax in the first place. It affects the productivity of those in front-line services by diverting them into what seems like endless form-filling and navel-gazing exercises. It employs talented

people who could have been employed in more productive parts of the economy. It imposes real costs on the country through poorly designed regulations and compliance costs that affect businesses, homeowners, and taxpayers.

So, it's really important to ensure the bureaucracy is as lean as possible.

Who is responsible for its size? In the absence of commercial forces, it is the government alone which determines the size of the bureaucracy. This creates a risk that the government just keeps on boosting the size of the bureaucracy because it is quite happy to have a lot of people working for it and can pass the costs onto taxpayers.

That is what the Labour Government has been doing over the past eight years.

Over the past eight years the bureaucracy has grown out of all proportion to those parts of the state sector that actually serve the public. How do we know that? Here are some examples:

- Since 2000, the number of teachers in state primary and secondary schools has grown by 12%. But over the same period, the number of people employed in the various education bureaucracies has grown by 40%.
- Since 2000, the number of nurses and doctors employed in district health boards has grown by 28%. But over the same period, the number of people employed in the Ministry of Health has grown by 51%.
- Since 2002, the service delivery part of MSD, namely Work and Income and Child Youth and Family, has grown by 23%. But over the same period, the policy analysis, research, and corporate units of MSD have grown by a whopping 109%.
- Treasury reports show that between 2000 and 2006, employment in government departments that mainly provide services grew by 34%, while employment in policy departments grew by 72%.

To get a picture of the whole state sector we need to look at survey data from the Quarterly Employment Survey. This shows that since 2000 the number of bureaucrats has grown from 26,200 to 36,000.

That growth in numbers represents an increase of 37%. And yet, over the same period, the number of other state sector employees grew by only 10%. In addition, this survey shows that the number of jobs in the economy as a whole grew by 22%, which means bureaucrats are increasing as a proportion of the total New Zealand workforce. We now have a situation where 1 in 50 workers in the economy is a bureaucrat.

Moreover, it's not just that the number of people employed in the bureaucracy has grown markedly but that their pay has grown markedly as well.

Treasury reports show that between 2000 and 2006, personnel costs for government departments that mainly provide services grew 69%, while in policy

departments these costs grew 142%.

The Labour Cost Index shows that total labour costs for bureaucrats have grown faster than total labour costs in the private sector. This means increases in pay and conditions of bureaucrats over recent years have outstripped increases in the private sector. It is important to include conditions because these are often more generous in the state sector. For example, 42% of full-time permanent employees in government departments are currently getting five weeks annual leave

Perhaps the most revealing statistic, however, is this: the fastest growing sector in the economy since 2000 has not been agriculture, it has not been retail trade, transport, manufacturing, personal services, or finance and business services. No, the fastest growing sector in the economy since 2000 has been government administration.

It would be a little more comforting if we were confident that the bureaucracy was adding a lot of value. But what are we getting for such a substantial increase in resources? Is it making a difference?

For the most part, we just don't know, because though the state sector puts out a lot of financial information, there is a marked lack of meaningful information about what is actually achieved.

It is clear, however, that there are a lot of very low-quality activities going on. There are a number of ways you could get an indication of this.

Number 1 – you could read The Dominion Post job advertisements on a Saturday morning.

Take this advertisement from a couple of weekends ago for a Strategic Planning Manager in a government department. It read: "The role will be responsible for developing and implementing frameworks, models, and systems for strategic measurement of progress, determining the best practice benchmarks related to organisational performance, and for developing processes to monitor [the department's] progress towards achieving its strategic outcomes."

I think most people would struggle to see why such a job should be funded by the taxpayer. And there are many more, similarly baffling, job ads every week in the Dom.

The Number 2 thing you could do is look over some of the Government's strategy documents, of which almost 250 have been released since 2000.

More often than not, these strategies are glossy but meaningless documents that are a master class in stating the obvious and give little or no guidance about what is most important and what needs to happen.

Take the New Zealand Health Strategy, for example. This strategy starts off with a list of motherhood-and-apple-pie principles, and then lists the key objectives of the health system – which would be admirable except there are 61 key objectives

which together cover about 99.9% of things that can go wrong with you and that you could possibly be concerned about in the health system.

The strategy can apparently be implemented “by developing toolkits to identify the action that different types of organisations or providers can take to address priority objectives” and “by developing more detailed action-oriented strategies for specific health issues, services or population groups”.

How is this supposed to guide anyone in the health sector?

What is concerning is that behind every one of the 250 strategies released since 2000 is a long, drawn-out process involving huge amounts of time and resources, typically with an interdepartmental working group, a steering committee, a reference group of key stakeholders, a literature review, a discussion paper, and an action plan. They represent the triumph of process over actual results.

Number 3 – you could take a general trawl around websites of government agencies to see what they have recently produced.

Have a look at the latest publication on the State Services Commission website – it’s entitled “Factors for Successful Coordination - A Framework to Help State Agencies Coordinate Effectively”.

Have a look at the Ministry of Youth Development’s “Going Global” booklet, which is a guide for young people on “getting involved, getting your voice heard, and taking action about the things that matter to you on the global stage”.

Have a look at the Government’s ‘Mission-On’ website, which helps children address obesity by parking themselves on the internet, playing computer games, and sending messages to other sedentary kids around New Zealand.

It takes no time at all on government websites to find these sorts of examples.

It would be tempting to have a laugh at some of them if you didn’t have to think about who’s paying for it all. As I said at the beginning of this speech, at a time when the outlook for the economy is grim, and hardworking New Zealanders are going to be tightening their belts to pay high mortgage rates and food and petrol prices, taxpayers can’t afford to be paying for this kind of low-value work.

Why does it happen? I think there are a number of reasons.

Labour Ministers have wanted to look busy, and have mistakenly equated activity with results. Labour has long believed that issues are best resolved by getting an army of people to think about them, and to produce more regulations. Labour has added more and more functions and therefore more and more people as a way of solving problems.

It has been hiring bureaucrats to do what is essentially political work, as events in the Ministry for the Environment have made all too clear. It has been awash with taxpayers’ money, and has therefore seen no need to apply any budgetary

pressure to government agencies.

And finally, and perhaps most importantly, the Labour Government has considered itself a spender of every bit of tax revenue, rather than as a steward of public money. If it was really a steward of public money it would be respectful of the fact that people pay a lot of their hard-earned income in tax, aware that small amounts of low-quality spending here and there add up to quite significant totals, and it would be determined to limit the burden of taxation on New Zealanders. It is none of these.

The bizarre thing is that while the Labour Government is keen to hire more and more bureaucrats, and get them to do more and more things, it doesn't actually value what its officials tell it.

In an interview in the New Zealand Herald last year, Helen Clark was asked "Do you get many of your ideas from the public service here in New Zealand?" to which she answered "No. It is a very blunt answer but it is true."

So what is National going to do about all this?

First, I want to be clear about what National is not going to do.

We are not going to reduce the number of front-line staff. Let me make this absolutely clear – under National the numbers of doctors, nurses, teachers, social workers, police and other front-line staff will grow.

In addition, we are not going to radically reorganise the structure of the state sector. Our focus will be on delivering services. Just as Labour has done, we will take opportunities to make changes to some agencies as part of the usual business of government. However, there will be no wholesale reorganisation or restructuring across the state sector.

The final thing we are not going to do is this – unlike Labour, we are not going to treat the state sector with disdain, or as a political extension of the governing party. We will be respectful of people's professional skills, trusting of their judgment and demanding of services for the public. We will not make them play politics. Our belief is there is a high level of professionalism and competence in the state sector and we will back people who want to get on and make New Zealand a better place.

What we are going to do is halt the runaway growth in bureaucracy.

Under Labour, the bureaucracy will continue to grow and grow as it has done unrelentingly for the past eight years. In contrast, I firmly believe we have enough bureaucrats to do the job already and that the priority for resources in the state sector is the delivery of front-line services.

Let me set this in a wider context.

National has always said that we will grow overall government spending at a more

measured rate than Labour. So we will have to be relentless in demanding that resources are focused on the provision of those quality front-line services New Zealanders expect and deserve. We are determined to see a greater proportion of government spending going into services like healthcare and education rather than being chewed up in government administration.

This shift in priorities will result in better value for money from government spending. That is what ultimately creates the flexibility to allow reductions in tax while still enhancing public services. Put it this way – every dollar spent on policy analysis is a dollar not spent on hip operations, or a dollar you won't get to spend on groceries or on your power bill.

Forefront in our minds will be the fact that what the government spends in its budget is not the government's money; it is money the government has taken out of the pay packets of hard-working New Zealanders. The government has a responsibility to spend public funds as wisely as it can and always look to leave money in people's pockets through reductions in tax.

Therefore, my commitment to New Zealanders is this – in the first term of a National government we will not grow the size of the core bureaucracy. Enough is enough. We are going to make do with the resource we have, and work to get more value out of it.

That will be a difficult job. It should not be underestimated. The growth in bureaucracy has built up such momentum in recent years that we are going to have to pull extremely hard on the hand brake just to get things slowing down, let alone to stop any growth at all.

By doing so, however, there are real savings to be made. We estimate that over a three-year period, this policy could save at least half a billion dollars in cumulative expenditure.

And by keeping a lid on the size of the bureaucracy, we will, over time, restore a sensible balance between the number of state employees who are giving advice to the government and the number who are delivering front-line services.

How will we achieve this? I will be making it clear to every member of my government that I do not want to see any growth in the number of bureaucrats in their agencies, and that I will measure their success as a minister in no small part by their ability to achieve this.

I will expect ministers, in concert with their chief executives, to think hard about how they can more efficiently use their resources, how these align with the new government's priorities, and how they can discontinue some of the low-value things they have been asked to do by the Labour Government. I will expect the sort of waffle that passes for policy and strategy in many agencies to stop.

And I will expect the State Services Commission to lead by example in all of these matters. I will also ask the commission, along with the Treasury, to do a stock-

take of the size of the bureaucracy and to monitor this over time, to ensure the National Government's goal is being met.

So that will be National's first task – to stop the growth in bureaucracy and direct new government spending to health, education, and other front-line services.

We then need to look at how the bureaucracy reflects our priorities as a new government. Therefore, after we have established the cap on numbers, we will be taking a hard look at what the bureaucracy has been asked to focus on by Labour, and where resources could be better used than they are at present. We will do this as part of the usual government processes.

This will no doubt mean a shift in resources and staff numbers between agencies, to align with the government's priorities. Staff turnover in the state sector permits a good deal of flexibility to achieve reprioritisation, although ultimately we will not be continuing with areas of work that are clearly unproductive.

Ladies and gentlemen, I want to leave you in no doubt where Labour and National stand on the issue of bureaucracy.

Under Labour, the size of the bureaucracy has grown out of proportion to front-line services – like education and healthcare – and out of proportion to the workforce as a whole. There has been little to show for this marked increase in bureaucracy, apart from a mountain of paper, countless committees, and 250 largely meaningless strategies. Under Labour, these trends will continue into the future.

When it comes to the bureaucracy, it's clear that Labour has spent eight years doing the same with more. It's high time we started doing more with the same. That's National's policy. We are going to cap the number of bureaucrats, and instead direct government spending towards the delivery of front-line services. That, in turn, gives us more ability to lower the personal tax environment for New Zealand workers.

Once we have put a halt to the growth in bureaucracy we will be looking hard at how we can ensure that the bureaucracy is focused on the things that really matter to New Zealanders, and whether resources in some parts of the bureaucracy can better be used elsewhere.

I can promise you that under a National Government, the bureaucracy will never be the fastest-growing sector of the economy, as it has been under Labour. Labour has been about growing the public service. National is about growing services to the public.

In contrast to Labour, I believe governments should budget and spend taxpayers' money as carefully as hardworking families and striving businesses do with their own finances.

It's time to bring back some much-needed discipline into public spending. That's what a National Government will do.