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# **Shaping the Bureau or Maximising the Budget?**

## **Rational choice, historical institutionalism and bureaucratic reform in New Zealand**

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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.

## Acknowledgments

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.

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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	<i>ad hoc</i> Ministerial Committee on Employment and Welfare Reform
MMP	Mixed-member proportional
MP	Member of Parliament
NZ	New Zealand
NZFWO	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