

SHAPING BUREAUCRATIC REFORM DOWN-UNDER.

Dr Richard Shaw	ph.	64 6 350 5799 (ext. 2832)
School of Sociology and Social Policy	fax	64 6 350 5618
Massey University	email	R.H.Shaw@massey.ac.nz
Private Bag 11 222		
Palmerston North		
New Zealand		

word length: 5,020 (excluding End Notes @ 1,070 words)

ABSTRACT

This article tests the capacity of Dunleavy's bureau-shaping model to explain a specific set of reforms in the New Zealand public service. It finds that the model accounts for certain features of the changes, including the motives of some senior bureaucrats and the structural reforms made to several government departments. However, it fails to explain the diverse motives of officials and the influence of ministers. The article concludes that the model could be strengthened by incorporating an analysis of (a) the political dimensions of decision making, (b) motivational diversity amongst bureaucrats and (c) the importance of institutional context to political outcomes.

INTRODUCTION

In recent years, public sector reform has been pursued in numerous Commonwealth nations.ⁱ In few has change been embraced more enthusiastically than in New Zealand, where, since the mid-1980s, the size, structure and functions of the public sector have been comprehensively overhauled.ⁱⁱ Trading departments have been corporatised (and in many cases privatised), policy advice and operations have been institutionally separated, and performance based budgeting has been introduced. In addition, stringent bureaucratic accountability arrangements have been established, private sector management practices have been adopted, and a great deal of service delivery has been devolved beyond the core public service.

These and other reforms have fundamentally altered the environments and incentive structures within which public servants work. They have also occasioned a reappraisal of the orthodox public choice wisdom that bureaucrats are intrinsically motivated by the perks of office, to which end they habitually bid up their departments' budgets. The budget maximising model is widely recognised as one of the most influential theoretical models of bureaucracy, but studies have failed to confirm its central empirical predictions: that over time government departments employ more staff and consume larger budgets.ⁱⁱⁱ Indeed, in many countries the reverse has occurred, prompting commentators to question the traditional model's relevance in contemporary contexts.

In response, new theoretical approaches to bureaucracy have emerged. One such, Dunleavy's bureau-shaping model, proposes that bureaucrats are motivated by the work they undertake rather than by the size of the budgets they administer. More specifically, it assumes that senior bureaucrats prefer policy related tasks to operational activities,

and will therefore seek to transform large delivery departments into smaller policy agencies by shedding implementation responsibilities.^{iv}

The bureau-shaping model has generated considerable theoretical interest, not least because it is consistent with international trends such as bureaucratic downsizing, privatisation and the devolution of service delivery.^v Thus far, however, its empirical application has been largely restricted to the civil service in the United Kingdom.^{vi} The research reported here builds on that literature by testing the model in the context of a major episode of institutional reform in the New Zealand public service.^{vii} It begins by briefly reviewing the model's central elements, following which the reforms in question are described. The capacity of Dunleavy's model to explain both the process and outcomes of the changes is then assessed. The article concludes that while the model provides a partial account of the reforms, its explanatory capacity would be enhanced if several theoretical modifications were made to the core framework.

THE BUREAU-SHAPING MODEL

The classical public choice case is that bureaucrats derive satisfaction from higher salaries, fringe benefits, enhanced promotion opportunities and so on.^{viii} Because each is a function of a department's budget, senior civil servants constantly push for budget increases. Conversely, Dunleavy argues that officials are intrinsically motivated by the work they perform, and are especially attracted to innovative tasks, smaller work units and agencies which are geographically proximate to the seat of government.^{ix} An agency's output determines the presence (or absence) of these desirable work related attributes, therefore bureaucrats' welfare is a function of institutional design. As such, officials try to influence the institutional contours of their agencies, rather than the size of their budgets. And because policy agencies offer more attractive working environments than do operational departments, bureaucrats pursue bureau-shaping strategies designed to transform large delivery organisations into smaller policy agencies.^x The most effective means of doing so is by shedding responsibility for service delivery and benefit administration to other departments.^{xi}

Evidence of successful bureau-shaping is reflected in the structure of a department's budget. Dunleavy distinguishes between four components of a total budget.^{xii} An agency's *core budget* covers all internal operating costs (wages, salaries, rents, etcetera.). Its *bureau budget* encompasses the core budget plus all resources distributed to the private sector (including contracts with private organisations and the administration of transfer payments). A *programme budget* includes the bureau budget and funding for which an agency is responsible, but which is administered by other

public sector organisations. The *super programme budget* includes a programme budget, plus spending by other agencies from their own resources, but over which a principal agency exercises control.^{xiii}

The significance of the typology lies in what it reveals about an organisation's activities. A department responsible for disbursing welfare benefits will administer a large total budget which is dominated by the bureau budget. Conversely, the core budget of a policy agency will account for most of a relatively modest overall budget. The point is that changes in the absolute size and internal composition of departments' budgets point to the success (or failure) of bureau-shaping strategies. Dunleavy predicts that bureaucrats in line departments will seek to recreate their organisations as policy agencies by shedding expensive delivery activities. By passing costs on to others, they will eventually administer a smaller total budget. Also, as the output of a policy agency requires in-house policy and research expertise, the organisation's core budget will constitute the bulk of its overall funding.

A TALE OF TWO DEPARTMENTS

While the bureau-shaping model has 'breathed new life into existing [theoretical] debates about the behaviour of senior bureaucrats'^{xiv}, the critical empirical test is whether it explains bureaucratic conduct in contemporary contexts. The reforms made to two of the largest departments in the New Zealand public service between 1997 and 1999 afforded an ideal opportunity to put the model to that test.

The changes stemmed from the Employment Strategy pursued by the National/New Zealand First coalition government formed after a General election in late 1996.^{xv} The principal objective of the Strategy, as set out in a Coalition Agreement signed on 10 December 1996, was a reduction in the number of long term unemployed.^{xvi} To that end the government proposed replacing the existing Unemployment Benefit with a new Community Wage, for which beneficiaries would have to undertake community work or training.

For the purposes of this article, the more important point is that the government also signalled major changes to the institutional arrangements within which welfare benefits and employment services would in future be delivered. Benefits had historically been administered by the Income Support Service (ISS), a unit within the Department of Social Welfare (DSW), while employment services were the preserve of the New Zealand Employment Service (NZES), situated in the Department of Labour (DOL). At New Zealand First's instigation, however, the Coalition Agreement referred to the integration of the ISS and the NZES in a single Employment Service.^{xvii}

The particulars of that integration were not spelt out in the Coalition Agreement, but were instead determined by three critical decisions made by the government between September 1997 and February 1998. The first was that the Community Wage would apply to *all* beneficiaries of working age (18-65 years), rather than solely to the long term unemployed. That decision was made on the advice of the DSW, and effectively quadrupled the population to which the policy would apply from 82,672 to 354,234 beneficiaries.^{xviii} The second, which also reflected the DSW's views, was that the ISS and the NZES would be merged in a single stand alone organisation. The final decision, announced in early 1998, was that the new agency would be established as a government department, rather than (as was the preference of both the DSW and the DOL) as an operationally autonomous Crown entity.

The consequences of these choices for the two principal departments were profound. When Cabinet's decisions were implemented on 1 October 1998, the DOL lost over 50 per cent of its staff and the bulk of its budget to the new Department of Work and Income (DWI) (see Figure 2 below). The effect on the DSW was even more dramatic (see Figure 1 below). In 1998 the ISS shifted into the DWI, taking with it nearly half of the DSW's staff. Exactly a year later the DSW also shed its child protection and community funding functions to another new agency, the Department of Child, Youth and Family Services (DCYFS). On the same day its two remaining sections, the Social Policy Agency (SPA) and Corporate Office, were reconstituted as a new Ministry of Social Policy (MSP), and the DSW ceased to exist.

TESTING THE MODEL

Bureaucrats Behaving Strategically

Bureau-shaping strategies are the means through which officials reshape their organisations, thus influencing the character of the work they perform. As the vehicles via which intentions are translated into goal directed activity, the strategies provide a proxy measure of the prior existence of bureau-shaping motives. Therefore, if Dunleavy's position on bureaucrats' motives is correct, one would expect to find evidence that officials in both the DSW and the DOL actively sought to reconfigure their respective departments as policy agencies.

The clearest indications of this strategic intent are found in the DSW, whose officials' engagement with the Employment Strategy strongly suggested a bureau-shaping orientation. The most radical possibilities for departmental reshaping lie in 'export[ing] responsibility for [undesirable delivery] functions'^{xix}, and it was in this area that the DSW was especially energetic. For some years the department's senior

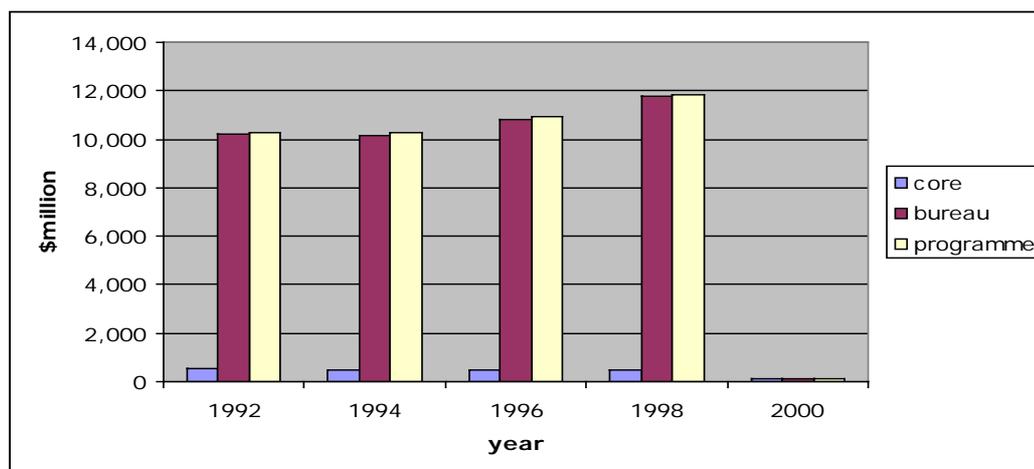
management had made no secret of their intention to discard the agency's operational functions, to which end they forcefully advocated the integration of benefit and employment services in the early phases of the Employment Strategy. In this regard, the decision to merge the ISS and the NZES was a significant victory for the DSW: it enabled the department to shed the single largest component of its business, the ISS, and provided impetus to the subsequent removal of its other delivery responsibilities to the DCYFS.

The department's ability to exploit that opportunity was enhanced by internal changes it had made prior to 1997. A second bureau-shaping strategy, internal structural reorganisation, can establish the institutional preconditions for a broader bureau-shaping strategy. The DSW had completed just such a process in 1992, when it housed each of its delivery functions within autonomous business units. This institutional quarantining meant that when Cabinet opted for full integration the DSW's senior officials were able to move quickly to divest the department of its various services. These were then reassembled in the form of two new departments, leaving a small group of officials within the residual DSW/MSP to concentrate on policy and research tasks.

Conversely, there is scant evidence of intentional bureau-shaping behaviour within the DOL. Instead, much of its engagement with the Employment Strategy was motivated by concerns which contradict the core assumptions of Dunleavy's model. The DOL had also established a series of operational service units in the early 1990s. Unlike the DSW, however, throughout the Employment Strategy the DOL remained implacably opposed to losing any of those units to other departments. This antipathy to structural reform reflected a concern at the highest level of the DOL that the removal of its principal delivery arm, the NZES, would significantly compromise the quality of the information available to the department's policy wing. Far from embracing the opportunity to evolve towards an ideal-type policy agency, the DOL struggled (in vain) to fend off the risk which the DSW posed to its institutional integrity.

Bureau-shaping Outcomes

Officials' behaviour may reflect their motives, but in Dunleavy's model the most robust evidence of bureau-shaping activity is found in material changes to departments' budgets. Within the DSW, in particular, the budgetary and institutional profiles which obtained after the Employment Strategy were strikingly consistent with the bureau-shaping ideal of a small, elite policy agency.

Figure 1: Budget trends in the DSW^{xx}

Notes (for Figures 1 and 2):

1. Core budget figures comprise expenditure on wages/salaries, operations (rent and leasing costs), depreciation, capital charges and contingent liabilities.
2. Bureau budget figures incorporate the core budget plus the cost of welfare benefits.
3. Programme budget figures include the bureau budget plus spending on outputs supplied by other providers. Because the Annual Reports of the DSW and the DOL do not distinguish between non-public sector and public sector providers, all such spending has been included in this category. Dunleavy's original model would include the cost of purchases from private sector organisations in the bureau budget category. That does not greatly affect the conclusions drawn in the subsequent discussion; they are simply expressed as the relationship between the core and programme budgets, rather than between the core and bureau budgets.

Figure 1 applies Dunleavy's budget typology, allowing for a comparison of the MSP's first budget (2000) with those previously administered by the DSW. It reveals the degree to which the department evolved towards an ideal bureau-shaping form because of decisions taken during the Employment Strategy. Throughout the 1990s, the DSW's core budget remained relatively static, and comprised a small proportion of a large programme budget which was dominated by welfare payments. By 2000, however, the profile looked dramatically different. Three features of the MSP's first budget enjoy an especially close fit with the bureau-shaping account. The first concerns the virtual disappearance of the bureau and programme budgets. In 1998, income transfers accounted for nearly 95 per cent of the DSW's bureau budget, but the removal of the benefit administration function to the DWI meant that the MSP's programme budget all but vanished. Second, and as a result of the transfer of staff out of the agency, the absolute size of the MSP's core budget plummeted between 1998 and 2000. In June

1997, the DSW had employed 5,980 staff (nearly 18 per cent of all public servants), but the loss of each of its former delivery units to the DWI and the DCYFS meant that by late 1999 the MSP had fewer than 200 employees. Consequently, in 2000 personnel costs in the MSP were 15.7 per cent of those which had applied in the DSW only two years earlier. Third, because its policy output was predominantly supplied by its own employees, that smaller absolute core budget constituted virtually all of the MSP's overall budget.

Those three features reflect precisely the pattern of institutional evolution anticipated by the bureau-shaping model. The DSW's senior officials took the opportunity presented by the Employment Strategy to rid the department of its delivery functions, thus passing on the transaction costs associated with large bureau and programme budgets and greatly reducing the size of their agency. Released from their former operational responsibilities, officials' utilities were 'unlinked from dependence on a high absolute level of programme or bureau budget'^{xxi}, leaving them free to attend to the more desirable activities which a policy agency performs. Moreover, because the MSP's core budget dominated its total budget, resources could be concentrated on in-house activities associated with the provision of policy advice. In terms of both its budget and functional responsibilities, then, the MSP looked very much like a fully evolved bureaucratic ideal.

Figure 2: Budget trends in the DOL^{xxii}

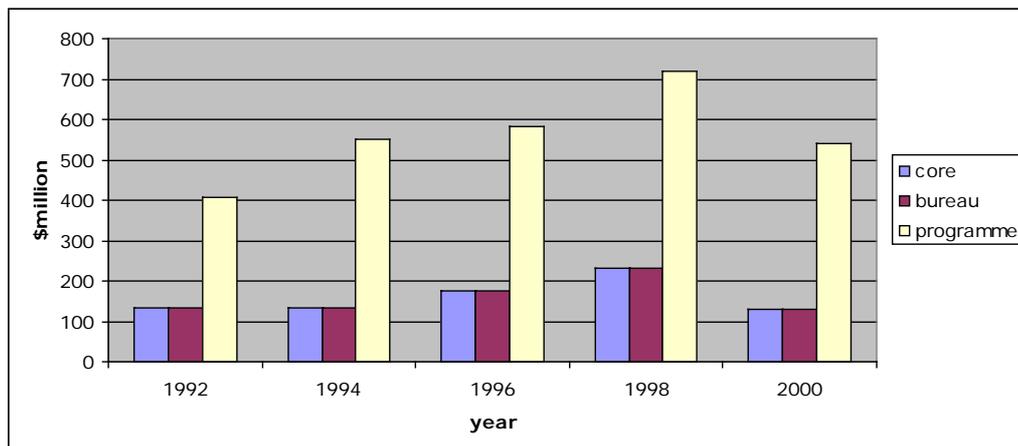


Figure 2 demonstrates that, to a point, the budgetary and institutional outcomes within the DOL were also consistent with the bureau-shaping model. In particular, while less spectacular than was the case in the DSW, the shedding of delivery activities and 1294 of its 2,196 staff to the DWI in 1998 brought about a substantial reduction in the remuneration component of the DOL's core budget.

However, in two key respects the DOL's post Employment Strategy budget profile was inconsistent with those associated with policy agencies. First, and most tellingly, the department continued to administer a large overall programme budget. The DSW divested itself of the single largest component of its total budget (benefit expenditure) during the Employment Strategy, but the DOL continued to purchase significant output from other organisations. It also retained operational commitments in employment relations, immigration, and workplace health and safety, and so remained a comparatively large organisation (employing 843 staff, only 52 of whom worked in the organisation's policy unit).^{xxiii} Therefore, while in absolute terms its programme budget was smaller than it was immediately prior to the implementation of the Employment Strategy, it was still higher than it had been for much of the early 1990s. In the bureau-shaping model the maximisation of desirable policy activities is critically contingent upon sizeable reductions in total bureau and/or programme budgets, but in this regard the DOL's senior cadre appear to have been only moderately successful.

Secondly, because the reduction in its workforce was not mirrored by an equivalent fall in its purchases of services from third parties, the DOL's core budget accounted for a reasonably small portion of its total programme budget. The bureau-shaping model predicts that as operational tasks are shed and an agency develops its internal policy capacity, its core budget will increase as a proportion of its overall budget. In the DOL the reverse applied. In the final fiscal year before the establishment of the DWI the DOL's core budget accounted for a third of its programme budget; in its first year without the NZES that proportion fell to just under a quarter.

HOW USEFUL IS DUNLEAVY'S MODEL?

In this case study, the bureau-shaping model makes especially good sense of the strategic intent of the DSW's officials and the institutional transformation the department underwent in the late 1990s. In each of the key debates which determined the trajectory of the Employment Strategy, the DSW's position was congruent with an ideal bureau-shaping outcome. Its view that the Community Wage should be applied to all working age beneficiaries was accepted by ministers. That endorsement gave considerable momentum to the case for the institutional merging of income support and employment services, and Cabinet's decision to that effect paved the way for the DSW to jettison virtually all of its operational responsibilities, retaining only an advisory function which was reconstituted as a small policy Ministry administering a modest budget.

The preferences of the DSW's senior officials thus appear to have had a significant bearing on the outcomes of the Employment Strategy. In that respect this study confirms research undertaken in the UK, where the desire of Whitehall mandarins to maximise the proportion of their work time given over to policy development has been identified as a key factor in the Next Steps reforms.^{xxiv} It also endorses a study of the fiscal effects of the contracting out of service delivery within Australian metropolitan authorities, which found evidence that senior managers used tendering processes to shape their bureaux by shedding manual staff and increasing the number of supervisory and professional staff.^{xxv}

On the other hand, both the motives of the DOL's officials and the department's post Employment Strategy structure accord only weakly with a bureau-shaping explanation. Had the engagement of the DOL's senior bureaucrats with the process been predicated on bureau-shaping imperatives, they would have supported the extension of the Community Wage to all working age beneficiaries. Instead, they consistently raised concerns about the administrative and policy difficulties attendant upon the adoption of a large target population. A bureau-shaping DOL would logically have joined the DSW in embracing structural integration and the creation of a stand alone agency as a means of rationalising its own delivery activities. Rather, the agency railed against the decoupling of policy and operations and advocated the retention of an institutional status quo which was inconsistent with Dunleavy's pure policy agency. Moreover, while the ex post functional and budgetary characteristics of the DOL bear some resemblance to those of an agency in the process of being reshaped, its officials' opposition to institutional reform throughout the Employment Strategy suggests that those features are a function of the interplay between external variables, not of the active pursuit of a clearly defined bureau-shaping vision by the DOL.

Several intrinsic features of the bureau-shaping model explain these inconsistencies. One set of issues derives from the behavioural assumptions upon which the model rests. In keeping with the rational choice tradition of methodological individualism, Dunleavy maintains that social actors' preferences are given and immutable. He has altered the nature of those preferences (from pecuniary to work related) and the manner in which they are sought (from budget maximising to bureau-shaping), but has been criticised for failing to test the validity of his core assumption that officials want to work in small policy agencies rather than in heavily staffed delivery departments.^{xxvi} Dunleavy's revised motive is certainly plausible, and in a normative sense may be more appealing than the corresponding assumptions which inform the orthodox budget maximising model.^{xxvii} However, whether or not his insistence on a single motivating force provides a robust explanation of all (or even most) bureaucratic conduct is debatable.

There are several consequences for the bureau-shaping model of assuming that it does. For one thing, it hobbles the model's ability to make sense of the actions of those bureaucrats who manifestly do *not* wish to work in agencies which focus exclusively on policy. A bureau-shaping analysis does not explain why the DOL's officials expressly advised against institutional reforms which would have moved their department closer to a policy making ideal. In fact, their defence of the existing arrangements suggests that they were not at all motivated as Dunleavy would expect: the view within the department was that policy advice which is not informed by an operational perspective is deficient, and the prevailing preference was to work in an agency in which policy and implementation functions were institutionally proximate.

The model's assumption also precludes the possibility that bureau-shaping strategies may be driven by motives which have little or nothing to do with institutional transformation. Senior officials may restructure their departments in order to boost allocative efficiency or improve performance; they may shed delivery tasks to other providers because their own department lacks the requisite expertise. That is, intentional bureaucratic activity may produce outcomes which approximate those predicted by the bureau-shaping model, but for reasons which are not connected with the model's central assumptions. Moreover, the notion that all bureaucratic behaviour is based on a strategic calculus geared towards the maximisation of utility (however defined) is highly questionable. It is one thing to propose that the DSW's establishment of its business units and its strategic conduct during the Employment Strategy were motivated by bureau-shaping considerations, but quite another to establish that those initiatives were predicated solely upon the corresponding motive, or were wholly responsible for the outcomes of the Employment Strategy.

This last raises important questions regarding the relative leverage of officials and politicians over bureaucratic reform. For Dunleavy, bureaucrats drive structural change. However, by exclusively modelling the effects of bureaucratic instrumentality he overlooks the influence which other actors have on such reforms. In the process, the political context which enfolds public bureaucracies sinks out of sight. This puzzling tendency 'to ignore politics'^{xxviii} is perhaps the most egregious flaw in the bureau-shaping model, and more than any other factor it is this which limits the model's ability to fully explain the Employment Strategy.

Other studies have also noted that the model underspecifies the degree to which bureau-shaping activity is constrained by the preferences of ministers.^{xxix} In jurisdictions with parliamentary executives, the imperatives of individual and collective ministerial responsibility are such that members of the political executive are rarely disinterested in the state of the bureaucracy. Ministers have strong views on the structure and

performance of the public sector, and may themselves shape bureaux in order to extract efficiencies from departments, improve the effectiveness of public agencies, or achieve greater control over bureaucrats.

The conventional and statutory prerogatives of ministers had a decisive bearing on the outcomes of the Employment Strategy in two central respects. First, members of the National/New Zealand First government created a bureau-shaping opportunity by codifying a reference to structural integration in the 1996 Coalition Agreement. Senior DSW officials concede that had the government not formally agreed to implement an Employment Strategy, it is unlikely the department would have been able to foster the circumstances necessary to the advancement of its agenda. Indeed, the Coalition Agreement determined the government's policy activity to such an extent that ministers interviewed for this research expressed scepticism that structural change would have occurred at all had it not been explicitly provided for in the document.

Secondly, ministers managed the policy processes and were responsible for final decisions. As in other countries with non partisan bureaucracies, officials in New Zealand are enjoined to offer free, frank and impartial advice. However, while such advice can influence politicians' views and deliberations, ministers are under no constitutional obligation to act on it. On the contrary, as elected representatives they are endowed with 'a monopoly on one essential ingredient in policy making: legitimacy as the final decision making authority'.^{xxx} In the Employment Strategy, ministers countenanced significant institutional reform but also dismissed a number of the options advanced by officials. Most notably, against the trenchant opposition of both the DSW and the DOL Cabinet chose to establish the newly integrated agency as a department. That decision was a salutary reminder that while it is the proper role of officials to advise on and implement the policies of the government of the day, executive authority rests with ministers. The creation of the DWI was a political act: bureau-shaping strategies may be plotted in officials' offices, but there they are likely to remain until or unless they are endorsed by politicians.

CONCLUSION: BUILDING A STRONGER BUREAU-SHAPING MODEL

This study has drawn attention to one or two flaws in the bureau-shaping account, but it also confirms that the model enjoys a close fit with many of the realities of contemporary bureaucratic life. For instance, the assumption that senior officials value the nature of their work more highly than the prospect of pecuniary gain has some appeal in the climate of fiscal austerity and antipathy to public provision which characterised New Zealand politics in the 1980s and 1990s. In such environments,

Treasury ministers are generally hostile to bureaucrats' requests for additional resources, but may be favourably inclined towards initiatives which reduce departments' budgets by pushing service delivery beyond the core public sector. And, indeed, over the last decade in New Zealand there has been a steep reduction in the proportion of government spending directed at the delivery activities of departments, and a corresponding increase in the funding of non departmental providers.^{xxxii}

In addition the model offers a compelling explanation of bureaucratic support for systemic reform. New Zealand is not the only nation in which senior officials have promoted staple reforms such as the institutional separation of policy and operations, the creation of quasi markets for public services, and the devolution of service delivery beyond the departmental sector. Such initiatives provide bureaucratic elites with a steady supply of bureau-shaping opportunities, which perhaps explains why they have so often been in the vanguard of structural change.

Nonetheless, question marks hang over the model's ability to fully explain empirical phenomena. As a step towards a stronger bureau-shaping model several theoretical modifications might be made. For one thing, a greater sensitivity to the diversity of bureaucrats' motives should be incorporated. The great advantage of the public choice tendency to attribute a fixed slate of preferences to all bureaucrats is that it enables behaviour to be measured against testable propositions. Unhelpfully, this can also act as a theoretical straightjacket, and the model would be the stronger for an ability to endogenise preference formation. This would free it to accommodate the richness which characterises the motives and objectives of officials, and on that basis would permit analyses of the consequences of bureaucratic behaviour which do not presuppose particular institutional outcomes.

Related to this, the model could usefully clarify the different incentives individuals have to engage (or not) in bureau-shaping activity. Dunleavy's tendency to use the noun 'bureaucrat' in a fairly general manner contributes to an assumption that *all* bureaucrats are motivated by the prospect of policy related work, and that all therefore have strong incentives to subscribe to a collective bureau-shaping strategy. Yet in all likelihood, an individual's assessment of the risks and benefits likely to stem from such activity will reflect (at least partially) their rank within an organisation. In fact, given their relative lack of engagement with policy tasks (and vulnerability to load shedding strategies), lower ranked staff might be inclined to oppose moves to increase an agency's focus on policy. After all, their job security and promotion prospects are likely to be harmed by a strategy which results in the hiving-off of administrative and operational functions.

The model's silence regarding the influence of external variables on bureaucrats' ability to effect institutional change must also be lifted. That much could be achieved by

grafting onto the basic framework a means of modelling the incentives and consequences of the involvement of political actors (both executive and legislative). By rehabilitating the political, ministers and legislators would become active participants in institutional change, rather than passive observers of the manoeuvrings of officials.

In the context of this study, the pressing need for this particular development was illustrated by events which took place after the completion of the Employment Strategy and the demise of the National/New Zealand First coalition. In April 2001, the new Labour/Alliance government announced that the DWI and the MSP would merge to form a new Ministry of Social Development. In a stroke, the institutional reforms implemented through the Employment Strategy were undone. Crucially, not only did the recombination of policy and operations offend against the basic bureau-shaping thesis, ministers appear to have made their decision without any recourse whatsoever to officials.^{xxxii} A robust model ought to be able to explain strategic bureau-shaping conduct of this order.

A greater emphasis on political intentionality should not, however, crowd out an appreciation of the unintended consequences of decisions regarding institutional form. Political actors may be instrumental, but they can neither control for all exigencies nor predict all eventualities, and decisions often lead to outcomes (desirable or otherwise) which were unanticipated, or which do not approximate those which were sought at the outset.

Finally, an analysis of the dynamic relationship between institutional environments and politicians' and bureaucrats' choices should be woven into the model. Instrumental agency is important, but the formal and informal rules, regulations and procedures which structure the conduct of ministers and bureaucrats also have a bearing on decision making. Institutions are not the sole determinants of outcomes, but they are an integral part of the context in which decision making processes must be understood.^{xxxiii} As it stands, the bureau-shaping model has much to offer. Greater sensitivity to matters institutional, however, would transform it into a genuinely robust, dynamic account of the causes and consequences of bureaucrats' behaviour.

END NOTES

- ⁱ See D. Ayeni, *Public Sector Reform in Developing Countries: A Handbook of Commonwealth Experiences* (Commonwealth Secretariat, 2001).
- ⁱⁱ The reforms were extensive, and have generated a vast literature. See J. Boston, J. Martin, J. Pallot and P. Walsh (eds.), *Public Management: The New Zealand Model* (Auckland: Oxford University Press, 1996); A. Schick, *The Spirit of Reform: Managing the New Zealand State Sector in a Time of Change* (Wellington: State Services Commission and the Treasury, 1996); G. Scott, *Public Management in New Zealand. Lessons and Challenges* (Wellington: Business Roundtable, 2001).
- ⁱⁱⁱ A. Blais and S. Dion (eds.), *The Budget-Maximising Bureaucrat: Appraisals and Evidence* (Pittsburgh: University of Pittsburgh Press, 1991); P. Dunleavy, *Democracy, Bureaucracy and Public Choice* (New York: Harvester/Wheatsheaf, 1991).
- ^{iv} Dunleavy, *Democracy, Bureaucracy and Public Choice*.
- ^v K. Dowding, 'Civil Service', in R. Maidment and G. Thompson (eds.), *Managing the UK: An Introduction to its Political Economy and Public Policy* (London: Sage Publications, 1993); M. Hill, *The Policy Process in the Modern State* (Hertfordshire: Prentice Hall/Harvester Wheatsheaf, 1997); V. Lowndes, 'Varieties of New Institutionalism: A Critical Appraisal', *Public Administration*, 74 (1996), 181-97; W. Parsons, *Public Policy. An introduction to the theory and practice of policy analysis*. (Aldershot: Edward Elgar, 1995).
- ^{vi} O. James, 'Explaining the Next Steps in the Department of Social Security: the Bureau-Shaping Model of Central State Reorganisation', *Political Studies*, 43, 4 (1995), 614-29; D. Marsh, M. J. Smith and D. Richards, 'Bureaucrats, Politicians and Reform in Whitehall: Analysing the Bureau-Shaping Model', *British Journal of Political Science*, 30, 3 (2000), 461-82; M. J. Smith, 'Reconceptualising the British State: Theoretical and Empirical Challenges to Central Government', *Public Administration*, 76 (1998), 45-72.
- ^{vii} The article is based on 22 interviews with ministers in the 1996-1998 National/New Zealand First government, public service Chief Executives, and senior officials involved with the Employment Strategy. It also draws on data from departmental Annual Reports and statistical reports. For reasons of economy of space, data from interviews are not included here, but they do inform my assessment of the intent and actions of ministers and officials during the Employment Strategy, especially regarding conflicts over institutional design. I would also like to thank two anonymous referees for their helpful comments on an earlier draft of the paper.
- ^{viii} W. A. Niskanen, *Bureaucracy and Representative Government* (Chicago: Aldine-Atherton, 1971).
- ^{ix} Dunleavy, *Democracy, Bureaucracy and Public Choice*, 202.
- ^x Dunleavy, *Democracy, Bureaucracy and Public Choice*, 203.
- ^{xi} Dunleavy, *Democracy, Bureaucracy and Public Choice*, 203-5. Other strategies include internal restructurings which privilege policy functions, and competing with other agencies for desirable policy functions.
- ^{xii} Dunleavy, *Democracy, Bureaucracy and Public Choice*, 181-3.
- ^{xiii} This category applies where central government departments channel funds to agencies at the sub-national level. It is of limited value in New Zealand, which is a strong unitary state, and so is not used in this analysis.
- ^{xiv} Marsh *et al.*, 'Bureaucrats, Politicians and Reform', 461.
- ^{xv} The election was the first held under the new mixed member proportional system adopted via referendum in 1993. Between them the centre-right National Party and the populist New Zealand First Party controlled 61 of the 120 seats in New Zealand's unicameral legislature, although the government disintegrated 20 months into its three year term. For the outcomes of the election see J. Boston, S. Levine, E. McLeay and N. S. Roberts, *From Campaign to Coalition: the 1996 MMP Election* (Palmerston North: Dunmore Press, 1997); J. Vowles, P. Aimer, S. Banducci and J. Karp (eds.), *Voters' Victory? New Zealand's First Election under Proportional Representation* (Auckland: Auckland University Press, 1998).
- ^{xvi} The Coalition Agreement (which is accessible at www.executive.govt.nz/96-99/coalition) was signed following a nine week long period of government formation, during which New Zealand First held parallel negotiations with both the Labour and National parties. In the event, it opted to form a government with National, largely because of the latter's greater

- willingness to offer policy concessions and key Cabinet positions (some of which were filled by first time members of Parliament) to New Zealand First. The 1996 coalition negotiations, and the role of officials in them, are discussed by Boston *et al.*, *From Campaign to Coalition*, and R. Shaw, 'Rules or Discretion? Officials and Government Formation under MMP', *Political Science*, 51, 1 (1999), 32-57.
- ^{xvii} Senior National Party ministers were wary of structural integration in the employment sector, having canvassed its merits and risks during an earlier Prime Minister's Taskforce on Employment. However, New Zealand First's Peter McCardle, who was to become Minister of Employment in the new government, was strongly wedded to the notion, which the party made a non-negotiable item during the coalition negotiations.
- ^{xviii} Department of Social Welfare, *Statistics Report* (Wellington: DSW, 1997).
- ^{xix} Dunleavy, *Democracy, Bureaucracy and Public Choice*, 204.
- ^{xx} The data are from the Annual Reports of the DSW (1992-1998) and the first annual report of the MSP (2000), and cover the year to June.
- ^{xxi} Dunleavy, *Democracy, Bureaucracy and Public Choice*, 203.
- ^{xxii} The data are from the Annual Reports of the DOL (1992-2000), and cover the year to June.
- ^{xxiii} *New Zealand Parliamentary Debates*, Question Supplement Vol. 32, 30 March-22 May 1998, 776.
- ^{xxiv} James, 'Explaining the Next Steps'.
- ^{xxv} S. Albin, *Bureau-Shaping and Contracting Out: The Case of Australian Local Government* (Public Policy Programme: Australian National University, 1992).
- ^{xxvi} See James, 'Explaining the Next Steps'; Lowndes, 'Varieties of New Institutionalism'; Marsh *et al.*, 'Bureaucrats, Politicians and Reform'.
- ²⁵ It is also consistent with recent research on what motivates bureaucrats. See C. Campbell and D. Naulls, 'The Limits of the Budget-Maximising Theory: Some Evidence from Officials' Views of their Roles and Careers', in Blais and Dion, *The Budget-Maximising Bureaucrat*; Marsh *et al.*, 'Bureaucrats, Politicians and Reform', 14.
- ^{xxviii} Smith, 'Reconceptualising the British State', 54.
- ^{xxix} James, 'Explaining the Next Steps'; Marsh *et al.*, 'Bureaucrats, Politicians and Reform'; C. O'Faircheallaigh, J. Wanna and P. Weller (2nd ed.), *Public Sector Management in Australia: New Challenges, New Directions* (South Yarra: McMillan Education, 1999).
- ^{xxx} J. D. Aberbach, R. A. Putnam and B. A. Rockman, *Bureaucrats and Politicians in Western Democracies* (Cambridge: Harvard University Press, 1981), 248.
- ^{xxxi} R. Shaw, 'Model without a cause? Public choice and bureaucratic reform in New Zealand', *New Zealand Journal of Sociology*, 15, 2 (2001), 272-3.
- ^{xxxii} The Prime Minister sought the advice of the State Services Commissioner on the matter, but inquiries under the *Official Information Act* 1982 generated no evidence that advice was sought from officials.
- ^{xxxiii} P. A. Hall and R. C. R. Taylor, 'Political Science and the Three New Institutionalisms', *Political Studies*, XLIV (1996), 936-57; E. M. Immergut, 'The theoretical core of the new institutionalism', *Politics and Society*, 26, 1 (1998), 5-34; S. Steinmo, K. Thelen and F. Longstreth (eds.), *Structuring Politics: Historical institutionalism in comparative analysis* (Cambridge: Cambridge University Press, 1992).