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Shaping the Bureau or Maximising the Budget?

Rational choice, historical institutionalism
and bureaucratic reform in New Zealand

A dissertation presented in fulfilment of the requirements for the degree of
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Abstract

In early 1997, the recently formed National/New Zealand First coalition government embarked upon an Employment Strategy which was to generate extensive structural upheaval in the New Zealand public service. In short order, the largest government department was dismantled, a second was much reduced, and three new bureaucracies were created.

This dissertation searches for the causes of the trajectory and outcomes of those institutional reforms. Drawing on both qualitative and quantitative data, the thesis explores the motives of the senior politicians and officials involved in the Employment Strategy, tests the relative influence of those actors over decision-making, and examines the bearing which institutional arrangements within the political executive had on the course and consequences of the Employment Strategy.

Two theoretical approaches are used to make sense of the data. The rational choice case for bureaucratic change proposes that the institutional shape of the public sector is a function of instrumental bureaucratic conduct. Specifically, budget-maximisation is assumed to result in an increasing number of government departments, each consuming an expanding budget and producing excess output.

The orthodox economic model provides a poor explanation of the Employment Strategy. The bureau-shaping model (Dunleavy, 1991), on the other hand, which employs a revised rational choice maximand to explain the influence of officials on bureaucratic reform, has more explanatory potential. The assumption that senior officials are motivated to shape the institutional parameters of their departments, rather than to maximise budgets, generates valuable insights regarding the structural revisions in question. Nonetheless, a bureau-shaping analysis cannot explain the variation in officials’ preferences which marked the Employment Strategy, or the influence which Cabinet ministers had on the resolution of key policy debates.

Those limitations point to the value of the second theoretical tradition used in the study. Historical institutionalism combines human agency and institutional context in a single account of political outcomes. The analysis in this thesis accommodates optimising
behaviour, but explains it in the context of the institutions of the political executive which mediated decision-making during the Employment Strategy.

However, neither rational choice nor historical institutionalism can fully account for the process and institutional results of the Employment Strategy. The thesis advocates a rapprochement between the proponents of individual agency and those who emphasise structural context and historical particularity. For the first time, this dissertation extends the existing new institutionalist literature and articulates a theoretical pathway to that end.
I once read that a doctoral dissertation is the single most demanding intellectual project most candidates ever undertake. If that is so, and it feels like it at the moment, I wish to acknowledge the contributions of the folk who helped me reach the point at which I was able to contemplate tackling this study, and those who assisted me in doing so. Amongst the former I count my parents, Liz and Bob Shaw, who were the first to teach me the value of asking questions. That number also includes several staff members from my years as an undergraduate student. I look back on Rajen Prasad, Mike O’Brien and Steve Maharey, in particular, as people who were able to communicate the intrinsic merit of intellectual inquiry, but who also reminded their students that such activity was of little value when disconnected from the lives of real people.

More recently, I have learnt a great deal from the many students with whom I have had the privilege and pleasure of debating political and policy matters over the years. A number of colleagues, both in my own School and in other institutions, have guided me during my time as a staff member at Massey University. I feel particular gratitude to Professor Jonathan Boston of Victoria University, whose intellectual rigour, support for less experienced academics, and common decency has encouraged me at different times in recent years.

There are others who have acted in a variety of supportive ways during my doctoral studies. Simon Nash, Allanah Ryan and Avril Bell, in particular, have unstintingly shared their support, their coffee and (less frequently) their home cooking with me.

As for the research process itself, in the early stages I greatly appreciated Lee Benjamin’s expert transcription services, and her gentle questions about the pace, or lack thereof, of progress with the thesis. I am especially grateful to the eighteen politicians and officials who consented to be interviewed for the study. That each of them found the time in unremittingly hectic schedules to give of their views and opinions, and to do so in a frank and forthright manner, spoke to me of the value each placed on the ‘publicness’ of their respective professions. Quite apart from what appears in this document, those discussions taught me an enormous amount about the art and craft of public policy, and I am deeply thankful for that.
Similarly, I thank those who have supervised my efforts over the last four years. Professor David Thomson, my chief supervisor, stepped into a large breach at a critical time in the research process. On several occasions, Peter Lorimer, a senior official with the New Zealand Treasury, contributed his vast experience and formidable attention to detail; this work is the better for Peter’s generosity, for which I am extremely grateful.

I wish to reserve particular words of thanks for two people from whom I have learnt an incalculable amount over the years. Dr. Christine Cheyne has long been a valued friend; more recently she has also been an exemplary supervisor. Christine brought to this project a probing intellect, the ability to leave me alone when appropriate and to offer guidance when necessary, and a wonderful capacity to see the trees and the forest at the same time. Her support has been utterly crucial to the completion of the thesis, and that she is currently enjoying a period as an adviser to the Prime Minister of New Zealand is no surprise to those of us fortunate enough to have known and worked with her.

In many ways, the origins of this doctorate lie in the encouragement and friendship which Dr. Chris Eichbaum has extended to me over the better part of a decade. On innumerable occasions his sound advice has helped me to clarify my thinking on all manner of issues, and over the years I have drawn extensively on his deep knowledge of all aspects of public policy. And it is from Chris that I have begun to learn what it means to be a public servant. It is a privilege to count as a friend and mentor someone who exemplifies all that is worthy in serving the public.

Finally, I wish to thank ‘the three women who have made me a father’. My beautiful daughters, Camille and Rosalie, have not, I hope, been unduly affected by my work on this thesis, but their priceless presence in my life is a daily reminder of the things which really matter. Above and beyond all else, I wish to publicly and (to the extent that it is possible to express such sentiments in a doctoral dissertation) profusely thank Ema, without whose willingness to leave behind family, country, language and tradition this project would never have been attempted. For what you have given up, and for all that you have brought me since that August night in Pimlico, mon ange, this thesis is for you.
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Acronyms

ACT  Association of Consumers and Tax Payers
DoL  Department of Labour
DSW  Department of Social Welfare
EISG  Employment Integration Steering Group
GDP  Gross domestic product
GF  Government Formation
GST  Goods and Services Tax
G5  \textit{ad hoc} Ministerial Committee on Employment and Welfare Reform
MMP  Mixed-member proportional
MP  Member of Parliament
NZ  New Zealand
NZFVWO  New Zealand Federation of Voluntary Welfare Organisations
NZPD  New Zealand Parliamentary Debates
ODWG  Organisational Design Working Group
OECD  Organisation for Economic Co-operation and Development