



Working Paper No. 4

Pieces of the Puzzle: Machinery of Government and the Quality of Policy Advice



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Pieces of the Puzzle: Machinery of Government and the Quality of Policy Advice

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June 1998

Summary

This paper examines how current machinery of government arrangements influence the quality of policy advice. The paper mainly draws on:

- the perceptions of senior policy managers in the Public Service who were interviewed as part of the SSC project on *Improving the Quality of Policy Advice*, together with the author's comments on those perceptions;
- analysis conducted by the State Services Commission (SSC) as part of an earlier Machinery of Government project; and
- relevant literature from New Zealand and overseas.

Publication of the Working Papers Series recognises the value of developmental work in generating policy options. The papers in this series were prepared for the purpose of informing policy development. The views expressed are those of the authors and should not be taken to be the views of the State Services Commission. The SSC view may differ in substance or extent from that contained in this paper.

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Important note

This paper was mainly prepared in June 1998 as a contribution to the State Services Commission’s *Improving the Quality of Policy Advice* project. Since then, related work has progressed to another stage – ideas are changing, and fresh insights are being captured - partly as a result of a review of arrangements for the provision of strategic social policy advice.

The paper is being published to promote discussion, debate and understanding around the influence of current structural arrangements in the Public Service on the quality of policy advice.

Introduction: The Role of Structure in Policy Advice

In 1997 the then Minister of State Services, Mrs Shipley, said:

It is important for the State sector to remember that a major object in separating policy functions for service delivery, and in setting up specialist sectoral policy ministries, was to sharpen the focus, quality and impact of advisory work ... to date this has not yet been an overwhelming success.¹

As Mrs Shipley stated, the State sector reforms in New Zealand were intended to impact on policy advice by sharpening the focus of departments, separating out conflicting functions within departments, and enhancing the contestability of advice across government. Those reforms resulted in a Public Service² architecture that is highly disaggregated with a large number of relatively small departments which are functionally separated (policy from operations, purchase from provision), and vertically organised.³

However, the design principles underpinning State sector reforms⁴ have not been applied uniformly. A snapshot of the current machinery of government reveals significant diversity within the Public Service, where policy advice is principally generated, and in the wider State sector. Examining the Public Service from a functional perspective, shows that there are three predominant forms: policy, service delivery, and mixed-function. The ministries for which policy is the primary function include: Environment; Transport; Defence; Research, Science and Technology; and the population ministries.⁵ The departments for which service delivery is a primary function include: Courts; Conservation; Inland Revenue; and the newly-formed Department of Work and Income. Those departments that continue to combine a mix of functions include Labour, Education and, despite several waves of reform, Health. Public Service departments range in size from mini-departments such as Cultural Affairs, to large multifaceted departments like Commerce and Internal Affairs.

This paper examines how current machinery of government arrangements influence the quality of policy advice. The paper mainly draws on:

- the perceptions of senior policy managers in the Public Service who were interviewed as part of the SSC project on *Improving the Quality of Policy Advice*, together with the author's comments on those perceptions;
- analysis conducted by the State Services Commission (SSC) as part of an earlier Machinery of Government project; and

¹ Cited in State Service Commission, *Future Issues in Public Management*, 1997, p.8.

² Because most policy advice is produced in the Public Service, this paper concentrates on the Public Service rather than the wider State sector.

³ Because of accountability and purchase arrangements, the key relationships in the Public Service tend to be vertical - from a Minister to a chief executive to managers - rather than horizontal across departments or sectors.

⁴ See for example: Boston et al, *Public Management: the New Zealand Model*, 1996, pp 4-5.

⁵ "Population ministries" include a group of small mainly policy ministries set up to give advice on the needs of certain population groups, including women, youth, Pacific Island people.

- relevant literature from New Zealand and overseas.

As described in section 6(a) of the State Sector Act 1998, the term “machinery of government” includes both structures (the allocation of functions to and between departments, and the need for the creation of new departments and the amalgamation or abolition of existing departments) and systems (the coordination of the activities of departments). The focus in this paper is primarily on structures. While it discusses some implications of structure for the quality of policy advice, it does not examine in depth the multitude of ways structural arrangements affect policy analysis and development.

The following analysis, while not at odds with the policy of the State Services Commission, represents the personal views of the author. It should also be noted that the paper was largely completed in June 1998 and does not reflect subsequent work undertaken by the SSC and other agencies.

Does Structure Matter?

Though government machinery is a means to an end, machinery changes often reveal a hope that through better structures, more successful policy might flow.⁶

The architects of the New Zealand reforms obviously thought that structure was important to achieving Government’s goals. Indeed, the metaphor ‘machinery of government’ suggests that structural arrangements provide the infrastructure for getting things done. Structure clearly has implications for information flows, relationship management, and the like. However, numerous commentators have also concluded that structure is not the most important thing, and changing structure alone is not likely to produce significant results.⁷ Good people can make bad structures work, but the reverse does not usually apply.

Views from the Engine Room: Reflections on the Current Machinery of Government Configuration

Senior policy managers interviewed for the SSC’s *Improving Quality of Policy Advice* project were asked two questions related to machinery of government arrangements:

- From your perspective, how does the current structure of the Public Service – the number of departments, their specific functions and so on – affect the quality of policy advice?
- To what extent have structural changes to your department affected the quality of your policy advice?

⁶ Craswell, E, Davis, G, Eggins, S, and Weller, P, “What Drives Machinery of Government Change? Australia, Canada and the United Kingdom”, draft submitted for publication to *Public Administration*, November 1997, Part One, p.1.

⁷ March and Olsen, (1989); Weller (1991); OECD (1995); Craswell, et al (1997).

The most striking finding was the divergence of views. The responses range from one extreme to the another. For example:

My overall impression is it works quite well.

and by way of contrast...

Government is still organised around sectoral lines based on 1950s/60s government models. Institutional design is wrong...

So what did policy managers think is wrong with current arrangements, and how are problems manifested?

Lack of Whole of Government Perspective in Policy Advice

Policy managers raised concerns about a lack of coherent cross-government strategic advice. It was suggested that the vertical organisation of Machinery of government – including the incentives generated by current purchase and accountability arrangements – encourages each agency to concentrate on its own patch rather than the whole of government. The result is that:

...agencies are concentrating on their own interests, without attention to the wider collective interest, and

...very few departments stop to ask whether a policy they are championing affects other departments.

According to policy managers, not only are we losing out on potential policy synergies, we may also be allowing too many policy conflicts to occur. There are mechanisms to enhance policy coordination, such as the officials committees supporting Cabinet Committees and various interdepartmental working groups. Central agencies, and particularly the Department of the Prime Minister and Cabinet, also play a role in helping to avoid policy conflicts.

However, most policy coordination tends to be sectorally based, is often concentrated on coordinating the process rather than the policy, and is reactive rather than focused on achieving coherence for a medium-term, whole-of-government policy agenda. Ministers as a group may not be well served in the provision of holistic, cross-government advice.

This view is consistent with earlier work by the SSC. The social policy sector provides an example of how structure influences the provision of strategic policy advice. Concerns about a lack of strategic advice in social policy have been highlighted by the SSC. A March 1998 paper⁸ suggested that the disaggregated State sector might be partly to blame for a lack of traction in social policy. The disaggregated architecture, and the relatively large number of organisations that it implies, means that overall coherence – pulling separate policy portfolio perspectives together to achieve coherent strategic advice – is more difficult to achieve than in an integrated system. (Note that overseas evidence suggests that coherence can still be a

⁸ State Service Commission, *Strategic Social Policy: How Significant is Machinery of Government?*, unpublished paper, March 1998.

problem in highly aggregated systems, such as those with superministries or mega-departments).⁹

The SSC paper also pointed to a gap in the machinery of government arrangements for social policy. It highlighted the lack of any structure or agency to manage and 'own' the responsibility for ensuring that Ministers have good whole-of-government advice on strategic social policy and for achieving broad social outcomes. The paper suggested that, while the Treasury fulfils the role of providing whole-of-government advice on economic growth and fiscal issues, there is no corresponding champion for social outcomes. Neither the Department of the Prime Minister and Cabinet, nor the Social Policy Agency (Department of Social Welfare), as currently configured, fulfil that role.

However, while suggesting that some thought should be given to structural change – including the potential establishment of a social policy ministry or dedicated unit – the report stressed that machinery of government is just one of many factors in the lack of traction in social policy. Capability issues (including the limited pool of highly skilled social policy advisors), relationship issues, clear objectives, a sustained social policy agenda, and Ministerial demands for strategic advice were deemed to be as, if not more, important than structural issues.

The same conclusions may well apply to strategic policy advice in general. Non-structural measures are likely to be more effective than structural change (and given the costs of structural change, non-structural measures should be attempted first) to improve the quality (and also quantity) of whole-of-government strategic policy advice.

One such non-structural measure was the introduction of the strategic management system, and particularly the mechanisms of Strategic Result Areas (SRAs) and Key Result Areas (KRAs), which were introduced in 1994 to encourage more of a whole-of-government focus (as opposed to a narrow portfolio perspective). Policy managers, however, had divergent views on the utility of those mechanisms:

KRAs are like an everyday mission versus

The [SRA/KRA] system has no impact whatsoever on policy advice. Life would be the same with or without it.

A critique of the strategic management system is beyond the boundaries of this paper, although the SSC has produced such a critique and some options for improving the current arrangements.¹⁰

⁹ See OECD PUMA, *Building Policy Coherence: Tools and Tensions*, PUMA Occasional paper, 1995, for a discussion of the various structural mechanisms in OECD countries to enhance policy coherence.

¹⁰ See: State Services Commission, *A Better Focus on Outcomes Through SRA Networks*, Occasional Paper, No. 3, October 1998.

Contestability of Advice

In an ideal world, contestability of policy advice would mean that Ministers had access to different policy options (including through accessing different sources of advice), and were therefore able to weigh up competing ideas. But do more sources of advice really mean more contestable advice? Has a disaggregated State sector achieved the goal of a higher level of policy contestability in practice?

Information collected in the *Improving the Quality of Policy Advice* project suggests that, individually, Ministers have typically not contracted for policy advice with agents other than their own departments. At the collective level, it could be argued that proposals presented to Cabinet have generally had input from more agencies and therefore embody wider perspectives than was the case in the past. There are more 'fingers in the policy pie'. It is less clear whether this means better quality policy, or even that Ministers get the chance to debate competing options.

When groups of officials 'negotiate' and come up with a joint view, there may, in fact, be some watering down of proposals, and even a slide to the lowest common denominator. This is especially the case where there is no clear 'ownership' of the policy issue and the resulting policy proposal. Consultation in these cases is sometimes used as a substitute for, rather than as an input to, analysis and advice. A compliance approach may have developed so that, in practice, mandatory consultation means departments only have the opportunity to comment on a paper almost as a last-minute sign off, rather than having the opportunity to contribute to the analysis throughout the policy development process.

There could be some merit in clarifying what is expected of consultation and how it can be used most effectively. Clearly, it should not mean trying to please everyone. That approach does not necessarily result in the best advice. Consultation among agencies should mean that technical issues are resolved, and that differences are clarified and crystallised to the point that Ministers can make decisions on the basis of the fullest information available.

Alternatives to departments 'sorting things out' are that Ministers debate everything, including trivial and mundane issues, or that Ministers mediate conflicts between institutions rather than between ideas. There is anecdotal evidence to suggest that both possibilities occur. Sometimes issues come to Ministers already over-cooked, while in other cases Ministers are forced to deal with the raw ingredients. This may be a result of mixed messages from Ministers, who on some occasions ask to see competing views on a policy issue, and on other occasions require officials to sort things out before asking Cabinet to make decisions.

One manager suggested that a competitive environment had a positive impact on quality:

...more agencies are competing to give government strategic advice, which forces the Ministry to give sharper advice.

This may be the case at the individual departmental level – departments know they have to produce quality strategic advice in order to get their perspective aired – but overall, the dominant picture presented to the *Improving Quality of Policy Advice* project was one of patch protection, with agencies fighting to get the upper hand in policy debates. For smaller ministries the struggle was to join the 'inner circle' or simply just to find out what was going on. Not surprisingly, the bigger players are still seen to dominate. Where cooperation does occur, there are suggestions of compromise with an associated reduction in the clarity of issues, and therefore a reduction in quality. In short, while we seem to have more sources of

advice, there is conflicting evidence about whether this has improved the quality of the advice.

Too Many Fingers in the Pie?

There are significant transaction costs associated with a large number of relatively small policy agencies. Some costs are indirect, for example having the limited pool of highly skilled and experienced analysts dispersed throughout the Public Service. Other costs are more direct: having multiple parties involved in policy deliberations increases the costs of inter-agency coordination and conflict resolution. As one policy manager complained:

There are too many other departments (15 were involved in the Retirement Savings Scheme policy development). Most are poorly resourced, are not hooked into the system and are ignored. If anyone kicks up they are mollified.

But how many is too many? By international standards and relative to the size of its population, New Zealand has always had a relatively large number of core Public Service organisations. There has never been a methodology for determining the optimal number of organisations, either in New Zealand or elsewhere. Policy managers expressed divergent views on how many departments were needed. One policy manager suggested that:

Perhaps you actually only need three government departments (especially if government gets out of all service delivery).

Others believed that having a lot of players is preferable:

...as it eliminates group think and ensures we use alternative frameworks of analysis.

Population Ministries: Necessary Input or Dispensable Irritant?

In talking about the number of agencies and coordination difficulties, policy managers most often used the population ministries to illustrate their views. (They are easy targets. Since their establishment, population ministries have been used as evidence that there are too many agencies, and are often cited as opportunities for rationalisation.) Policy managers seemed divided about the utility of population ministries. On the positive side:

...population departments provide a focus which can change and increase the quality of advice to ministers and

The small ones, if they stick to their knitting and priorities can do a good job – Ministry of Women's Affairs for example.

Other interview subjects were more ambivalent:

Population ministries should not really be needed to ensure that advice is given on their population groups. However, practically, they probably are necessary to ensure due consideration is given to those groups. Population ministries can be useful or unhelpful, depending on whether they have their full resources behind an issue.

It is hard to judge how effective small ministries are, and what they contribute to the overall quality of policy advice, regardless of whether they are sectoral or population-based. Effectiveness is perhaps best judged in terms of the level of influence small ministries have in

policy deliberations. For population ministries, the evidence is patchy. There have been occasions where population ministries have significantly influenced the direction of policy decisions (e.g. the Ministry of Women's Affairs in the 'superannuation debate', the Ministry of Youth Affairs in the 'youth at risk strategy' undertaken as part of the broader Crime Prevention Strategy).

Influence and effectiveness are both elusive concepts in the absence of counterfactual evidence. If the question was asked whether the needs of women, Pacific peoples, or young people would be as well represented without their ministries, the answer is likely to be 'probably not'. Outside commentators agree. For example: Boston et al (1996):

*There have been improvements in the scope, quality and contestability of advice available to government as a result of the creation of policy ministries where previously departmental advice was patchy or non-existent.*¹¹

Comparisons with Integrated Units

It would be interesting to assess how structure affects the relative influence of population ministries in comparison with a dedicated unit within a department, such as the Senior Citizens' unit in the Department of Social Welfare. Many of the 'population ministries' once were such units and were made stand alone for a variety of reasons (eg. public profile). However, with such a small and heterogeneous group of population ministries, and with other factors also operating (including the relative influence of the responsible Minister), any comparison would be suspect. A wider study would examine:

- small ministries, such as Consumer Affairs, which are located under a larger departmental umbrella (Ministry of Commerce);
- various dedicated units in the Department of Internal Affairs (e.g. Community Development Group); and
- small stand-alone ministries such as the Ministry of Cultural Affairs.

Although there is currently no empirical evidence, it seems logical that stand-alone ministries have more autonomy to define the breadth and scope of policy issues they are involved in, and that they have more of a direct claim to involvement in interdepartmental work, than integrated units. They also have access to forums such as the Chief Executives Forum, and meetings of Chief Executives convened by the State Services Commissioner, which enhance their access to information and useful relationships.

Those working in the area of women's policy in other jurisdictions have tended to look with envy at the stand-alone status of New Zealand's Ministry of Women's Affairs. Women's policy functions overseas are typically housed within larger departments, (often employment, health or community services organisations), or at the centre of government attached to the Prime Minister's Department or its equivalent. As a result, managers running those

¹¹ Boston, Martin, & Pallot, Walsh, (eds) *Public Management: the New Zealand Model*, Oxford University Press, Auckland, 1996, p.87.

organisations complain about a lack of influence and having their focus determined by their parent organisation.¹²

Where to From Here for Population Ministries?

When it was first set up, the stated aim of the Ministry of Women's Affairs was to work towards its own abolition. It has recently put significant effort into encouraging other agencies to improve their gender analysis capabilities. In time, it could be expected that departments would become sensitised to different population perspectives. An audit of relevant progress might be useful in order to determine whether gender analysis has in fact been integrated into the work of other agencies.

The effectiveness and influence of small ministries, and how that relates to the breadth and quality of overall policy advice available to Ministers, will need to be a consideration in any future structural reform. That will include questions about whether population ministries should become institutionalised, or viewed as a transition to the time when all mainstream agencies are able to take account of the varying needs of the different populations that make up New Zealand society. Those keen to rid the Public Service of its smaller players should, however, not lose sight of the fact that small ministries, even collectively, only account for a small percentage of the Public Service and its resources. As the 1992 ad hoc ministerial committee review of 'small departments' found, the fiscal gains from abolition or even amalgamation of small ministries are likely to be disappointing. In the absence of any wider machinery of government reform, abolition of small ministries – especially without assurance that the rest of the Public Service could or would assume their functions and perspectives – would be counterproductive.

Critical Mass

Policy managers also raised the issue of critical mass as influencing the quality of policy advice. Much has been written about critical mass¹³, most of it based on opinion rather than empirical evidence. There also exists confusion about the difference between critical mass and economies of scale. As a term, 'critical mass' comes from nuclear technology; as a concept it is like a switch. Below 'critical mass' the desired event, activity or reaction cannot occur; above the critical point, the event necessarily occurs, and indeed cannot be stopped.

¹² Information derived from discussions with women's policy advisors at OECD meetings of the working group on the role of women in the economy.

¹³ Most of the critical mass literature deals with the relationship between size and efficiency, and relates to both the private and public sectors. There is some literature on size and efficiency specific to the public sector. For example, related to service quality: Christensen, J. and Sachs, C.E., "The Impact of Government Size and Number of Administrative Units on the Quality of Public Services", *Administrative Science Quarterly*, Vol.25, March 1990, (has a substantial bibliography), and work on the administrative efficiencies to be gained from creating larger departments by amalgamating smaller ones. See, for example, Weller, Patrick "Amalgamated Departments – Integrated or Confederated? Establishing Criteria for Evaluating Machinery of Government Changes", *Canberra Bulletin of Public Administration*, No.65, July 1991; and Hood, C, Huby, M and Dunsire A, "Scale Economies and Iron Laws: Mergers and Demergers in Whitehall", *Public Administration*, No.63, 1985. Carillo, P. and Kopelman, R. "Organisation Structure and Productivity", in *Group and Organisational Studies*, 16,1, 1991, pp 44-59, argue that productivity is higher in smaller agencies.

An unpublished paper from the SSC which examined critical mass and policy agencies concluded that:¹⁴

Critical Mass is a misleading term, since it implies that there is some switch point below which an organisation will fail, and above which it will be effective.

The jury is still out on the level of economies of scale associated with larger organisations – in both the public and private sectors - whether larger organisations have their own inherent diseconomies, and whether productivity is higher in smaller agencies. This does not, however, deter commentators from arguing that small ministries lack the mass to perform a useful policy function. For example, Allen Schick stated that:

Having numerous small departments generates diseconomies of scale. In addition to accountability and reporting burdens, each department must allocate staff resources to internal management, such as running its own budget and dealing with personnel matters. After these and other responsibilities ...have been spoken for, a small department may have meagre resources left over for policy advice. Perhaps this is the reason why some small departments appear to be listless.¹⁵

This observation may reflect the transaction costs of the current reporting arrangements rather than indicating that these ministries are too small to provide high quality policy advice.

What makes for a first-rate policy department, and what that implies for critical mass has never been fully determined. However, for a 'policy shop', critical mass is likely to be a function of:

- the number of analysts (which has implications for specialisation, peer review, supervision, and mentoring);
- the quality and experience of those analysts (which also relates to training and development);
- the level and the quality of management (to control and direct policy work, manage relationships with other parts of the Public Service, provide a strategic focus, and to prioritise work); and
- resources (including the ability to contract consultants for policy work).

Quality Not Quantity

In the absence of any empirical analysis of critical mass, policy managers have drawn their own conclusions. All seem to agree that the quality, rather than the quantity, of analysts determines the overall quality of any 'policy shop'.

Whether an agency actually adds value depends on the quality of the analyst involved.

...people and the culture of the organisation are the determinants of high quality advice.

¹⁴ State Services Commission, "Critical Mass" in *Government Policy Agencies*, unpublished paper August 1998.

¹⁵ Schick, Allen, *The Spirit of Reform: Managing the New Zealand State Sector in a Time of Change*, State Services Commission, 1996, p.29.

Small ministries are as capable as larger ones of responding to these messages. For example, the Ministry of Women's Affairs has a deliberate staffing strategy of having fewer, but more experienced, policy analysts. The ability of a small ministry to concentrate on key issues rather than trying to cover all the policy areas – 'identifying and sticking to its knitting' – is also crucial to both the perception and the reality of its quality as a 'policy shop'.

Policy/Operations Split: Impacts on Policy Advice

The separation of policy and service delivery, as one of the principles underpinning the current design of machinery of government arrangements in New Zealand, was intended to reduce alleged capture of policy by operations.¹⁶ As Graham Scott has explained:

*Policy advice was separated from the operational units responsible for the administration of that policy. In practice, administrative agencies are expected to provide advice and their practical experience is valuable, but it was seen as undesirable to have the Government's advice on policy and resources coming primarily from parties with a direct interest in the service delivery.*¹⁷

As with other areas canvassed in this paper, policy managers displayed different opinions on whether the policy/operations split had affected policy advice negatively or positively. In the 'for' camp it was said that:

The Ministry has been freed from the tyranny of operations by the policy/operations split, allowing broader, more analytic, objective analysis" [and a reduction in] "capture by parts of the sector.

In the 'against' camp:

I have never believed in the complete separation of policy and operations... ; and

Policy advice did get divorced from the implementation side and it was probably a consequence of the rhetoric of the model, that is, the belief that you had to avoid capture.

And some live in hope:

The ethic predominant in the system here is that the delivery unit is king and policy is incidental. The delivery units think the policy unit is there to make changes to legislation that they want...the recent restructuring of our agency ought to improve the quality as it allows us to build a policy ethic instead of sectoral ethics.

Some managers accepted the theoretical benefits of the policy/operations split but recognised practical problems. For example, getting information from operations:

...it is very hard to get 'on the ground' information.

Under current arrangements, there are few incentives (or expectations) for operations to point out shortcomings in current policy settings (especially implementation difficulties), which

¹⁶ For a discussion of this concept and its intentions see: Ormsby, M.J, *The Policy/Service Delivery Split*, paper prepared for the SSC, 1995.

¹⁷ Scott, G C, *Government Reform in New Zealand*, International Monetary Fund, 1996.

might in turn expose them to the risk of a reduction in resources. Policy units rely on business units to provide information but:

...there are few levers to ensure that such information is provided. Systems and people can solve this problem, but at base it is a structural problem.

The policy/operations split requires superior relationship management with operations (including the development of formal protocols), and good monitoring and evaluation regimes, especially if the operational function is performed by a Crown entity.

It was suggested that 'policy creep' (e.g. Crown entities developing a competing policy capacity) was a problem in that:

The distinction between policy and operations can create wasteful policy...

However, others suggested that there wasn't a problem in that Crown entities stick to 'operational policy'. Again, views diverge.

The separation of policy from operations should not be taken to mean that policy should be made in a vacuum; policy units need information about how things are working on the ground, and need to have an appreciation of the capacity of operational units to implement any new policy. Advice on implementation is a key element of overall policy advice. This should not mean, however, that policy is beholden to operations. Policy units need good information and research capacities so they can assess the information provided by operational functions. Good feedback loops from operations are also critical, a point that has not escaped policy managers, as noted above.

There will always be tensions between policy and operations. The policy/operations split, in practice, should harness this tension to improve service delivery in the interests of recipients. Some review of the practical application of the policy/operations split might be in order, if only to highlight and share good practice, including relationship management, and monitoring and evaluation.

While the policy/operations split was based on the notion of one form of 'capture', little attention has been given to other forms of capture (e.g. capture by professional or technical groups; interest group capture). Capture of government organisations by special interests has been a bigger concern than bureaucratic capture in other jurisdictions.¹⁸ It could be argued that fragmenting the New Zealand machinery of government to avoid one form of capture has increased the possibilities for another. It would be arguably easier for outside interests to 'capture' a single focus organisation with no competing internal interests than it would be to capture a larger multi-faceted one.

¹⁸ For a discussion of the role of interest groups and fears of their capturing policy processes, see OECD *Consultation and Communications: Integrating Multiple Interests into Policy*, PUMA Occasional Paper no. 17, 1997, especially pp15-19.

Alternative Machinery of Government Design: The Quest for Better Policy Advice

When asked if alternative machinery of government design might be preferable to the current set-up, in terms the quality of policy advice, the policy manager 'jury' failed to reach a verdict. Amalgamation of departments into 'super-ministries' was raised most often as a potential alternative model but with mixed reactions. Not surprisingly, small ministries were not in favour of this:

Reinsertion into another department would result in us losing knowledge and focus.

On the creation of a super social policy ministry it was suggested that:

That would stop the messy consultation sign-off procedures between departments, and the questions about what this adds. But, of course, the question is, would it produce more coherent policy, or lowest common denominator policy?

The super-ministry option raised other concerns, including that the span of control for the chief executive would be too great, and scepticism that it would solve coordination and coherence problems:

...I think regardless of the number of departments you'll be dealing with the same interests; and

I think they would only internalise the arguments that currently occur.

Possibilities for amalgamation range from disestablishing small agencies and subsuming their functions into larger organisations to full-scale aggregation into a handful of large super-ministries. Amalgamating the current ministries into larger structures might improve coherence and enhance efficiency, but on the down-side might lead to a reduction in contestable advice and the risk of driving important policy debates down to the level of officials. The Australian experience with amalgamation (at the Federal level in 1987) suggests that, while officials believed efficiency and coherence had been enhanced, Ministers felt their opportunities to debate policy options had been reduced.¹⁹ Before any major machinery of government change is endorsed, Ministers and their advisors will need to consider carefully what would be gained and what would be lost (from the perspectives of the range of stakeholders). Overseas experience suggests that these risks of internalising conflicts and still not improving coherence and coordination are very real.²⁰

¹⁹ Craswell, E, and Davis, G, "The Search for Policy Coordination: Ministerial and Bureaucratic Perceptions of Agency Amalgamations in a Federal Parliamentary System", *Policy Studies Journal*, 22, (1), 1994, pp. 59-73.

²⁰ See: OECD, *Building Policy Coherence*, op cit; Craswell & Davis, op cit.

‘Little Machinery of Government’: Internal Restructuring and Impacts on Policy Advice

Policy managers had relatively little to say about internal organisational change. Some agencies have restructured to achieve better policy advice capabilities. Examples include:

- setting up a separate strategic policy unit (Ministry of Fisheries);
- pulling together into one unit, policy analysts who had previously worked in different areas (Department of Internal Affairs); and
- ensuring a policy capability in each separate policy area (Ministry of Commerce).

Obviously, managers believe that internal structural arrangements have an impact on the quality of policy advice, although the ‘solutions’ they have adopted are quite different.

Managers sounded a warning however, that structural change implied costs and benefits that also impact on policy capabilities:

The actual process of restructuring is very destructive; processes always take a very long time and staff morale goes down. Naturally, quality of policy advice also drops.

Conclusions

If this discussion has presented an ‘on the one hand, but on the other hand’ scenario, then it reflects the reality. The theory underpinning current machinery of government arrangements contained inherent trade-offs, the down-sides of which have, over time, become more evident. Those trade-offs have implications for the quality of policy advice to Ministers, and may be partly responsible for the dissatisfaction expressed by Mrs Shipley and others. For example, it could be argued that there is a tension between contestability of advice and policy coherence. In practice, while the disaggregated Public Service means that Ministers collectively have access to multiple sources of advice, it has also resulted in an apparently sub-optimal level of policy coherence. Other tensions arise from having a multitude of organisations involved in policy deliberations. Rather than giving Ministers sufficient information to choose from competing policy options, multiple sources of advice can leave Ministers with confusion rather than clarity. Moreover, it seems that competition between ideas is sometimes less evident than conflicts between institutions.

While it might be part of a package of reforms for improving the quality of policy advice and overall strategic alignment, structural change should not be seen as a panacea. For example, as noted above, some new structure might be part of a range of initiatives introduced to close the current gap in strategic social policy, but non-structural mechanisms – to improve horizontal cooperation and policy coherence – would also provide leverage, especially in the short- to medium- term. It should not be forgotten that structural change is expensive in dollar terms as well as costly in potential loss of focus, lowered staff morale and possible turnover, and the inevitable down-time as agencies adjust to their new structures and functions.

It will be important not to fall into the trap of using structural change to solve what are inherently policy, capability and relationship issues. Trying to get more leverage over policy through structural reform is a risky game. Each alternative machinery of government arrangement contains inherent trade-offs that must be identified and managed.