'Rebuilding the Ship at Sea': The Implementation of New Public Management in a Ministry of Education Regional Office

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ABSTRACT

This thesis is an examination of the implementation of New Public Management into a Ministry of Education regional office over the period 1989-1996. An institutional analysis within a state theoretical framework is used to explore the shift from one logic of administrative action - Old Public Administration - to another - namely New Public Management. To be 'successful', a logic of administrative action has to ensure congruence between the apparatus of the state and the state's political project - in this case, neo-liberalism. Secondly, a logic of administrative action must also align actors within the state so that the 'right things' are done in the 'right way'. The Management Centre provides a case study revealing the uneven success in achieving both kinds of alignment. The relative strength and weaknesses of the logics of Old Public Administration and New Public Management and the eventual compromise in the form of the latter are explained by factors at the micro-level of the Management Centre, the meso-level of the public sector and the macro-level of the governance role of the state in education. It is suggested here that a compromise in the form of New Public Management was inevitable because of the nature of the state's governance role in education and because of the institutional characteristics of the shift to New Public Management. Through unpacking the 'black box' of the state this thesis explains how the neo-liberal objectives of the state were realised unevenly within parts of the state apparatus over the 1989-1996 period.
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<td>BOT</td>
<td>Board of Trustees</td>
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<td>Chief Executive</td>
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<td>Educational Development Initiative</td>
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<td>Education Review Office</td>
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<td>MC</td>
<td>Management Centre</td>
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<td>Ministry of Education</td>
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<td>Member of Parliament</td>
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<td>OPA</td>
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CHAPTER ONE - INTRODUCTION

October 1 1989 saw the start of a new era in New Zealand education, when the former Department of Education (DOE) was abolished and in its place a smaller policy-driven Ministry of Education (MOE) with 11 regional offices was created. The Government's policy, expressed in Tomorrow's Schools (DOE, 1988b) was designed to devolve responsibilities and decision-making to schools, and decentralise state responsibilities to Crown entities away from the core of the state, so as to free the MOE to provide policy advice to its primary client, the Minister of Education.

This restructuring made it possible for the MOE and its regional offices to become aligned with a shift from one 'logic of administrative action', to another logic already evident in the wider public sector. Until the mid-1980s the New Zealand public sector had operated according to Old Public Administration (OPA)1 whereby large bureaucracies were staffed by professionals with relevant expertise, under central and uniform controls designed to reduce the opportunities for political corruption. From the mid-1980s New Public Management (NPM) became the new logic of administrative action, characterised by small Departments with single roles, tightly coupled with their Ministers, and staffed by generic not specialist officials. The role and orientation of the new MOE was to be in line with this shift.

The subject of this thesis is the application of NPM to a MOE regional office, referred to here as a management centre (MC)2. The dynamics of change in this MC should be understood as reflecting change at a number of levels and in different contexts. First of all, the shift to NPM has to be seen within the context of the shift to a neo-liberal state. In New Zealand in the 1980s the Government responded to problems in its political economy by moving from the Keynesian Welfare State's objectives of guaranteeing a maximum in state provision, to the neo-liberal objective of realising a minimum. NPM is a logic of administrative action more compatible with both introducing and maintaining a neo-liberal state form, and the principles of NPM provided the state with

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1 This term is drawn from Dunleavy and Hood (1994).

2 Following restructuring in 1992 the district offices of the MOE were formally renamed 'Management Centres' and this is the name used in this thesis.
the means to withdraw selectively from key areas. Specifically, this allowed the state to 
devolve responsibilities for management to individual schools, and governance to 
school boards of trustees, leaving the MOE directly responsible for policy provision, 
and for brokering the provision of other services. The MC, therefore, has to be located 
within a significant macro-level in the role of the state in New Zealand.

Since the mid-1980s there has been a deliberate shift to align the internal state apparatus 
according to the form of NPM promoted in New Zealand, and this forms the second 
context in which the MC operates. This shift effects not only the realignement of the 
public sector, but also operates at the level of officials, such as the staff of the MC, 
implementing the shift to NPM. In other words, the implementation of NPM provided a 
means of ensuring that people do 'the right things in the right way' (Offe, 1996a). The 
'right way' was clearly defined in New Zealand's narrow accountability-driven form of 
NPM as promoted by advocates within the central state agencies such as the Treasury, 
the State Services Commission and the Audit Office. Explicit lines and mechanisms of 
accountability were employed to counter the implicit and duplicated responsibilities 
associated with the former logic of OPA. More problematically, as a logic of 
administrative action cannot be coercively imposed, then this, essentially, arbitrary re-
orientation had to become meaningful to MC officials. This study explores how the 
implementation of NPM in education served to oblige MC officials to accept that their 
activities, both current and future, were either appropriate or inappropriate. Thus to be 
effective as a logic of administrative action the NPM had to operate at the level of the 
apparatus of the whole public sector, the MOE and the MC.

The third context in which the MC is situated is the dynamic and tension between OPA 
and NPM over the period 1989-1996. Change in the state and change in education, does 
not, of course, occur overnight\(^3\) and, as there was no *tabula rasa* when NPM was 
introduced in 1989, it had to operate in conjunction with the former logic. NPM was 
applied to an office embedded in a 'live' and historical context in which the newly 
created MC had to deal with schools and early childhood institutions and a public that 
had become accustomed to the OPA mode of state intervention and support. The

\(^3\) Changes in education have been described poetically as akin to 'sweeping porridge uphill through long 
grass' (Cassidy, 1985:228).

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extensive and rapid nature of the restructuring begun on 1 October 1989 meant that the MC had some autonomy to devise ways of seeing in the reforms, including the implementation of NPM. Because change did not happen over night there was, then, no 'steady state'; the education sector clamoured for support and the newly created and pre-occupied National Office of the MOE had its own teething problems. Not only are events at the level of the MC influenced by the state's need to be constantly 'rebuilding the ship at sea' (Elster, Offe and Preuss, 1998), but also by the contestation between OPA and NPM as seen in three temporal phases.

First of all, 1989-1990 saw a weak form of NPM, and the concomitant strength of OPA. NPM was 'weak' in that it was presented as an abstract ideal for the whole public sector and therefore as largely irrelevant to the operationally focussed MC. In this void, the MC relied on that which they knew best and activities reflected the extant logic of OPA with staff working in a 'hands-on' mode to support the transition to Tomorrow's Schools. Ironically, the ostensible shift to NPM relied on the MC's staff working to the professional orientation of OPA, drawing on their education networks and working relationship and affinity with schools and early childhood institutions. During these two years the OPA nature of the MOE and its regional offices was singled out for specific criticism by the central state agencies. That the MOE and its regional offices were primarily staffed by education professionals was considered to be a weakness.

Following these criticisms, the MOE was compelled to adopt the principles and tools of NPM so as to circumscribe the activities of its regional offices, and re-focus the entire MOE towards serving the Minister as its primary client. This second period, from 1991 to 1994, is described as 'hands-off'; whereby the MC's activities were reshaped as NPM was progressively implemented through 'vertically focussed' contracts, time recording sheets, and the framing and communicating of regional issues as national issues. Interactions with the sector were configured in terms of policy implementation, and these were implementation projects managed from the MOE National Office. Other significant contextual features of this period were Government cuts to specific MOE budgets, and the MOE-initiated and managed restructuring which saw eleven regional offices reduced to six. For the staff of this MC it was an uncomfortable period as their experience as education professionals, which had been a strength within OPA, was now
treated as a liability. Indeed the very presence of regional MCs confounded the ideal NPM model of a small Ministry providing policy advice to its Minister.

The third and final era considered in relation to this MC is the period 1995 to 1996 in which the negative consequences of the earlier 'hands-off' mode were felt by schools struggling to cope with devolution. The MOE and Government Ministers became concerned that the perception of schools as being allowed to fail would have political consequences. While the model of NPM had been 'successfully' operationalised via accountability mechanisms and reporting, the overall legitimacy of this logic was being questioned. By 1995-1996 the result was another change in the role of the MC which was, along with other regional offices, required to act as the 'eyes, ears and mouth' of the MOE, and to facilitate a support network for struggling schools. In short, the work of the MC shifted, but its direction was still clearly provided from the centre. The result was something of a compromise between the former logic of OPA, and the idealised logic of NPM.

Clearly, NPM represents more than a programme of reform to improve efficiency in the public sector, and so, while NPM can be seen to reflect internal tensions and weaknesses, it cannot simply be considered in its own terms. The presence of the neoliberal state in education has been much discussed in New Zealand, and elsewhere, but less attention has been paid to an interrogation of the means by which this process was played out in the state’s education apparatus: not only why NPM was introduced, but also how NPM was used to facilitate an ordered withdrawal of the state in education. This study’s analysis of the shift from OPA to NPM reveals how the dynamics of this change played out over time. Finally, the research approach used here has to take account of differences across sites within the state, particularly the central agencies, the MOE and the MC, as well as exploring change that was implemented by the state, to the state.

To look at these intra-state processes it is necessary to adopt a research perspective that views macro and micro level factors on a continuum and, to this end, a middle range or institutional analysis is applied. Research into the education apparatus of the state is limited where the nature and machinations of this apparatus have remained something of a 'black box'. Furthermore, there is a tendency for research to focus either on 'micro' factors, those which build an understanding of the state’s education apparatus
from the ground up; or on a ‘macro’ perspective which locates the education apparatus within the bigger picture of state reform. This ‘either/or’ approach risks excluding the middle range factors that serve to link these two, and importantly omits insights into intra-state processes. This ‘meso’ level is explored here via the middle range concept of the logic or rules which serve to align actors in their wider, multiple contexts. Thus, MC actors may constitute, and be constituted by, the historically derived logics of OPA and NPM. The inclusion of this middle range analysis locates this study somewhere between the two traditions of the micro and the macro research perspectives. The relevant contributions and shortcomings of these two perspectives in researching the education apparatus of the state are outlined below, before the benefits of middle range theory and concepts are discussed.

From Micro to Macro Research Perspectives

A Micro Research Perspective on the Education Apparatus of the State

Research from a micro perspective tends to be focused on a specific education policy, its implementation and downstream effects. Richly detailed pictures are painted of the policy itself and of the key players, usually those in schools and communities, their practices and attitudes and how they react to or negotiate the given policy. Commonly, micro level research involves case studies in substantive areas of education, such as curriculum changes (Irwin, 1994; 1999), teacher education (Alcorn, 1999), or assessment policy (Hill, 1999), or policies that affect groups differently (such as Maori students, low decile schools, and teachers) or which generate consequences different from those intended. The isolation and detailed interrogation of the implementation of specific policies is a strength of this ‘micro’ research perspective, with the policy’s own ‘natural’ parameters, (such as the students or the curriculum area being targeted) focusing empirical investigation.

The strengths of this research perspective present some shortcomings in relation to the subject of this thesis. Researchers tend to be drawn to instances where a policy has been modified or deleted or where policies affect advantaged or disadvantaged groups differently. The focus of this perspective tends to be disjunctures in education policy, and researching how a policy’s effects or implementation are negotiated by participants and provide opportunities for resistance and political behaviour. However, this focus offers limited insights into, for example, the stability of the Keynesian Welfare State's
settlement in education in New Zealand and nor does it explain the continued influence or 'stickiness' of OPA after the radical education restructuring of 1989. An exclusive focus on the effects of policy change not only militates against predictive power - for such effects are not usually seen until they are upon us (Kohli, Evans, Katzenstein, Przeworski, Hoebel, Rudolph, Scott and Skocpol, 1995) - but casts education changes as being more political than continuity or expansion in education.\(^4\)

In a similar vein, research from a micro perspective under-emphasises how a policy was generated and so may take the policy itself, or wider policy agenda, as a given. This approach is inappropriate for this thesis in two ways. First of all, it may view within-state actors and organisations as merely implementing policy, rather than actively influencing a policy's construction. Secondly, taking a policy as a given risks that policy's existence being explained via a functional approach, and thus education reform is researched in terms of its subsequent effects on education outcomes and in education settings. However, Hall and Taylor caution against this approach.

_Because unintended consequences are ubiquitous in the social world, one cannot safely deduce origins from consequences (1996: 952)._\(^5\)

Consequently the organisations, actors and logic within the state - key elements of this study - may be taken for granted and go unquestioned or, at best, can only be inferred from this micro perspective.

In addition, research from a micro perspective tends to explain and theorise from within the parameters of education. Ranson (1996) illustrates this when he posits that education researchers are pre-occupied with schools, teachers, learning and classrooms and argues for a broader perspective. He suggests that 'education in school' has to be re-conceptualised as 'learning in society'; and proposes a new meta-frame, constructing a new theory of learning and new approaches to studying those who enable learning. In this way a higher level of analysis is explored, but the explanation is nevertheless restricted to education. In contrast, the implementation of NPM in the Ministry's MC has to be located within a wider picture of the 'politics of education' (Dale, 1991), where

\(^4\) In his review of Setter and Tapper's study of how education policy is developed, Dale (1983) cautions that cuts in funding should not be characterised as more political than an increase in funding.
the politics are not specific to education. For example, it is important to explore the public sector nature of the MC, for this part of the education bureaucracy is clearly influenced by the identities and logic derived from both the OPA and NPM.

A micro research perspective usefully highlights the issues regarding policy implementation and its effects at the micro-level of individual action. However, it will not adequately allow mapping and explaining the dynamic and fraught nature of the shift from OPA to NPM within the state. Moreover, the processes within the state can only be inductively inferred from micro research into the effects of specific education reforms, and so our understandings of how the state works might only be as good as our understandings of a specific education reform or policy.

A Macro Research Perspective on the Education Apparatus of the State

As this descriptor suggests the 'macro' perspective locates the education apparatus within 'the big picture' whereby events in education are analysed in terms of the construction of a wider policy agenda. Because of this, explanatory theory and sensitising concepts may be drawn from outside the parameters of education\(^5\). For instance, teacher education has been seen in the context of the regulation of professionals (Robertson, 1996), markets have been discussed in terms of the absence of alternatives to a market regime (Seddon, 1996) and education policy-making may reflect the nature of Federal or State Governments (Lingard, 1993). A macro perspective provides a useful explanatory purchase, for it highlights diverse state contexts, such as the public sector, central state agencies and the MOE, contexts that are not fixed but emergent over time. Before turning to the particular macro approach of the political sociology of education, the utility of a political science research approach is

\(^5\) Interestingly, emerging studies of education policy from 'outside' the parameters of education have realised a shift, as well as debate, within the sociology of education. Researchers have debated the 'home' of this discipline. Whitty has queried whether education is itself a discipline or whether it is a site for multi-disciplinary enquiry (in Ranson, 1996). There is also a tension within the sociology of education between those wanting research to be relevant directly to practice and those wanting to make a theoretical and empirical contribution to knowledge more broadly (Deem, in ibid.). Debate over the focus of sociology of education research has been heightened in the United Kingdom as a result of recent changes to link research more closely with policy (Pring, 2000; Mortimer, 2000).
discussed because it has been queried from within education why political scientists have not developed a body of research into the politics of education (Raab, 1994).²

There is a large international public administration literature on NPM and its variants such as Economic Rationalism. Notwithstanding the absence of any focus on education, the public administration literature, with its genesis in political science, is vulnerable to two related criticisms that negate its usefulness for this thesis. First of all, the public administration approach assumes a division between the state's political and administrative arms, such that state organisational structures are deemed neutral and apolitical vessels (Smith, Marsh and Richards, 1993). Hence NPM is interrogated as merely a programme of administrative reform rather than as a shift in political economy, or in the role of the state in a democratic society (see for example Ferlie, Pettigrew, Ashburner and Fitzgerald, 1996). Secondly, this approach reflects the limitations of the dominant pluralist variant of political science⁷. This variant⁸ tends to focus on non-state actors' access to policy making and reduces the role of the state to identifying solutions to policy problems and promoting these to decision-makers and society's interest groups. A public administration perspective offers little utility to this study of a MC facing operational and policy pressures and embedded within the state apparatus.

Finally, as elsewhere, New Zealand education policy is more ad hoc and random than the public administration approach suggests (Gordon, 1999). A more explicit political analysis is needed to explore intra-state autonomy and variation, and the capacities of the state to act. Changes to a state apparatus withdrawn from its political context are

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² Laughlin and Broadbent (1995) have imported insights from the discipline of accounting to explore aspects of the administration in schools. They introduce the interesting concept of 'accountingisation' but do not problematise the nature of the state, and their focus on dramatic disjunctures and changes masks how funding structures have also remained steady, if not resistant to change.

⁷ The 'apolitical' nature of political science tends to reflect the work of researchers who teach academic courses and write accompanying texts, along with those working in policy organisations and think-tanks. Additionally, policy analysis refers to a method that draws on an 'over enthusiastic use of quantitative approaches' to policy making (Hogwood, 1995:71) such that it can be represented in text books and curricula, and reproduced by students once employed in that profession. If the policy making processes are not seen as a science, the alternative is to cast them more as an 'art', so less amenable to research and pedagogy.

⁸ It should be noted that pluralism has been revamped since the 1970s. As academics have spent time working inside organisations previously seen as neutral, traditional pluralism has had to explain a more closed and internalised policy making process (Dunleavy and O'Leary, 1987). This neo-pluralism or what McLennan calls 'critical pluralism' (1989) allows for a degree of structural inequality in power.
given a kind of false analytical and concrete independence, as though political embeddedness (Swedberg, 1990) is an option, not an ingrained characteristic⁹. Ascribing an effectively apolitical or neutral facade to the state has been criticised precisely because it may mask how ideological that sphere is. Kelsey, (1993) in her analysis of the withdrawal of the state in New Zealand, points out that there is no way an apparatus made up of various people could be forced to be 'independent' or untainted by its aggregate of culture(s), and she rejects as myth that the apparatus of the state is above this.

**Political Sociology of Education Research**

The macro research perspective most germane to this thesis is the political sociology of education in which, to state the obvious, both political and sociological theories and concepts are applied to education. This approach is characterised by two foci. Explicit attention is given to the role of the state in education, because the state is fundamentally involved in education. Moreover, education is unequivocally political in nature following Lasswell’s oft-cited dictum, the content of ‘politics is about who got what, where, when and how’ (1985, in Strange, 1995:308). Decisions about what happens in the sphere of education cannot be divorced from the political sphere - and the state is of course, central to the latter. Hence, a starting point for this research is moving the state 'in from the wings' ¹⁰ to a position previously occupied by society-centred theories, or by Marxist theories on the dominance of the capitalist class. The centrality of the state to the macro perspective on education has been criticised as an *a priori* assertion (Power, 1995). However, while the state is central to the political sociology of education, it is not always seen as the most important terrain, actor or determinant of events in education. This orientation is a key premise for this research into the dynamics of one area of the state, the MOE regional office.

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⁹ This is seen in a recent text that comprehensively summarises the reform of New Zealand’s public sector (Boston, Martin, Pallet and Walsh, 1996). It has no references to neo-liberalism, the welfare state, or the free market; and politics is discussed in terms of formal political institutions such as the Executive or the House of Parliament.

¹⁰ This shift was heralded by the seminal book ‘Bringing the State Back In’ (Evans, Rueschemayer and Skocpol, 1985) in which the authors took their approach to be distinctive from structural functionalism, and also rejected Marxism’s grand theorising about states in general (Skocpol, in ibid.).
The second focus within the political sociology of education research is attention to social and political structures at the macro level which cannot be 'seen' in the empirically observable sense. Rather, these structures are seen in the way they construct the agenda in education and in the effects of this agenda such as changes to policy development in broad terms or to the regulation and provision of education. Hence analysis is at the macro level of causal mechanisms which generate events in education (Dale, 1989). Concomitantly, this analysis may 'import' non-education theories and concepts. For example, political sociology of education research has included the use of Hirschman's (1992) concepts of 'exit' and 'voice' to explain the relationship between the state and its 'consumers'. Tomorrow's Schools has been characterised in terms of Offe's theory of the state's policies being supply or demanded (Codd, Gordon, and Harker, 1990; Olssen, 1999). Other researchers have explored how state policies have facilitated choice and market forms in the school sector (Thrupp, 1999), and Dale (1999) has considered the mechanisms of globalisation influencing education.

As with any research orientation, the macro perspective is vulnerable to a number of weaknesses and the first of these contrasts with the more myopic tendencies of its micro counterpart. The macro perspective may take a long-sighted approach that too readily interprets events in terms of a wider agenda. Thus events in education over the last 10 years have been explained by 'the slow tide of new right policies' (Sullivan, 1999:153) that reaches across systems and nations. However, the particular configurations of state mechanisms that give rise to these policies are less well explored.

More seriously, researchers prematurely relying on generic macro-level explanations such as the neo-liberal state may omit within or between-state dissimilarities or state-specific peculiarities. The institutional and historic contexts of agencies within the state are critical for the subject addressed in this study. Smoothing over within-country variance infers a rational and complete agenda which, again, must be demonstrated, not assumed. For example, New Zealand school choice policies are seen as evidence of economic liberalism, which is a core tenet of neo-liberalism. Internationally, a connatural element of neo-liberalism has been a revival of social conservatism, yet values education and a narrowing of curriculum choice has not featured in New Zealand debates following the introduction of Tomorrow's Schools. Indeed, the reverse is seen
as the New Zealand school curriculum has, for many schools, become broader, more open-ended (some may say it is too outcomes-based) and socially progressive and is not tied to national assessment until students are in their final year of compulsory education. The point is simply that research into how neo-liberal objectives are selected (for instance, how choice prevailed over social conservatism) or realised unevenly within a state, and the role of the state in this process, requires more than a singularly macro perspective.

The third and final potential weakness in political sociology of education research may emerge through an over-subscription to macro-theory, and a cavalier, rather than explicit and eclectic, selection of theory\textsuperscript{11}. This is particularly so given the criticism that research relying on macro-theoretical frameworks may be at the expense of ‘real world’ investigation (Power, 1995). Theoretical concepts simply serve as approximations of the real thing (Alford and Friedland, 1985) and are at best ‘a convenience of the mind’ (Cox, 1980:126) and substantial difference or rigidity may not be inferred. For example, while NPM may be characterised as a ‘dominant logic’, the influence of both OPA and NPM may also vary at different levels and sites of the public sector and over time. Similarly, Hirschman notes that the implied difference between his concepts of ‘exit’ and ‘voice’ had grown such that it became ‘a socially constructed mountain out of a natural molehill’ (1992:202). To counter this weakness, macro-level theory and sensitising concepts such as the ‘problems’ or ‘capacities’ of ‘the state’ have to be balanced by empirical investigation.

These analytical tensions between the macro and micro research perspective mimic, in part, the more fundamental macro-micro debate that continues to exercise sociologists. The salient features of this debate are discussed below and the rationale given for incorporating a ‘meso’ perspective into this thesis.

**The Macro-Micro Gulf and the Approach of this Thesis**

Sociology of education research is not unique in reflecting and debating an either/or quality to the macro-micro ‘divide’. Earlier antinomies between theory versus practice,

\textsuperscript{11} Przeworski (in Kohli et al., 1995) argues for a ‘methodological opportunism’ tempered by sustained consideration so as to test and embed diverse concepts into a theoretical whole.
and analysis versus description have faded, however, leaving the more intransigent question as to whether actors or structures are influential in the final instance. By way of example, there was an exchange in the *Journal of Education Policy* between Ball, and Hatcher and Troyna (1994) over the micro-political action of striking available to teachers, and the ultimately coercive capacity of the state to frame the issues the teachers could strike over.

Simply put, macro analyses may too often fail to link what they say about states, structures and political wholes with individual decision-makers (Katzenstein, in Kohli et al., 1995), thereby rendering actors as invisible or disempowered. For this reason it has been suggested that the macro-micro distinction has a limited life (Power, 1995). Where structure and agency are positioned as separate and dichotomous within a theoretical framework, this implies that structures can work or exist despite, and not because of, agents (Willmott, 1999; Barrow, 1993)\(^{12}\). There is also a risk of ascribing hierarchical levels which privilege the explanatory power of structure over agency in the final instance (Barrow, 1993) and which construct social life as a series of rigid hierarchical levels.

Conversely, agency theories explain events through empirical studies of specifiable actors, whose preferences are aggregated to produce a contingent whole. Hence a more inductive approach is taken to case studies about political, economic and social processes (Barrow, 1993). The risk here is failing to explain how social structures may impinge on autonomous actors. Mouzelis (1995:117), while noting the strengths of Bourdieu and Giddens', also critiques these sociologists' attempts to deal with the agency-structure tension in that both 'reintroduce by the back door' the very distinction they attempt to transcend. Additionally, Mouzelis notes that while post-structuralism has recently elevated the importance of the individual in the research, he cautions that relying too heavily on the 'conscious intentions of the knowing subject' is a risk, for '[p]eople know what they do, but they don't know what they do does' (Foucault, in ibid:186 emphasis added).

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\(^{12}\) See, for example, Willmott's (1999) two criticisms of Giddens' concept of structuration. First of all, Giddens allows the 'given-ness' of structures on the one hand – while on the other hand claiming that structures are the emergent outcome of interactions. Secondly, structures are assumed to be 'virtual' until instantiated by agents. Yet, something had to be 'real' for agents to enter into.
The general approach taken for this research has been to present a case study, as well as abstracting from the historical events of a case, to create a broader purposeful story. To locate this case within the big picture both the research subject and the theory have to offer depth of context, since the events in the MC reflect contextual features of state sector restructuring, the MOE and the wider shifts in education over this period. This thesis requires an historical perspective of both the public sector and the state's education apparatus in New Zealand. Elements of the form of NPM in New Zealand have been presented elsewhere, but NPM has not previously been seen in direct contrast with the OPA from the perspective of the political sociology of education.

When looking at one case study in depth the researcher has to be alert for both the accidental and the major themes, and distinguishing between the two was done here through the wider contextualisation against which all the research findings were examined. This reflects the method of Rueschemayer (1991) who notes that every case has an important historical context, and it is the context or contexts that allow some form of comparison - just as one experience in life can be 'compared with' all experiences up to that point (ibid.:33).

The contexts surrounding the MC became significant when they influenced not so much what the MC did, but the way in which the MC and Liaison Officers operated. Identifying these procedural features of the workings within the state is a major challenge for research. However, events in the MC can only be fully understood when situated in convergent contexts within the state that change over time. This approach of a contextualised case study is critical to opening up the machinations of the state as a real organisation, while recognising that the events reflected more than organisational characteristics.

Events in the MC are best understood by a theoretical framework that includes micro, meso and macro concepts. In part, this follows Jessop (1996) who notes the need for a theoretical framework that does not attempt a general theory of social action, but captures the more complex and dialectic nature of the relationship between structures and actors.

*In short, structures do not exist outside of specific spatial and temporal horizons of action pursued by specific actors acting alone or together and in the face of*
opposition from others. Likewise, actors always act in specific action contexts which depend on the coupling between specific institutional materialities and the interaction of other social actors (Jessop, 1996: 126).

The framework of this thesis allows theorising of how structures and actors may each influence and presuppose the other. Actors may reflect on and remake their roles and identities. But the exercise of power is qualified depending on the specific contexts of action, which actors may or may not be able to modify (ibid.). The specifics of the context are highly significant and will vary as particular actors operate in temporal and spatial environments. For example, the MC's activities can partly be explained by the office's physical separation from the National Office, and its proximity to workers in the education sector. Similarly, the tension between OPA and NPM is partly explained by the attention paid by central agencies in 1990 to the MOE's regional structures, while the Government's subsequent cuts to education budgets provided an opportunity for further restructuring in line with NPM.

'Meso' concepts, particularly OPA and NPM as logics of an administrative apparatus, suggest ways in which macro and micro level influences are related. These logics are the historically derived rules most compatible with Keynesian and neo-liberal forms of state intervention respectively. As such, the shift to NPM can be analysed in terms of the conditions associated with successful change in logics. For example, the shift is influenced by the tendency for extant logics to 'stick', and by the need for a new logic to be associated with the appropriate experts. Through this middle range institutional analysis the individuals in the regional office are not significant as individuals per se but become significant in the ways through which they constitute, and are constituted by, these logics.

In sum, the use of a perspective that is either macro or micro is rejected, because a theoretical continuum is more appropriate to this study. Meso theory and concepts offer both substantive and methodological benefits. This approach allows a focus on: the implementation of a particular variant of NPM as it was advocated by certain state agencies, and investigation into how this was effected differently within the state. Middle range concepts also allow macro structures to be conceptually linked with the realities of individual actors. In this way the shift from the former logic of OPA and the implementation of NPM is understood by the emergent and temporal dynamics that
were experienced and generated by MC officials. A meso-level analysis, and the terrain within the apparatus of the state are under-researched in the sociology of education. This then, is the research context of this thesis.

A Chapter Outline

Chapter Two begins by painting the broad canvas of the roles of the state in a capitalist society. This exegesis draws on Offe's theory that the state has two roles; to maintain the conditions for capital accumulation, and to secure the legitimation for its role in this process. These two roles operate in tension. This is because the state's provision of services legitimates its role in the continuation of capitalism, while at the same time the state infrastructure necessary to realise these services de-commodifies or removes resources from the accumulation process. This represents a tension between the means and ends of the state.

Offe's explanation of the roles of the state in a capitalist society is well discussed and employed by others, but is broadly relevant to this study in two ways. First, this macro context of changes in the international political economy of capitalism is used here to chart the shift in New Zealand from the Keynesian Welfare State form, with its concomitant growth in state functions and infrastructure, to that of a neo-liberal form of the state. Clearly, something as specific and institutionalised as OPA and NPM cannot be directly 'read' off these global shifts. However, any investigation into NPM has to be located within the broad parameters of the dominance of neo-liberal governments and ideas. The second significant implication of Offe's macro framework is the implication that it is an imperative that the state maintains the capacity to perform these roles, because there are no incentives for society or the economy to do so. When seen within these parameters of neo-liberalism and a requirement for the state to act, the form of NPM promoted by powerful central state agencies lends a sense of order to state retrenchment.

However, an explanation at this global level has to be 'transposed' from this level of abstraction if we are to explore the emergence of NPM as it was actually applied by state agencies to state agencies in New Zealand.
This requires a real effort to develop middle range concepts for analysing the state which are commensurable with the fundamental categories of Marxist Political Economy (Jessop, 1990:11)

Two middle range concepts are generated and used here to link New Zealand's political economy with the apparatus of the state and changes therein: the concept of alignment, and secondly, the logic of administrative action, which is an augmentation of Offe's (1985) notion of a rationale of administrative action.

Alignment, as developed and conceptualised in this study, operates on two levels. In broad terms the structure or organisation of the state has to be in alignment with the overall political objective of the government. This is the congruence, not equivalence, between the core public sector and the neo-liberal objectives of a reduction in the functions and structures of the state. This degree of congruence between the public sector and the state's objectives is needed because the state's apparatus is a fundamental means of realising its objectives.

At a second level, and significant for this study, is the concept of alignment internal to the state apparatus. This study explores the constant process of maintaining apparatus unity (Jessop, 1990) in terms of the coherence of the state's administrative apparatus. The inter-dependency of agencies within the state means its administrative apparatus requires some coherence in terms of the substance of policies, as well as alignment in terms of the effects of these agencies. Clearly, the achievement of a political project or form, for example, neo-liberalism, requires some deliberate pursuit of such a project and this was seen in this thesis in the determination of powerful central agencies to impose the principles of NPM on the education bureaucracy. The internal coherence of the state's apparatus is also dependent on the support of state actors for the political form of the state. To put it plainly, a shift in state form, and the particular nature of that form, has to be supported by those charged with its implementation. This concept of 'internal legitimacy' is an extension of Offe's criterion that state operations do not threaten the

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13 'State unity' is not exhausted by this definition. For example Jessop (1990) includes the possibility of the state and class unities; competing state projects; hegemonic projects of the state, as well as the state's accommodation within transnational projects. Jessop also refers to the way this unity is jeopardised by the contestation among the 'states within the state' (ibid.:9), although this is more a heuristic device than empirical observation.
'external' support of civil society or the electorate. Finally, alignment found at these two
levels is conceptualised here as a process. Chapter Two highlights how the state does
not reach a point of stasis, but faces a constancy of dilemmas on its agenda. In short,
'the more things change the more they are the same'\textsuperscript{14}.

Having established the important and tendentious nature of alignment between political
economy and the state's apparatus, a second middle range concept is introduced. This is
the \textit{logic of administrative action} which is the means or mechanism by which the two
kinds of alignment may be realised. For this study of NPM applied to the public sector,
NPM can be analysed as a logic that delineates not only which activities of the state are
most appropriate, but also ensures that these are done in the right way. More
complicatedly, such logic may also align current as well as not yet realised activities of
the state, and so influence future decisions about state activities. So to briefly
summarise, the above macro theoretical framework allows analysis of the shift from
OPA to NPM to be periodised in terms of the 1980s shift from a Keynesian to a neo-
liberal state. Both OPA and NPM can also be analysed as 'logics' that facilitate the
alignment of the state.

However, so far the theoretical framework allows the logic of NPM to be
conceptualised only at a reasonably abstract level. Indeed Offe's work on the 'universal'
problems of the state's agenda is open to criticism, because the internal workings of the
state may remain ahistorical and not be disaggregated into state organisations\textsuperscript{15}.
Further, the analytical framework must extend to the level of individual action to
illuminate the dynamic process of those implementing NPM. In short, what are the
characteristics of the process by which logics are continued, replaced or redesigned in
the specific historical context of the MC over 1989-1996?

To link the macro, meso and micro levels within real state organisations, the second half
of Chapter Two constructs an institutional analytical framework. The basic premises of
this analysis are developed from a synthesis of three discipline-specific institutional

\textsuperscript{14} \textit{Plus ça change, plus c'est la même chose}. The source of this phrase is the novel \textit{Les Guêpes} (1849) by
French journalist and novelist Alphonse Kerr.

\textsuperscript{15} Offe's (see Elster et al., 1998) recent work on the transition to post-communism in East Europe is an
exception to this claim of ahistoricism.
theories. The commonalities identified that are critical to this study are the importance of contexts and of individuals and the importance of the state as a real and observable set of organisations. Also common to these three types of institutional theory is the use of the middle range concept of 'rules' to accommodate the analytical tension between the macro and the micro levels.

Institutionalism has been criticised for offering incomplete explanations of change, and so needs refinement for this investigation of the shift from OPA to NPM. While a focus on the persistence of rules is a tendency of institutionalism, the approach developed here is augmented by theorising the dynamic nature of rules. This extension of institutionalism draws on Ofte's work on the institutional design, and highlights the characteristics of both institutional change and stability (Ofte, 1996a; Elster et al., 1998).

A number of middle range concepts are developed from these institutional sources. Rules are seen as influential through constraining or enabling the activities of individuals or groups, and the influence of these rules differs across contexts. In short, this is how contexts matter, and so the changing circumstances of the MC are viewed as causally significant. For example, it was significant that in New Zealand powerful central agencies promulgated a particular type of NPM which served to denigrate the OPA nature of the MOE and its regional offices. And it was significant that by 1991 the MOE had begun explicitly to draw on the tools and mechanisms of NPM.

The process of shifting to this new rule of NPM was not determined by context, however, for rules can be examined in terms of two significant characteristics which influence the change process. First of all, rules have a tendency to stick, and this means there could be no tabula rasa onto which NPM could be introduced. The implementation of NPM in the MC was, therefore, influenced by the 'legacy' of OPA that endured beyond the restructuring of 1989, and by the subsequent co-existence and tensions between the two rules. Similarly, after 1991 the logic of OPA was de-legitimised, but remained influential in the MC nonetheless.

Secondly, to be 'successful', rules must engender legitimacy in a number of ways. In relation to the state, the existence of a rule has to be seen as legitimate by those external to the state. More complicedly, NPM could not be introduced by fiat, but had to
become instilled in the meanings, motivations and identities of those charged with its implementation. This process differed in the different contexts within the state such as central agencies, the MOE and the MC. For example, when the central agencies' advocacy of NPM effectively undermined the OPA nature of the MC, its legitimacy was threatened. In addition, a new rule must have the capacity to confer its own legitimacy. New Zealand's particular form of NPM was, in a sense, arbitrary. But it was promoted by central agencies as self-evidently valid, and a complete set of mutually reinforcing ideas about the role and accountability of the bureaucracy vis a vis the Minister. This lent a degree of legitimacy to NPM and helped to facilitate change.

The framework developed here supplements Offe's macro theory with that of institutionalism. Offe's framework allows an analysis of the influence of macro economic and political structures and crises - yet his analysis of intra-state mechanisms and processes remains problematical. Conversely, institutionalism highlights the context and characteristics of changing the rules or logics within the state - yet says little about limits of the state in a capitalist society. The theoretical framework developed in Chapter Two allows analysis of the latter. More importantly, it contributes to research on the vast but somewhat slippery dimensions and areas within the state - for, as noted earlier, in the sociology of education the state is too often discussed only in the abstract and its existence invoked rather than unpacked.

This process of 'unpacking' begins in Chapter Three with the international and historical context of OPA as a logic of administrative action. The generic form of NPM is then discussed, and its theoretical origins are detailed in terms of their assumptions about the role and interests of governments and public service officials. The antithetical nature of the logics of OPA and NPM are outlined. The second characteristic of institutional change is then examined, namely, the capacity for legitimacy to be self-imposed in the introduction of NPM. Under scrutiny, NPM reveals its internal contradictions and weaknesses, as well as its doctrinal nature, despite being advocated as ostensibly politically neutral.

Chapters Four and Five describe the particular variant of NPM that was heavily promoted and then applied in New Zealand's public sector. Chapter Four begins with an exegesis of the shift from Keynesian Welfare State to a neo-liberal state, following a series of crises in New Zealand's political economy. The strength of the logic of OPA
emerged within this historical context of the intervention of the Keynesian state. Somewhat ironically, this same historical context allowed NPM to be presented as the solution to an ossified and inefficient public sector. A specific form of NPM was consistently advocated where accountability of the bureaucracy to Ministers was a defining characteristic. In the radical state restructuring of the 1980s, the public sector was to be made accountable for single functions, explicit contracts were used to delineate their departments' and officials' accountability to Ministers, and finally, departments were monitored for the provision of pre-specified and measurable outputs. These principles were applied across the public sector, thereby implementing a degree of apparatus unity. Moreover, the accountability-driven form of NPM was the means of tightly coupling the public sector with the objectives of New Zealand's neo-liberal governments. Chapter Five also traces the historical context of OPA, but within the education apparatus of the state. The education bureaucracy underwent similar criticisms to that of the wider public sector and NPM-style accountability was heralded, and duly implemented following the restructuring in education of 1989.

The final section of this thesis, Chapters Six, Seven and Eight, is an examination of a MOE regional office from the period 1989 to 1996. (See Appendix One for details about the procedures used to gather and present the information about this office of the MOE). These chapters are an account of how this Management Centre (MC) came to be characterised by three phases over this period. First of all the influence of OPA continued to endure in the MC, in the education sector, and among the public. It is a paradox that the radical nature of the reforms meant that the new form of state intervention relied on reasonably intensive and OPA-like activities within the MC, typified by the proactive role of the MC, i.e. 'hands-on'. By 1990 this orientation had been roundly condemned by those state agencies that pursued the reduced functions and accountability to Ministers that were more consistent with NPM. This, along with government budget cuts, compelled the MOE to re-align its regional offices to reflect its own national orientation. Thus, the 1989-1990 period was followed by a "hands-off" mode where the MC was required to adopt a non-interventionist mode of operating and this lasted approximately from 1991 to 1994. Finally, a compromise between OPA and NPM was reached in 1995-1996. This followed the political fall-out from schools that were struggling with self-management, especially in low socio-economic communities. The result was a more active role for the MC, yet one which was still monitored and
closely managed by the MOE National Office. The phrase 'hand in hand' is used to describe this final period which 'concludes' in early 1996. Around this time the Government had completed a management audit of the entire MOE, the Ministry had a new Chief Executive, and there was a new Minister of Education - and these provide a natural ‘endpoint’ in the chronology of what is a continuous and ever-evolving bureaucracy.

The shift from OPA and gradual implementation of NPM in the Ministry MC represents a case study of how a particular change in logics of administrative action was driven and influenced by the state. In other words, the research reveals how the state implemented an internal change process. By using an institutional analysis this study highlights the importance and contingent nature of contexts, as well as the dynamics of legitimation and tensions which accompany a change in rules. Furthermore, these middle range concepts serve to link, theoretically, the actors within the MC to more fundamental shifts in the state. That is, the meso concepts of alignment and logic of administrative action highlight the processes by which education is aligned with the rest of the public sector, and the latter with the neo-liberal objectives of the state. The shift in the MC from OPA to NPM and the eventual compromise form of the new logic is understood in terms of the wider move from the Keynesian to a neo-liberal form of the state. In short, this thesis is a case study that links the macro, the meso and the micro levels within the state.
CHAPTER TWO – THEORETICAL FRAMEWORK

The theoretical framework for this study is generated from two complementary approaches. The first approach is derived from the work of Claus Offe, whose state theoretical framework has been used elsewhere in relation to education for its general principles of the functions of the state (see Codd, Gordon and Harker, 1990). His framework is significant for this study as it allows the context of the shift from a Keynesian Welfare State to neo-liberal state to be periodised in terms of advanced capitalism (Offe, 1996b), while also linking political economy with the apparatus of the state (Offe, 1975; 1985). The concept of 'alignment' is developed here to make this link, namely, that the state apparatus as a whole must be aligned with the political objectives of the state (in this case neo-liberalism), while the organisations within the state must also have a degree of alignment. The mechanism by which alignment is achieved is the 'logic of administrative action'; and this logic facilitates the selection of state activities 'appropriate' to its political form.

Offe's analysis of capitalist states is, however, problematic where he fails to investigate empirically the internal workings of states and their actors. This gap is addressed through a second theory, 'institutionalism' - an analysis of the rules and arrangements within the state. By supplementing Offe's state theoretical framework with an analysis of institutional change, it can be demonstrated how the shift to NPM in the Management Centre reflects the dynamics of institutional change played out within the state. According to institutionalism, the nature of rules is such that competing rules may operate in conjunction, and the implementation of a rule depends on its associated support and legitimacy. Where Offe (1975) stresses the importance of the state maintaining electoral or 'external' legitimacy, an institutional analysis suggests that the state must also secure 'internal legitimacy', that is, the support of those state actors charged with its implementation. This chapter outlines the general insights from Offe's macro-level theory, and extends this framework by identifying the key concepts of an institutional approach that will be used to address changes at the meso and micro levels within the state.

29
The Principles of the Political Economy of the State

The Functions of the State

Offe’s (1975) most influential and enduring theoretical contribution has been his explication of two universal and constant functions of all states in capitalist societies: to provide the conditions for capital accumulation and to legitimate this activity. Simply put, the state is required to see that accumulation of capital continues, for, in order to operate, the state requires a resource base of such significance that it may be collected only through taxation from wages and profits, and only when accumulation takes place (1975). This, then, is the relationship between the state and the accumulation process. The need for revenue and the inability of the state to own the means of production means that the state’s actions are constrained to minimising threats and disruptions to accumulation. In other words, unlike private enterprise, the state does not so much openly support the process of accumulation, as maintain its capacity to pre-empt possible threats to this process. For example, a state infrastructure may provide beneficial tax regimes or subsidies to firms, or regulate against corruption among private enterprise.

Following on from this, the state must conceal its role in providing the conditions for private accumulation. The second function of the state is, therefore, to secure its legitimacy, so that it is presented as ‘an organisation of power that pursues common and general interests of society as a whole’ (Offe, 1975:127).

That is to say the state can only function as a capitalist state by appealing to symbols and sources of support that conceal its nature as a capitalist state: the capitalist state presupposes the systematic denial of its nature as a capitalist state.

To this end, the state ameliorates the excesses of capitalism through its redistribution policies, or removes whatever threatens the state’s authority and mandate as the organisation best placed to maintain a regime supporting production and accumulation.

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1 Capital accumulation processes are separate from the state. The state is not capitalist itself, and accumulation takes place only in private accumulating units. State and accumulation are divorced, so that production and accumulation cannot be divorced (emphasis in original) (Offe, 1975:126).

2 Examples of these threats include a shortage in labour and skills, societal behaviour that jeopardises a supply of labour, and firms that sabotage the accumulation of others.
For example, the state not only maintains the relationship between capital and labour, but supports the dominant status of capital over labour (Barrow, 1993). Another example typically offered is the welfare state which mitigates the negative social effects of a capitalist regime.

The functions of accumulation and legitimation are a constraint in, not a determinant of, the state's operating environment. According to Offe (1975), the tension between these two functions is a 'dilemma'. Quite simply an apparatus is needed that can support investment and create the inputs necessary for the processes of production (Barrow, 1993). At the same time, the very existence of this state infrastructure relies on tax revenue, which not only extracts and decommodifies resources from the production process, but in doing so compromises the state's accumulation function. Thus, it is an intractable contradiction that the capitalist state is simultaneously both endangered and made possible by redirecting resources into policies such as the welfare state (Bedggood, 1996).

Two issues which are significant to this thesis arise from these universal principles. The first is that the state apparatus itself is implicated in generating further problems on its own agenda. Some degree of state involvement in the accumulation process is a fundamental necessity - for neither the economy nor civil society have as strong an incentive to maintain accumulation. Capital is reluctant to 'regulate itself', for such intervention is the antithesis of the nature of capitalism, while, for civil society, the state is the mechanism that represents its interests in a capitalist society. The second issue is that the contradictions inherent in the state imply that there is no equilibrium position, and that state activity will tend to 'violate rather than establish the balance of the state and the accumulation process' (Offe, 1975:144). The result of these two issues is that the state must always be addressing these problems on its agenda. To paraphrase an old saying - for every state-driven solution there is a problem, as the state is, by its very nature, compelled to produce sub-optimal outputs or short term policies to ameliorate the effects of its contradictory functions. From this perspective then, crises and tensions manifesting in the apparatus of the state may be analysed as empirical evidence of the state's 'non-solutions' and of its essentially contradictory nature.
The Keynesian Form of the State

Offe's state theory is also significant to this study for it allows the periodisation of changes to the political form and apparatus of the state. This macro-level context of the shift from the Keynesian Welfare State (KWS) to a neo-liberal form of the state, is discussed here in general terms as the application to the New Zealand setting is explored more fully in Chapter Four.

Following World War Two it was the role of the KWS to secure peace, equality and social stability through the massification of state-provided goods and services, and this growth in state activity both reflected and supported the expansion in capitalism. The range of options for government intervention also expanded in the areas of material and cultural production and in the spheres of public policy and politics (Offe, 1996b), particularly in liberal-democratic political systems. For example, the range of possible commodities and their potential markets exploded, as did the number of countries in which goods could be produced or sold. In addition, governments saw the economic and social benefits of state support of technologies, information control and international linkages through inter-state regulations and binding political agreements. In this period of the boom in capitalism the traditional constraints on the areas and types of state involvement were loosened.

While Offe's framework does not allow the structure of the state to be uniformly 'read off' from changes in its exogenous environment, it does implicate the state in contributing to its own administrative problems. The post-World War Two growth in state intervention was accompanied by a corresponding increase in infrastructure, responsibilities and regulations of the state which underpinned it. The fiscal, human and technological resources in the state's apparatus grew in areas not previously utilised by governments. The political legitimacy of the resultant structure, the KWS form, was secured through the notion of active citizenship and the social benefits realised through an expansion of the boundaries of what was considered social policy (Wilkes, 1993). Critically, the apparatus of the state was perceived as the valid arbiter of its own expansion in functions and infrastructure.

This expansion in state infrastructure associated with the KWS produced a problematic cycle. Governments had to contend with a growing number of options and counter options in the possible areas and mechanisms of state intervention, and the choices
between them (Offe, 1996b). At the same time, this required a growing capacity to filter those options that could destabilise the legitimacy of the state. The result can be seen as a weakening in the compatibility and co-ordination of state activities, and thus as a possible threat to the authority and legitimacy of the state where its external effectiveness was questioned. In short, growth in state intervention had become possible in the KWS, but such expansion was now not necessarily defensible (Offe, 1996b). Offe cites Hirsch's description of the cyclic nature of the problem - 'If everyone stands on their tiptoes, no-one can see better' (ibid.:13, emphasis in the original) - and stresses that this problematic growth in state functions was shared by capitalist states.

Such contradictions between the increase in tasks and the loss of authority and rationality, between increasing assumed responsibilities for societal problems and decreasing regulatory capacities as a consequence of this, are too familiar and ubiquitous to disqualify theoretical generalisations about such paradoxes as an indication of ideological biases of the respective authors. Today, the phrase 'decomposition of state power by increase of functions' can be considered an acceptable fundamental idea in the evaluation of government activity (ibid.:63).

The Context of the Emergence of the Neo-liberal State

In this context of the problematic nature of the state in a changing capitalist society, the political response of governments had to be more than changes in the content of particular policies. Governments also sought to delimit the administrative structure of the state. The response to the co-ordination and compatibility problems of the state was to redraw the line demarcating inherently state activity. The state was to manage an orderly withdrawal⁴ from its erstwhile responsibilities, such that its role was scaled back to the technical role of broker or facilitator of services, and this saw a change to the nature and extent of state intervention. The inability of the KWS to live up to all of its

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³ A rational response to this growth in options is to not consider the consequences of actions - however, this risks anarchic problems, and so jeopardises social tolerance for modernisation. Such a response, he continues, might also be criticised as apathy or unscrupulousness (Offe, 1996b)

⁴ The result of neo-liberal governments' ordered withdrawal of the state has been described, for example, as the 'hollow' state (Brinton Milward, 1994; Rhodes, 1994) or 'government by moonlight' (Birkinshaw, Harden and Lewis, 1990).
promised social and political achievements saw the introduction of neo-liberalism, and the state’s objective shift from guaranteeing the maximum to realising the minimum (Offe, 1996b).

The dominant accompanying rationality of neo-liberalism has been that state intervention harms collective welfare, especially via the unintended consequence of the dependency of some community members (Gamble, 1994). In addition, state intervention was seen to exclude provision via market or community activity. Most critical to this study, the ordered withdrawal from previous state activities provided the opportunity to address the ostensible problem of an inefficient bureaucratic structure that had been captured by paternalistic professionals acting as experts on behalf of the populace. This criticism of the New Zealand public sector and education bureaucracy is the subject of Chapters Four and Five respectively.

The shift from ‘guaranteeing the maximum to realising the minimum’ was also justified under neo-liberalism by the poor social outcomes associated with the expansion of capitalism. Various social movements in the 1970s had promoted human rights issues such as the rights of indigenous peoples, pointed up the failure of social interventions to reduce inequalities, and protested the loss to future generations through the degradation of the environment. By the 1980s the state could only ameliorate damage already done in these areas, that is, merely reduce levels of social disadvantage. In sum, faced with the scale of such internal and external problems (Offe, 1996b) the state’s goal of guaranteeing a maximum by intervening to provide goods and services considered a social right, was abandoned, and the more feasible objective of incrementally realising a minimum, and managing demand downward, was adopted.

The contradictory nature of state-driven solutions that generate further problems produces a final paradox. The internal compatibility and co-ordination problems experienced by the state in the 1960s and 1970s needed attention just when the (bureaucratic, inefficient and even harmful) state had the least legitimacy to act. Therefore, not only was the state required to solve seemingly intractable problems, but this would have to be done in such a way that ensured the legitimacy of any solutions proffered. Such a dilemma further reflects Offe’s thesis that any ‘order’ within the capitalist state is always contested and, at best, temporary. This brings us to the
importance of a further 'constant': aligning the administrative apparatus of the state with its political and economic context.

**Alignment of the Apparatus of the State**

Two middle range concepts are developed here which complement Offe's theoretical constraints upon the operations of the state (Jessop, 1990). The first concept, *alignment*, allows political economy to be linked with the apparatus of the state as a whole and to changes within the state, and the second concept is that of the *logic of administrative action*. The dual concepts of alignment and logic of administrative action allow political economy to be linked with shifts in the apparatus of the state.

The concept of alignment can operate in two ways. The first is implied from the general observation of Offe that:

> [The state] organises certain activities and measures directed toward the environment and it adopts for itself certain organisational procedure from which the production and implementation of policies emerges. Every time the state deals with a problem in its environment, it deals with a problem of itself; that is, its internal mode of operation (1975:135).

In other words, alignment means that the structure or organisation of the state has to be *broadly consistent* with the overall political form or project of the state (Jessop, 1990).

> The problem of the state is how to establish and institutionalise a method of policy production that constitutes a balance or reciprocity between the required state activities and the internal structure of the state (Offe, 1975:140).

This implies the need for congruence, not equivalence, between the core public sector and the neo-liberal objectives of an ordered withdrawal of the state. This is simply because the state's apparatus is a fundamental means of realising these objectives.

Secondly, and significant for this study, alignment has to be *internal* to the state apparatus. The monolithic nature of the state is rejected (Dale, 1989), and instead the state is viewed as facing the problem of securing administrative apparatus unity (Jessop, 1990). To facilitate a collective shift in political form the state's administrative apparatus requires some coherence in terms of policy substance and effects, and
alignment across its agencies. Clearly, the achievement of a political project requires some deliberate implementation, and this can be seen in the New Zealand context in the powerful central agencies directing the imposition of NPM onto the education bureaucracy. In a similar vein, Pusey (1991) identifies the dominance of one cluster within the Australian state (central and finance agencies) over two other clusters (trading agencies and programme and service agencies).

Achieving internal state coherence is also crucial because the realisation of the political objectives of the state is dependent on the support of state actors. To put it plainly, a shift in state form, and the particular nature of that form, has to be supported, or at least be unopposed, by those charged with its implementation. This 'internal legitimacy' parallels the criterion that state operations do not threaten the support of civil society or of the electorate (Offe, 1975), except that in this thesis legitimacy is applied in the more narrow confines of the internal workings of the state apparatus itself. It follows that alignment is most usefully conceptualised as a process. The internal complexity and contradictory nature of the two roles of the state suggests that the administrative apparatus of the state never reaches a point of stasis, from which it can thereafter rely on 'autopilot' (Jessop, 1990:9). Indeed, it is precisely because of the constant problems within the state that alignment remains a constant, but elusive, objective. Again, and to paraphrase, 'things change so that things can stay the same'.

This state theoretical framework is completed by the second middle-range concept of the logic of administrative action which links, even if in theoretical terms only, the political economy with the state's bureaucratic form. Both OPA and NPM can be analysed as logics, and the shift to NPM becomes significant when understood as a means of securing alignment within the state. There are two dimensions to a 'successful' logic. First, it must delineate not only which activities of the state are most appropriate, but it must also ensure that these are done in the right way. Secondly, logics facilitate the alignment not only of current state activity, but also the direction and selection of

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5 Jessop also refers to the way this unity is jeopardised by the contestation among the 'states within the state' (1990:9), although this is more a heuristic device than empirical observation.

6 Pusey refers to this as 'norm-setting clout' (1991:129) – whereby the way state organisations and agents operate is both successful and accepted. However, Pusey does not explore how less powerful state agents, such as the 'operational' staff within the MC influence, and are influenced by, such norms.
future activities. This potential for logics to influence the selection of future activities of the state is a feature which suggests that logics of administrative action are characterised by reproduction or redesign, rather than wholesale replacement.

To summarise, the above theoretical framework allows this analysis of the shift from OPA to NPM to be periodised in terms of the shift from a Keynesian to a neo-liberal state form. Both OPA and NPM can also be analysed as 'logics' that must contribute to the maintenance of an internal state structure which is compatible with its form. Alignment may also be construed as allowing coherence across state agencies as well as facilitating the support of actors internal to the state. Thus a state's logic of administrative action has to operate at these two levels.

Critically for this thesis, Offe is unlike many Marxist state theorists in that he links the exogenous political economy with the apparatus of the state. While this macro-level approach has its strengths - the identification of 'universal' trends and patterns across states - it is open to a criticism, principally that Offe's ahistorical and abstract theorising effectively renders the state as a 'black box' (Jessop, 1990; Barrow, 1993), and fails to interrogate the dynamics of the state's internal agents and mechanisms7 (Barrow 1993). With a paucity of applied or empirical research Offe's hypotheses remain internally coherent, with heuristic appeal, but relatively untested. For example, the key concept of the logic of administrative action is discussed by Offe (1985) only with references to ideal types8.

Furthermore, Offe tackles the political economy in terms of the institutional form of the state, but emphasises an approach that recognises the importance of the political, more than the *institutional* nature, of the state. An institutional perspective is critical to understanding the context-specific processes through which the 'problems' of the state

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7 Offe has very little to say about the machinations within the state. For example, he conceptualises policy making as being dependent on the dominant cultural social norms (1996b). This is correct in some instances; it is well known that legislation and policy often follow shifts already embedded within society. However, this obscures the links between policy and society, and instances of when policy is driven by powerful norms that are not widely held in a society. He also fails to suggest at what point these norms achieve the status necessary to influence policy.

8 Somewhat ironically, Offe criticises Weber's own 'rational' ideal type of bureaucratic logic, then goes on to outline his own idealised typology stating: '[M]y argument is not...'empirical' in the sense that I do not seek to trace the actual determinants of action that rule over the specific bureaucracies, part and present.' (Offe, 1985:303).
unfold. It is also central to illuminating institutional variation within the state, such as that between central agencies, or between the MOE and the MC, and allows the relationship between state structures and state agents to be investigated. These institutional elements form the crucial political topology within the state that is subsumed within Offe’s abstraction of 'the state'. Thus, Offe’s broader state theoretical framework requires the augmentation of an institutional perspective in order to examine how the shift from OPA and the implementation of NPM were played out within the state.

An Institutional Perspective

The focus of the second half of this chapter is the development of an institutional analytical framework with which to interrogate the dynamics of the change from OPA to NPM in the Ministry MC⁹. To do this, some generic institutional concepts are generated from a synthesis of three variants of institutionalism. This synthesis will then be used in conjunction with insights from recent work on 'designing institutions' (Offe, 1996a; Elster et al., 1998).

While the theoretically diverse origins and application of ‘institutionalisms’ are sometimes regarded as a strength of this framework, this also complicates the matter of defining an ‘institution’. Immergut goes so far as to claim that a standard definition of ‘institution’ is not desirable (1998:25). Nevertheless, to facilitate discussion, a definition is required and one generic definition is distilled here from a number of institutionalist authors: the rules or arrangements that limit the choices or strategies available to individuals and groups. These rules are given effect through organisational forms, dominant norms, and the specific contexts and arrangements within which people operate. Rules or institutions may be formal or informal (Hall and Taylor, 1996) and they tend to be routinised, making them obvious in 'stable and valued recurring patterns of behaviour' (Goodin, 1996:21). The substantive and methodological

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⁹ There is much debate over the emergence, and even the existence, of a so-called 'new institutionalism'. DiMaggio and Powell (1991a:1) note; '[I]nstitutionalism is as old as Durkheim's suggestion people treat social facts as things'. Here the term 'institutional analysis' is used as a label for some general understandings drawn from a diversity of perspectives, and which are sometimes attributed to a so-called 'new institutional' perspective.
strengths of an institutional analysis can be drawn from an overview of the ways this perspective has been developed from within social science disciplines.

**The Theoretical Origins of 'Institutionalism'**

*The Rejection of Extant Theoretical Approaches*

As a theoretical perspective, an institutional approach grew in the 1980s out of concerns with extant approaches. The grand macro-structural theories in political science were critiqued by institutionalists for overly coherent assumptions of state stability and maintenance (Orren and Skowreneck, 1986, in Barrow, 1993). These theories were also regarded as reductionist (Skocpol, 1985) in offering explanations that were singularly societal, political or economic in the final instance. In contrast, institutionalists proposed that the state was constrained and enabled by its external environment and internal workings, with evidence of these constraints seen in maladaptation or unintended, sub-optimal policy outcomes (March and Olsen, 1984; 1989; Pierson, 1993), and in national crises and international differences in political outcomes.

Concomitantly, the institutionalist perspective in the 1980s developed out of a rejection of the micro-behavioural assumptions dominant in political science that suggested that actors' choices were rational and simply reflected their preferences. It was argued within institutionalism that outcomes could not be explained by an aggregation of individual choices, for preferences could not be taken as a given. Moreover, while actors can choose, their choices were considered to be *socially* constructed because institutions do not only constrain, but may also *constitute* the actions of individuals (Krasner, 1988 in Cammack, 1992). Finally, the motivation of rational self-interest could not always be assumed because behaviour was as likely to be a function of culture and obligations (March and Olsen, 1989), as of self-interest.

Neither a macro nor a micro perspective was deemed sufficiently discriminating to explain *how* institutions or rules change and how they constrain and enable the activities of agents in complex organisations such as those constituting the state. Institutional theorising therefore rejected overly macro or micro analyses and instead focussed on the meso-level and the effects of rules or arrangements on the relationship between actors and structures. There is no unitary distinct theory called 'institutionalism' (Immergut, 1998). Rather, the common elements of an institutional analysis have to be generated

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from a synthesis of the disciplinary variants of institutionalism. Three key variants are discussed here - rational choice institutionalism, sociological institutionalism and historical institutionalism (Hall and Taylor, 1996; Immergut, 1998)\(^{10}\).

**Rational Choice Institutionalism**

Simply put, rational choice institutionalism sees macro level events as the consequence of micro activity and built on micro-foundations (March and Olsen, 1989). Politics, however broadly defined, is explained by a contractual paradigm (Moe, 1984 in Cammack, 1992), and political dilemmas are the result of conflicts of interest between 'rational' agents. Constraints on micro activity may take the form of cognitive limits, incomplete information and the difficulties involved in negotiating, monitoring, assessing and rewarding performance (DiMaggio and Powell, 1991a). North (1990) has explored how political arrangements might lead rational actors to reach sub-optimal outcomes such as policy failure or political crises. Moreover, because actors are interdependent, an aggregate of individual choices is considered not to be 'summed' as much as 'shaped' (Immergut, 1998). Hence, this analysis has been used to look at how the power of formal institutions, such as voting, may be constituted through more informal institutions, such as the organisation of strategic voting (ibid.).

Outcomes at the macro level in rational choice institutionalism are also explained by the way that institutions influence the opportunities available to agents. Levi (1988, in Cammack, 1992) has looked at the micro dimensions of macro-historical and comparative phenomena. She argues that state rulers may act in a 'predatory' fashion and maximise collection of resources, so that these rulers both shape their institution and respond to changes in the conditions which shape the constraints under which they act (ibid.). Formal institutions, such as tax systems, construct the choices available to rulers who are in turn, able also to modify these arrangements (Hall and Taylor, 1996). In a New Zealand study, Goldfinch (1998) has identified how a select group of

\(^{10}\) It should be said that this taxonomy of three variants is not categorical. To these three Goodin (1996) adds social theory and political science. Pontusson (1995) refers to a form of institutionalism within comparative political science. Cammack (1992) argues that there are two: rational choice and 'sociological or structural'. DiMaggio and Powell (1991a) identify many forms, but all within the renaissance of organisational analysis. Finally Barrow (1993) labels new institutionalism as 'organisational realism', which conceptualises the state as real and autonomous comprised of self-interested individuals.
individuals, who were strategically located public sector elites, were highly influential in directing economic policy.

Rules may also constrain actors. Thus, in what is considered a seminal study Riker (1986, in Hall and Taylor, 1996) found that the rules and procedures of American Congressional committees structured the preferences, choices and information available to members. This was done to the extent that Congressional outcomes remained stable, despite changes in members and party majorities and across issues. In sum, the strength of this micro approach is that while it reveals how rules constrain individuals, it allows the possibility of individuals intentionally influencing outcomes through these same rules and arrangements in a certain period and context.

Sociological Institutionalism

Noticeable in the rational choice institutionalism is an emphasis on political and economic institutions or rules and a concomitant under-emphasis on social rules (Pontusson, 1995) which reflects the institutionalists' predominantly political science origins. In contrast, this second variant was primarily conceived within a sociological framework and draws on organisational theory in particular (Hall and Taylor, 1996). The dimension of individual action is critical. However, the assumption within rational choice institutionalism of an actor's self-interest in material resources and incentives is considered 'psychologically anaemic' (Pierson, 1993) to the sociological camp of institutionalism. Behaviour is assumed to be less calculated, and cast more richly as the result of socially and culturally constructed choices. Sociological institutionalists seek to explain how this construction occurs via social institutions. In this sense, the divide between culture and institutions is bridged (Hall and Taylor, 1996).

Sociological institutionalism assumes that collective entities and organisations such as the bureaucracy, the school, the firm or the church constitute individuals through norms, values and attitudes. Institutional constraints include symbols, myths and rituals that are seldom articulated but are no less powerful for their unseen and informal status (DiMaggio and Powell 1991a). Examples typical of social institutions include

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11 For example, the Protestant work ethic, and the sense in the Japanese workplace that it is shameful to be the first person to leave the work at the end of the day, are powerful yet unspoken social rules.
marriage, the patterns of social engagement and the caste system. Moreover, institutions and rules may persist or originate not simply because of existing practices but because of the meanings, values or legitimacy attached to these rules. Rules conceptualised in this way are therefore not only culturally and historically pre-determined, but actors may consider how these rules are appropriate in terms of their own sense of identity. Therefore rules shape, and may be shaped by, actors' preferences, identities and 'self-image' (ibid.). March and Olsen (1996:249) summarise the constraining and enabling capacity of rules in the following way.

Institutions constitute and legitimise political actors and provide them with consistent behavioural rules, conceptions or reality, standards of assessment, affective ties, and endowments and thereby with a capacity for purposeful action.

In sum, sociological institutionalism focuses on patterns, reproduction and transmission of institutions or rules that are constituted at the level of human interactions (Meyer and Rowan, 1991). Research reflecting this perspective problematises these rules; how they are legitimised, made successful and/or likely to survive, and how these social rules operate, particularly within specific organisations or societies. Finally, it is conceded that as people work and live in multiple contexts, so their sense of identity and 'appropriateness' may differ across these contexts.

Historical institutionalism

The final variant, historical institutionalism, lies somewhere between the first two. This approach is based on a rejection of structural functionalism, but retains a focus on structures through interpreting these in institutional terms. Historical institutionalism has four tenets (Hall and Taylor, 1996). First of all the relationship between institutions and individuals is interpreted broadly and individuals are both agents and subjects of change. Secondly, social relations involve asymmetries of power as some groups will matter more at different times and in different ways, and these contests happen within structures that have evolved historically. This leads to the third and somewhat tautological claim that events are partly explained by their historical context. At one extreme this is 'path dependency', where what takes place is contingent on what went before. A more moderate interpretation, however, is that events do not have the same
effects everywhere, every time, because they are mediated by elements inherited from
the past (Pierson, 1993; Hall and Taylor, 1996)\textsuperscript{12}. Moreover, this approach explores
how paths diverge from within the same historical context and the disjunctures that
contribute to these moments of change (Thelen and Steinmo, 1992). Fourthly, while
institutions are framed as causal factors, they are part of a wider causal chain
incorporating such ‘links’ as ideas, economic development, business procedures, and
powerful individuals.

The context-dependent nature of institutions has seen historical institutionalism research
predominate in international studies within comparative political science\textsuperscript{13}.

\textit{Because mainstream behaviourist theories focused on the characteristics,
attitudes and behaviours of the individuals and groups themselves to explain
political outcomes, they often missed the crucial elements of the playing field, and
thus did not provide answers to the prior questions of why these political
behaviours, attitudes, and the distribution of resources among contending groups
themselves differed from one country to another (Thelen and Steinmo, 1992:5).}

In seeking to explain international differences and patterns in political outcomes, while
simultaneously maintaining methodological credibility as a science, the nature of this
nascent comparative research was shaped by the historical institutionalism perspective.
The result has often been large scale and/or longitudinal case studies of internationally
comparable events. In response to criticisms of an over-reliance on single case studies,
researchers in comparative political science have produced multiple case studies so that
factors can be compared across boundaries. For example, in the work of Castles (1989;
1994) and Esping-Andersen (1999) the welfare state is conceptualised as a structure of
measurable variables. State-focussed research in particular has burgeoned under
historical institutionalism – not only ‘bringing the state back in’ (Evans et al., 1985), but
also getting inside the state, exploring its internal structure and ideology (Cammack,
1992, and also various measures of ‘statism’ (Dunleavy, 1989).

\textsuperscript{12} Path dependency occupies middle ground on a continuum ranging from path shaping to path
determinism (Hausner, Jessop and Nielson, 1995).

\textsuperscript{13} See for example the compilation texts edited by Evans et al. (1985) and by Steinmo, Thelen and
Thelen and Steinmo note the relative benefits of this form of institutionalism.

As an alternative to broad and often abstract Marxist, functionalist, and systems and theory approaches, Historical Institutionalism provides an approach to the study of politics and public policy that is sensitive to persistent cross-national differences. As a corrective to narrow interest group theories, the Institutionalist perspective illuminates how historically evolved structures channel political battles in distinctive ways on a more enduring basis. And most important, by focusing on institutions that are the product of political conflict and choice but which at the same time constrain and shape political strategies and behaviours, Historical Institutionalism provides a framework for directly confronting the central questions of choice and constraint in political life (1992:27-28).

The main problem with this form of institutionalism is, however, that an emphasis on the unique particulars of a case may preclude the identification of commonalities and generalised principles (Immergut, 1998). Academic debate continues over the extent of the use of these case studies. Moreover, there is a focus on formal political institutions to the exclusion of those informal and competing rules operating at levels within nation states.

Broad Commonalities of Institutionalism

This typology of institutionalisms belies their permeable boundaries, and institutional analysis may often draw on all three variants. For example, Saint-Martin (1998) uses an historical and sociological institutional analysis to look at the uneven power and use of types of consultants in the 1980s in the British, French and Canadian public sectors. He concluded that British and Canadian consultants had over 30 years involvement in state sector management through their historical link with accountancy, and through this link had robust social networks, and acquired and held positions of expertise. In contrast, the French consultants did not have this shared experience in accountancy and so had not had the opportunity to institutionalise their involvement in the public sector. Hall

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14 For example how many case studies is enough? and what are the relative merits of statistically verifiable, 'thin', explanations, and entirely non-verifiable, rich context-dependent or 'thick' explanations. See Rueschemayer (1993) and Marsh's (1995) theses that both analyses must wrestle with the classic tension between structure and agency, and also be built on specific case-by-case analysis.
and Taylor (1996) note the example of French workers deciding whether to adhere to France’s income policy. The historically structured divisions within the labour movement meant that adherence to the new policy was risky for those workers who were exposed to the cost of carrying ‘free riders’. Alternatively, the disparate ideologies within the labour movement meant that a coherent response was unlikely anyway. Thus the process was influenced both by self-interest and by the absence of a coherent ‘moral or cognitive template’ in the labour movement.

Pertinent to this thesis is the acknowledgement by institutional theorists of the analytical tension between singularly macro and micro explanations in social science (Cammack, 1992). Also acknowledged is the notion that institutions are the historically derived ‘rules of the game’ which may constrain and refact, yet are never the sole causal factor. Rather, they are part of a causal chain (Thelen and Steinmo, 1992; Hall and Taylor, 1996). Beyond these very broad commonalities, there are three specific elements of institutional analyses that are germane to this study.

The first is that context is critical, because the influence of rules differs across time, with different actors and in particular environments. Context may therefore be a combination of factors ranging from dominant systemic and embedded means of control, to ‘accidents of timing and circumstance’ (Immergut, 1998:23). While context matters it is not causally determinant but rather causally significant, and not fixed, but always emergent. This is not simply a case of semantics but renders institutionalism a sufficiently ‘weak theory’ (Jessop, 1990) so that events are not seen as pre-determined. The contingent relationships between rules, individuals and organisations also influence outcomes. Thus it is not so much the weight of the key variables in any given context, but rather the constellation of variables in a context, and the relations between them. For example, within a seven-year period Management Centres had to operate within multiple and rapidly changing contexts, as their relation to the central agencies, the MOE National Office and to the schools and public all changed.

The second relevant institutionalist premise is the importance of individual actors, particularly actors within the state who may act in intentional, rational or seemingly irrational ways. More importantly, by employing an institutional analysis individuals become significant not as individuals per se, but by the way they are enabled or constrained by rules or institutional arrangements. Behaviour may be additionally
shaped when rules do or do not meet people’s expectations, or are consistent or inconsistent with people’s sense of identity. The level of individual action is made meaningful through this middle range concept of rules.

Third, and finally, institutionalist research may have an explicit focus on the state *per se* with the state conceptualised as a real organisation, amenable to empirical and in-depth case studies. That is, the state is not just a filter of political, social and economic forces. Furthermore, the state is viewed as certainly more than the effects of its contribution to the systemic needs of capitalism (Barrow, 1993). An institutional framework is based on the assumption that, whether states appear to be expanding or retrenching, ongoing institutional dynamics have contributed to this. A further constant is that rules shape (state) actors, who in turn may shape rules, and so the nature of the state and its capacity to act are emergent. Hence, institutionalism allows the possibility of types and instances of autonomy within the state (Barrow, 1993) and this may be identified and explained by the institutional nature of the specific mechanisms and processes by which different kinds of state autonomy is exercised.

Armed with these assumptions the researcher may ‘get inside’ the state (Cammack, 1992), look at its apparatus, rules and agents, and locate it within a real historical context. Thus, to provide a concrete example, the uneven implementation of NPM can be analysed in terms of its own internal inconsistencies, but also as the result of the conjunctural tensions of OPA and NPM in various state agencies. This within-state variation also stems from the fact that NPM was progressively influential in the central agencies, the wider public sector and the MOE *before* being more directly applied to the Management Centre.

**Two Constraints of an Institutional Perspective**

The strengths of an institutional framework have been broadly outlined; however, there are two key limitations which have to be addressed to create a theoretical framework that allows analysis of the macro, meso and micro levels of the state. There are two main criticisms of an institutional analysis: its limited purchase in explaining macro-structural events, and its tendency to associate rules with persistence more than with change.
Institutional Explanations of Macro-structural Events

The first shortcoming, that institutionalism offers theoretically impoverished explanations of macro-structural events (Cammack, 1992; Barrow, 1993), is not surprising given its emergence via the rejection of the overly-structural 'grand' theories of much political science and sociology. As noted above, the response from institutionalists was to emphasise actual, real and observable organisations, such as the state and state actors. However, without the balance presented by discussion of macro-structural processes and forces there is a methodological risk of an overly functionalist explanation. State organisations may too readily be explained by what they do, and become grounded in an internal but nonetheless artificial necessity (Willmott, 1999). Moreover, where research information is drawn from interviewees (commonly state elites or bureau managers) this effect is likely to be exaggerated, for, of course, state actors are likely to explain their work in terms of the functions they perform.

Cammack, (1989; 1992) and to some extent Immergut (1998), present a more serious criticism. Institutionalists want 'to have their theoretical cake and eat it too' for, as Cammack observes they effectively say the same thing as those macro-structural theories they reject, but do so using a different lexicon (1992). For example, Cammack critiques Hall (1986, in Cammack, 1992) for superficially bridging the micro-macro gap by naming *everything* as an institution. Thus, Hall argues that the state's compliance procedures and standard operating practices are micro institutions, while the organisation of labour, capital, the state, the political system and a nation's position within the international economy are also key institutions. Hall has, arguably, employed a structural Marxist account but under the banner of institutionalism (ibid.). Pontusson (1995:125) notes a similar 'reinvention of the wheel' in institutionalism in that institutional theorists reject but then implicitly rely on traditional macro and micro distinctions, and he pragmatically proposes that institutions might be conceived of more honestly as a certain kind of structure. Lastly, Skocpol (1985) decries the all-encompassing nature of traditional Marxist theory when she argues for separating class interests from the state. Yet, according to Cammack (1992), she then utilises the key Marxist concepts of class interests in her abstracted discussion, while ignoring these in her interrogation of actual state organisations. Of serious concern to Cammack (ibid.) is the risk that the realities of class struggle are ignored, particularly when the researcher focuses on the state and society, to the exclusion of the economy.
Finally, not only may macro economic theories be either absent, or used but unacknowledged, critics of institutionalism detect an almost implicit concession that advanced capitalism is somehow generated in a uniform way. Pontusson (1995) argues that in institutionalism, economic-structural variables are used to explain what states in advanced capitalist societies have in common, while political-institutional variables explain why they differ. Simply put, an institutional analysis cannot explain what triggers long term macro social and economic change in the first place (Cammack, 1992; Thelen and Steinmo, 1992; Barrow, 1993; Pontusson, 1995), and so fails to grapple with paradigm shifts such as the change from Keynesianism to neo-liberalism in Western democracies\textsuperscript{15}. The solution, following Pontusson (1995), lies in institutionalism incorporating a sustained analysis of contemporary capitalism. This macro-analysis is provided in this study by reference to Offe's theoretical framework of the political and economic context of the state, outlined in the first half of this chapter.

\textit{Institutional Explanations of Change in Rules}

The second possible weakness in institutionalism, the tendency to explain stability more than change, also has to be addressed so that the shift from OPA to NPM can be investigated. This is not so much a theoretical lacuna, as an inherent tendency to associate institutions more strongly with persistence than with change (Thelen and Steinmo, 1992; Cammack, 1992) and therefore with an 'inexorable push towards homogenisation' (DiMaggio and Powell, 1991b:64). Despite institutionalists' rejection of overly coherent explanations of stability, rules tend to be identified as valued, recurring patterns of behaviour (Goodin, 1996). In one sense it is reasonable to highlight how rules constrain and limit change, and to posit the importance of path dependency, pre-existing structures and the 'stickiness' of institutions (Thelen and Steinmo, 1992). That institutions exist and persist suggests they are associated with at least some positive outcomes, and that they maintain a degree of autonomy so as to accommodate or even resist change. Moreover, institutions tend to get stickier as time passes (Elster et al., 1998) because an effective cost-benefit analysis and comparison of the costs of changing institutions becomes increasingly problematic.

\textsuperscript{15}Presumably institutionalism will not explain the emergent swing away from neo-liberalism either.
Because of this focus, however, institutionalism has been criticised as offering incomplete explanations of change in rules (Cammack, 1992; Thelen and Steinmo, 1992; Barrow, 1993). One explanation for change is that rules may be 'hybrids' that stem from contradictory assumptions or cultural templates, and so might fly apart at some stage (DiMaggio and Powell, 1991b). For example, the welfare state ethos draws on both an instrumental logic of economies of scale and that of caring for the weakest members of society (Hall, 1986 in Cammack, 1992). Similarly, Hood (1996) has proposed that an internally located 'Achilles heel' could cause the breakdown in bureaucratic processes. Both these explanations, as Cammack (1992) convincingly argues, beg the questions of what triggers this fission in rules, and what a weak rule looks like.

Also typical of institutionalism is the assumption that sustained stability is the norm whereas change is viewed as rapid and short term.

While an institutionalist argument does not maintain that ...rapid change never occurs, its does imply that such episodes are infrequent and are followed by long periods of either relative stasis or path-dependent change (Krasner, 1988, in Cammack, 1992:406).

This is exemplified in Krasner's thesis of 'punctuated equilibrium' (in ibid.) whereby institutions and rules experience long periods of stability which are intermittently punctuated by rapid moments of change brought about through critical moments of disjuncture (Hall, 1988 in Cammack, 1992). These generate conflict and the possibility of a range of emergent institutions - although the range is likely to be constrained by the pre-existing structures (Krasner, 1988 in Cammack, 1992). Rules are, however, regarded as having a degree of autonomy, that is, they are influenced but not determined by structures or agents. Because of this autonomy change is not necessarily how they are forced to accommodate or respond to any change in the external environment. Krasner (1988, in Thelen and Steinmo, 1992) further defends this position by arguing that if rules or institutions were considered solely as a function of forces in the external environment then institutionalists would study only those forces.

Characterising change in rules as rapid and rare, however, simply means that rules or 'institutions explain everything, until they explain nothing' (Thelen and Steinmo,
1992:15). On the one hand, when rules are seen as persistent and stable then endogenous agents and factors are accorded primacy over external and environmental forces. Thus macro-structures are treated as a theoretical given (Cammack, 1992). On the other hand, when an institution is disrupted, it is explained as the result of exogenous change. Thus, the passivity of rules is selectively expedient, and rules are now compelled to respond to macro events and crises, albeit in a range of contingent ways (Thelen and Steinmo, 1992). Moreover, the result is that rules are, in a sense, artificially suspended in time because the importance and influence of pre-existing rules is assumed away\textsuperscript{16}. As Cammack observes institutionalism tends to 'take the punctuation out of punctuated equilibrium or the equilibrium out of punctuation' (1992:416).

To illuminate how the shift from OPA and the implementation of NPM occurred, a more robust framework is required to conceptualise the characteristics of institutional change, and the conditions associated with a rule being implemented, maintained or contested. To this end, in the final section of this chapter the institutional approach is extended in light of Offe's insights into institutional redesign.

**The Characteristics of Institutional Change**

The first tenet of this extended framework is that positing institutional change or stability as polar opposites produces a false dichotomy which is unhelpful in analysing both the middle range concept of institutions and the dynamic nature of institutional change. For this reason institutional stability is positioned as a process (Elster et al., 1998) and so allows for an institutionally driven source of change and stability. The aforementioned 'sticky' nature of institutions, especially those rules mediated in the apparatus of the state, has been misdiagnosed as inertia (ibid.). Conceptualising rules or institutions as having a dynamic nature provides the methodological space to consider, for example, how the OPA is implicated in its own demise, and how NPM may have jeopardised its own implementation. The fluid nature of rules is also captured by Thelen and Steinmo's (1992) concept of 'institutional dynamism'; where an institution is

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\textsuperscript{16} Willmott (1999) also notes that over-privileging the explanatory power at the level of agents is a theoretical weakness. He observes that an organisation can function or exist without individuals in their particular roles, but not vice versa. In other words organisations do not necessarily need certain individuals, but individuals need the organisation to perform their function.
dynamic in so far as that it may persist over time, yet produce different outcomes in this period, and bring to prominence latent or previously embedded institutions.

If the long term stability of institutions is framed as an active process, not inertia, then they have to either maintain the capacity for identical reproduction or, where change is evidenced, acquire the capacity to mutate, to be re-designed or completely replaced. Therefore, this framework has to identify the conditions and criteria for institutional consolidation and change, and illuminate the processes by which institutions are successfully reproduced, changed or replaced over time. Two key facets of institutional change are explored here: first that competing rules may operate in conjunction, and secondly, the type of legitimacy associated with changing rules.

Contestation of Rules

While institutions may be oriented to achieving an outcome of equilibrium or stasis, this status is not likely to be achieved (Offe, 1996a; Elster et al., 1998; immergut, 1998), given the contradictory nature of the state's roles and activities. Rules have been conceptualised here as historically derived, and constituted through pre-existing actors, while the tendency of rules to stick and their capacity for autonomy has also been noted. The combination of these institutional characteristics suggests that there is no tabula rasa onto which a new rule is transferred, and so logically the co-existence and possible contestation of rules is likely. In other words there cannot be, to paraphrase Hammond (1996:110) an 'immaculate perception'. A number of criteria regarding ‘successful’ institutional change follow on from this.

Agents may question elements of a rule, or the rule itself – but the process is jeopardised when the very existence of any rules, or of any change is queried (Offe, 1996a). For example, public servants may query a governmental change in their orientation, or desired outcomes – but the change is threatened when the very fact that governments create and enforce institutions or rules is open to question by state officials or by the public.

As long as too much change of a fundamental nature does not take place, then a degree of contestation may actually be exploited so as to support institutional change. In a process of flux it can be important that some residual elements of the rule remain while others are replaced - hence the form and the scope of change is limited. Paradoxically, a
new rule may even benefit from the residue of the former rule. For example in the case of this study, the transition to the principles of NPM was, in part, facilitated by the importance that Management Centre (MC) officials placed on easing the transition for the education sector and the public. This loyalty to serving 'the public' was a defining characteristic of the former logic of OPA.

However, the legacy (Elster et al., 1998) of a rule may also complicate the bedding-in of the newly emergent rule. Rules that are the most strongly adhered to, can be predicted as those most resistant to change (Offe, 1996a), so while the 'replaced' rule may no longer be formally functioning, it may have retained some influence and power over the change process. The implication is that co-existing rules can be viewed as co-dependent; thus it is not important that a rule is 'strong' or 'weak'; what is important rather are the relative strengths and weaknesses of rules.

The Legitimacy Required for Institutional Change

Having established that rules may co-exist in tension, what are the characteristics of institutional change which see one rule prevail over another? Given the topic of this study, it is firstly critical that a rule establishes internal support and legitimacy if it is to be reproduced, redesigned or introduced. Clearly, NPM had to be supported by, or at least not be opposed by, those state agents charged with its implementation. By definition meaningful support has to be fostered, not coerced. If a new rule is introduced in a high stakes environment, or is too tightly bound to rigid procedures and mechanisms, then internal support may be jeopardised.

Before outlining the two ways in which a new rule generates its own legitimacy, it is important to note that the legitimacy of a rule is not necessarily a function of its external effects or outcomes (Offe, 1996a). A rule's viability and support are not, of course, inextricably linked. For example, market principles in state service provision may actually be unsustainable or generate poor social outcomes, but this may not necessarily undermine their presence. On the other hand, a rule or logic may be viewed as de-legitimate, even when leading to effective outcomes (ibid.).

The Capacity of Rules to Define What Action is Legitimate

First of all, to generate support or legitimacy, new rules must tell a successful story (Offe, 1996a). Following an institutional approach, if rules have the autonomy to co-
exist and constrain, they also have capacity to confer legitimacy. There are a number of ways the conditions of a new rule may confer that rule's legitimacy. The proponents of a rule have to secure agents' support through associating the rule with the 'right' experts; for example, depending on the context these may be education professionals, public servants, or economists. A rule may also be associated with the 'right' ideal, such as an appeal to the private sector over the public sector, or even a return to a more favourable (or nostalgic) set of outcomes (ibid.). Alternatively, a rule can be presented as a rational but nonetheless fictive norm (March and Olsen, 1996) which ostensibly imitates that which everybody is doing (Offe, 1996a). For example, NPM can be presented in terms of a value-free 'management science', or as a rule already adopted in western democracies.

Of course, those charged with giving effect to a new rule know that it is contingent, arbitrary (Hoggett, 1996) and 'man-made', and so they also know that rules, especially recent rules, can be re-made or undone (Offe, 1996a; Elster et al., 1998). Masking the contingent nature of a rule is particularly important in securing the support of internal agents.

_If newly designed institutions can be depicted as not so novel after all, but rooted in some respectable past,...the trust in their capacity for performing the functions that they are supposed to perform can be strengthened by the pretence that they are just replicas of demonstrably successful models imported from elsewhere (Offe, 1996a:214)._  

As suggested by an institutional analysis, the success of a rule may be context-specific. Relatedly, if the new rule is too closely aligned with particular experts, such as the economic orthodoxy that prevailed in New Zealand's central agencies in the 1980s, or with a particular change in direction, then this may generate discontent. The legitimacy of a new rule may also be questioned if it is too overtly reliant on expertise or on values antithetical to those of the implementing actor.

_The Capacity of Rules to 'Obligate' Actors_

The second way a rule may foster its own legitimacy is to 'obligate' individuals to act. A rule not only has to have the capacity to delimit which activities are legitimate, but to suggest the 'right' way in which they are to be undertaken (Offe, 1996a; Elster et al.,
1998). This is because the meaning rules ascribe to certain ways of working cannot be forcibly changed for "[T]here is no administrative production of meaning" (Habermas, 1983, in Offe, 1996a:48, emphasis in the original). The capacity of a rule to influence the importance actors place on certain actions is constrained by people's ability to construct their own meanings and identities. And at any time these meanings can differ across multiple contexts. For instance, in the context of the Management Centre, officials' sense of identity might differ when, or if, they work with Ministers, central agencies, the general public or schools.

It is because the definition of what is 'appropriate' differs across individuals and contexts that it is critical that a new rule engender a sense of loyalty; a rule may even construe actions as duties which obligate actors (Offe, 1996a). This sense of obligation has to prevail even when actors experience a conflict of interest (DiMaggio and Powell, 1991b). Hence, NPM would be more likely to be implemented if embodied in the reporting requirements laid out in public sector legislation, or if it might somehow appeal to a residual public sector ethos of loyalty. In addition, the sense of obligation felt by those charged with implementing NPM may also be highly context-dependent. For example, the importance MC officials attached to NPM between 1989 and 1996 was influenced by whether or not they perceived that their work was valued by the government, by central agencies and by the MOE National Office.

Depending on the 'constellation' of contextual factors (Immergut, 1998), it is possible that existing actors may pursue or reject the actions associated with new rules (Thelen and Steinmo, 1992), while also being influenced and obligated by these new rules. This relationship between rules and agents is reciprocal because of the possibility that agents' preferences are rational, maximising, and a given, as well as the possibility that action is socially constructed and more problematical (Cammack, 1992). The strength of this institutional analysis is that actors are both subjects and strategic agents (Hausner, Jessop and Nielson, 1995; Hall and Taylor, 1996).

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17 By way of example, albeit in a very different institutional environment the shift to post-communist states is described as 'macro change with micro-continuity' for individual citizens did not make the changes, but simply experienced them - they did therefore remain the same while an institution broke down around them (Elster et al., 1998).
Conclusion

This theoretical framework is composed of a state theoretical perspective (Offe, 1975; 1996b), and institutionalism, whereby each complements the other. The objective of combining complementary perspectives is to develop an analytical continuum that incorporates macro, meso and micro levels. By employing Offe's macro state theoretical framework, the concept of alignment has been used to link the apparatus of the state with its wider political economy. The failure to unpack the mechanisms of the empirical 'black box' of the state and state actors as noted earlier is countered by supplementing an institutional analysis. The latter allows this research to locate the implementation of NPM in the MC at the meso-level of the context-specific relationships among agencies and organisations within the state, as well as highlighting the dynamics of rules which were played out in these contexts. While drawing a line in the sand is difficult for institutional theorists - as Pontusson wryly observes, 'everything matters' (1995:144) - the value of the framework is that it opens for inspection the processes and contexts within the state, and provides the key concepts of alignment and the logic of administrative action. Specifically for this study, the key criteria for successful institutional change are the conditions which allow a rule to support or generate its own legitimacy, and to obligate agents to get the right things done, in the right way (Offe, 1996a).

An institutional analysis within a wider state-theoretical framework allows the micro-level of action to be linked to the 'rules of the game', which in turn provide the means of aligning the apparatus of the state with its political economy. OPA and NPM can be analysed not only in terms of the change in the Management Centre, but also as the means by which the organisations of the state's apparatus were both internally aligned, and aligned with the wider neo-liberal objectives of the state. The unpacking of this change in rules begins in the next chapter with the general shift in the logics of administrative action, from OPA to NPM.
CHAPTER THREE - LOGICS OF ADMINISTRATIVE ACTION

This chapter outlines the former logic of administrative action, Old Public Administration (OPA) and details the theoretical underpinnings and substance of New Public Management (NPM). This nomenclature is used to capture a generic set of ideas, characteristics and core assumptions reflected in the public sector up to the 1980s and its subsequent reform. For this thesis the term NPM offers a:

...convenience as a shorthand name for the set of broadly similar administrative doctrines which dominated the bureaucratic reform agenda in many of the OECD group of countries from the late 1970s (Hood, 1991:3-4).

NPM has also been described, perhaps more crudely, as the ‘three Es’ in the public sector - economy, efficiency and effectiveness (Rhodes, 1994). But NPM also represents a shift in the nature and orientation of the public sector, which took place within the context of the shift to a neo-liberal form of the state.

An institutional analysis is used to look at the move from OPA to NPM; the discussion remains at the level of abstraction because the application of NPM in New Zealand contexts is the subject of subsequent chapters. However, the principles of NPM can be highlighted in terms of its internal contradictory assumptions, where it both drew on and was in tension with the former rule of OPA, as well as the institutional nature of NPM. As a logic of administrative action, NPM demonstrates some of the criteria associated with successful change in rules. NPM principles emerged in the 1980s from their 'self-evident' success in public sectors internationally, and consisted of a set of mutually reinforcing ideas and mechanisms which all had to be implemented if the logic was to be effective. The result was a new logic which not only appealed to the neutral 'science of management', but implied that this new way in the public sector was the 'best way'.

Old Public Administration

OPA refers a set of ideas about public management typical of the 'progressive era' of the public sector which followed World War Two; ideas which Hood (1994) has also called Progressive Public Administration. Seen here as the predecessor to NPM, the OPA's 'progressive' nature was epitomised in the rising numbers of middle-class professionals whose power was based on expertise and not inherited wealth or status (Olson, 1979, in ibid.). This group emerged as the new public sector professionals who promoted heavily centralised controls to counter 'pork barrel' politics and sops to big business. The importance placed on expertise was reflected in the public sector practice of
guaranteeing tenure or rehiring the same professionals to maintain the capability and continuity of the state's administration and preclude the risk of political corruption or favouritism made possible through politicians' hiring outside contracts (Hood, 1994). The growth of the role of professionals in the state apparatus was a characteristic development in the post-war state sector and partly stemmed from the historical growth in the 'service delivery state' (Stone, 1995:506); that is, the extensive and labour intensive public services provided by the state. There are three distinguishing features of OPA.

First of all, there was a sharp distinction between the public and private sectors. The public sector was regarded as inherently different from, and the antithesis of, the private sector. As a model of a 'good employer' the public sector had to, and had to be seen to, support anti-discrimination practices. The OPA was also characterised by an implicit, yet influential, public service 'ethic', and this dominant and cohesive norm was akin to an 'ethic of vocation' (Pusey, 1991). The rewards valued by public sector employees were assumed to be more intrinsic than extrinsic as evidenced by the 'double imbalance' (Sjolund, 1989, in Hood, 1994:131) in which low level employees were paid relatively highly compared with private sector counterparts, and top level public sector staff were relatively low paid. These practices, and the centrally fixed uniform regulations over personnel decisions such as hiring and pay levels, were to prohibit favouritism by public sector managers and especially by politicians.

This clear distinction between the private and public sectors was also critical if public servants were to be insulated from the corrupt world of markets and organised crime (Hood, 1994). The OPA's concern with corruption was not a fictional nor 'worst case' scenario, for countries such as America and Italy are considered by Hood to illustrate the threat which corruption poses to the public sector's operations (ibid.). The ideals of public co-ordination and consultation are undermined where the ordinary principles of the OPA have been nullified through organised crime or corrupt contracting practices (Dunleavy and Hood, 1994). Dunleavy and Hood (ibid.) posit this as one reason those who advocated the move away from OPA in America included those who would gain most from a slackening of bureaucratic controls, such as private business and trans-national companies.

A second distinction fundamental to the OPA mode of the public sector drew on the Weberian (Weber, 1911 in Dunleavy and Hood, 1994) 'ideal' of a policy-administration dichotomy which said that policy had to be separate from the administration because politicians were considered inherently 'venal' (Hood, 1994:126) with the potential to exploit their position for their own gain. It was the responsibility of the administrative
arm of the state to keep this tendency in check, and required a staff of dedicated professionals working in a tightly regulated institution with a unique, but binding, culture and ethos. According to Weberianism (Dunleavy and Hood, 1994) officials were to protect, on behalf of the public, the state apparatus and its resources from the potentially corrupt interventions of politicians. This 'ideal' bureaucracy was envisaged as upholding the law and administering the spending of the public purse, and was based on the assumption that the knowledge and experience of long-term career officials was superior to that of elected officials.

Weber's theories (originating in the 19th century), were epitomised in German public administration, and had their counterpart in America. Woodrow Wilson (also in the 19th century, see Campbell and Peters, 1988) wrote from within the American tradition which also had a strong bias against politics, especially the hugely business-funded politics typical in America. Wilson considered that the greater the power of the administration, the less likely it was that politicians could capture the bureaucracy for themselves (ibid.). Crucially, an enduring assumption from both of these seminal theorists was that it was the politicians and not the bureaucrats who posed the greater threat. Public servants were regarded as apolitical, acting in a dispassionate fashion so as to reflect the diverse values of their changing elected masters. Additionally, a public service ethic assumed and encouraged an intrinsic passion for serving the public. The anonymity and low pecuniary rewards reflecting the principles of OPA relied on public servants being strongly driven by these values.

However, this assumption of a distinction between generating and administering policy proved to be less tenable in practice. In reality, policy formulation and implementation responsibilities were not discrete processes, and the responsibilities of politicians and public servants overlapped. Appealing to this idealised set of roles could prove an advantage when one party wanted to venture into the sphere of the other. The blurred boundaries allowed greater discretionary powers on the part of administrators in their administrative capacity and a degree of anonymity on the part of the career official involved in policy-making (Boston et al., 1996). For their part, Ministers who were new to an area, or Ministers having trouble making a programme realise tangible changes, had the scope to blame the performance of the public servant. In the case of policy failure, and especially if this affected a politician's re-election chances, the public servant or the bureaucracy remained a convenient scapegoat. While the distinction between policy and administration was at times 'more a convenient fiction than any real description of reality' (Campbell and Peters, 1988:82) it was nevertheless a public sector-wide ideal. The administrative apparatus reflected this institutionalised dimension of OPA.
The third distinction underlying the logic of OPA was a greater emphasis on responsibility than on accountability (Gregory, 1994). Public officials were firstly responsible and secondly could be called 'into account', that is, be required to explain what they or their subordinates had done. As public servants, officials were responsible for working in accordance with the values of their society, and the institutions that supported these such as the formal constitutional and legislative institutions. State administration involved adherence to formalised processes and procedures in which compliance with procedure was as important as whether the action was successful or not (Gregory, 1987; Hood, 1994).

The perceived need for the state to be involved meant that the state's organisational form reflected the complexity and breadth of the tasks involved in public service provision, especially those of the social services. Government departments were typically large (Hogwood, 1997) to accommodate a range of inter-related areas and services, and overlapping roles or tasks were not uncommon. Indeed, a degree of overlapping was legitimate because the diffuse nature of social problems required diffuse and multiple solutions. Widespread public sector involvement was contained by an ethic of responsibility within a firm administrative hierarchy (Hoggett, 1996). It is possible that the values of trust and responsibility that are typically associated with OPA in part made a virtue out of necessity, since specifying and enforcing accountability was almost impossible in such complex arrangements. Nonetheless, the OPA-type mechanisms drew more on an expectation of responsibility than on accountability. Indeed, the 'anonymity' resulting from diffuse departmental engagement was considered desirable because it helped to keep the administration 'disinterested' or neutrally associated with specific policies, and therefore able to serve governments of any persuasion.

In sum, OPA grew out of the assumptions that the public sector should have a logic distinct from that of the private sector; and that public servants and especially politicians should be constrained by institutionalised rules that reduced the opportunities for corruption. The logic of OPA relied on: a high trust bureaucracy; anonymity; responsibility resting with professionals; tenure and universal industrial relations practices; and the idealised separation of policy and administration. A fundamental tenet of an OPA arrangement was that the administrative officials were assumed to be more trustworthy than elected officials. The organisation and management of the state apparatus tended to reflect these principles.

The nature of the generic form of NPM is significant in institutional terms for it partly builds on key tenets of OPA - such as the policy-administration distinction - while also
gaining momentum from its associated claims to improve the administration of the state. To compare this new rule with that of OPA, its theoretical and practical origins have to be teased out.

**The Origins of New Public Management**

The generic template of NPM, which contributed to a programme of public sector reform, draws on an amalgam of two disciplines, both of which were academically and popularly promoted in the 1980s. The theoretical origins of NPM lie primarily in a specific discipline within economics, New Institutional Economics, together with a more practical strand imported from the 'Managerialist' literature. These two are discussed in turn, for they generate the key elements of NPM and are significant because they were manifest in the particular form of NPM implemented in the New Zealand public sector which is the subject of this study.

**New Institutional Economics**

The focus of this strand of economics has been 'the economics of organisations'. Following the somewhat eclectic nature of the New Institutionalist approach, this economics draws on the following three complementary literatures: agency theory, public choice theory, and transaction cost analysis.

*Agency Theory*

Agency theory deals with the nature of relationships within and between organisations. According to this theory relationships need to be formalised through use of a contractual or obligation-based agreement so that both parties understand the implications and the costs involved. Put simply, an agency relationship exists when a principal contracts an agent to work on their behalf, the work to be done is agreed upon and after its completion the agent is duly rewarded (Whitcombe, 1990). Typically, payment or sanction is linked to the achievement of specified outputs in a performance contract. Ideally this relationship is based on the assumption that neither party is worse off than they would be without the contract (Williamson, 1975).

Agency theory is restricted by the 'human-ness' of its actors. In particular it is the theory's assumptions about human nature which both drive and complicate the agency relationship. The theory's most fundamental precept is that a person is primarily motivated by self-interest and will thus rationally choose to maximise his or her situation. In a slightly circular thesis, this economic conception of behaviour is considered immutable and therefore is a factor in all relationships, which are
consequently always seen as principal-agent relationships. Just as it contains assumptions about the individual, so agency theory reflects assumptions about the relationships and collectivities people form. As our lives are a series of transactional relations, then at a wider organisational level the goals and roles of an organisation are no more than an aggregate of those of its members. This applies to public and private sector organisations alike. To understand this nexus of contractual relations between self-interested individuals therefore we must understand the negotiation and contracting processes (McGuire, 1988). Understanding the economics of organisations is made possible by viewing economics as a 'science of predictability' (Tullock, 1970).

It is generally agreed in the literature that - because of the assumption of self-interest - the basic problem in the agency relationship is faced by the principal: ensuring that the agent works in the interests of the principal (Boston et al., 1996). Incentives such as pecuniary rewards for satisfactory performance, and sanctions, such as non-renewal of contracts, are important elements in minimising the risk of opportunistlc behaviour on the part of the agent (Williamson, 1975). On-going monitoring of an agent's performance is used as an accountability mechanism, although this cannot be done either perfectly or without a cost. From the agent's perspective he or she faces the problem that events out of their control can impede his/her fulfilling a contract, for example, market conditions or the actions of others that the agent has little control over. Ideally a contract is flexible enough to leave room for such contingencies or the agent is granted enough discretionary power to control for them.

In summary, the costs the principal seeks to minimise in a principal-agent relationship are selecting the agent and constructing the contract. Once the contract has been agreed, the principal has to monitor the agent's behaviour and measure his/her performance, usually in terms of output. On this basis the principal should provide incentives or impose sanctions to avoid incurring long term losses through the agent's inadequate performance. Principals also face potential costs of renegotiating should the original contract environment change. The implication of these assumptions is that the important dimensions of all organisational relationships have to be rendered observable, foreseeable and measurable in contractualised arrangements.

Public Choice Theory

Public choice theory can be defined as the economic study of non-market decision-making, and is the application of economics to political science. The subject matter of public choice is the same as that of political science: the theory of government, voting rules, voter behaviour, party politics, the bureaucracy and so on. The methodology of public choice is that of economics (Mueller, 1989, in Corban, 1994). As with agency
theory, similar assumptions about human nature can be identified within public choice theory; both politicians and administrators are viewed as motivated by self-interest. Politicians are seen as 'vote-maximisers' that participate in rent-seeking activities.

'Rent seeking' in the language of institutional economics means the search for resources to be transferred from one group to another through the compulsory legal power of the state, rather than through market exchanges or voluntary transfers (Hood, 1994:13).

Public choice theory does not necessarily prescribe governmental deregulation. Self-interested and electorate-conscious politicians may equally rationally pursue tighter regulation in an attempt to 'sell' protective legislation to those interest groups that are most likely to augment the politicians' cause (Hood, 1994:23). As with politicians, interest groups are assumed to operate with the same motives and so can seek to 'bribe' politicians with their voting power.

But it is the unelected public officials, with their long-standing knowledge of the internal workings of the machinery of government who are considered the greatest problem. Niskanen (1971), perhaps the best-known theorist of the public choice model, conceptualised bureaucrats as 'budget-maximisers', arguing that the status of their department could be linked to its size. From a public choice perspective, officials are considered 'rent-seekers', distorting the true costs of public services so that the 'profit' pays their rent, guarantees the need for their future employment, and sees them well placed to ensure these activities are invisible to their political masters (Hood, 1994). Dunleavy (1991) highlighted the limits of this line of argument. He proposed that, in the 1980s at any rate, top public servants tended to 'shape' their bureaux to accommodate only the areas of work they felt to be 'elite'. In other words they optimised the nature of their work, not the size of their budgets or departments. Both these positions, however, would also explain why a bureaucratic response to a problem tends to involve a conservative and inherently bureaucratic solution - whether it be an increase to, or reshaping of, the state's administrative apparatus.

Either way, according to this theory public administration officials pose a risk and need to be systematically constrained. Following this, there are two courses of action to restrain the power of the bureaucracy. First of all, there is a doctrine of direct democracy that uses 'legislation by [citizens'] referenda or initiative' (Hood, 1994:26) and decentralised structures with a consumer-oriented bias, thereby obviating the need for bureaucratic structures (Hood, 1990). An appeal is made to citizens' rights too; taxpayers should be able to voice their concerns about wanting more for their dollar and
the consumer has a right to better goods and services (Consedine, 1988). Consumers are considered sovereign and, typically through the market, are given greater input into the production and the allocation of goods and services (Aucoin, 1990). This is a powerful influence in American state-level politics where regular and extensive public referenda are used to decide policy decisions ranging from the punishment of various crimes, to the level of school fees and the appropriateness of school textbooks.

The second course of action designed to 'tame the bureaucrat' involves a reassertion of representative democracy via democratic elections, and it is this strand which politicians have, unsurprisingly, expressed a strong preference for (Aucoin, 1990:119). In this, the elected representatives' power must be strengthened and the bureaucrats' reduced in terms of access to both budgets and policy decisions. Politicians, and especially the political executive (in New Zealand, this is the Cabinet), are considered de facto managers, and so exercise more control over the instruments of governing (ibid.:117). The bureaucrats or officials are positioned to serve accordingly. Consequently, a common public choice-driven course of action is fiscal stringency and reducing the actual size of the state apparatus.

Transaction Cost Analysis

The third theory contributing to NPM is employed mainly at the departmental level of the state apparatus and deals more with a set of organisational problems than the individualised nature of those problems addressed by agency and public choice theories. While the aforementioned assumptions about human nature remain relevant, it is sufficient to say that in a capitalist society firms seeking to maximise their profit assume that other 'self-interested' firms will be endeavouring to do likewise. This theory of the firm is mapped directly on to government departments and agencies. A firm (or department) may increase its organisational efficiency and control if it eliminates uncertainties surrounding interactions with both its suppliers and those buying its products. These 'transaction costs' may be reduced if, for example, the firm purchases a company which supplies them with goods (Boston et al., 1996). A firm's or an agency's ability to merge or be taken over relies on regulations allowing ease of exit and entry in offering those goods and services. This implies a need to free private enterprise to offer services in competition with state providers.

It follows that applying this theory relies on financial transparency and raises cost/benefit questions about short or long-term contracts, entering or withdrawing from particular markets, industrial relations, and a range of monitoring mechanisms that exist within an organisation. Transaction cost analysis also requires that wider structural or contextual variables be taken into consideration and this is especially problematic for
the public sector given the difficult nature of acquiring reliable information about constantly changing market, social and environmental conditions, as well as the uncertainties of political 'whim'. In sum, the contribution of transaction cost analysis to NPM is that it should bring into relief the kinds of factors which affect the efficiencies in different contractual relationships (Corban, 1994) and particularly those relationships at the level of department or agency.

Managerialism

The second strand within NPM is Managerialism. This term refers to a business-type movement that emanated from within the private sector and was particularly promulgated in the ranks of high profile corporate culture. Key advocates of Managerialism were the 'corporate elite' such as the authors Peters and Waterman with their best-seller *In Search of Excellence* (1982, in Hood, 1994); and key advocates in the public sector were Osborne and Gaebler with a book titled *Reinventing Government* (1992, in Jordan, 1994)\(^1\). Martin (1994) has argued the importance of a counterpart text *New Zealand Theory K* (Inkson, Henshall, Marsh and Ellis, 1986 in ibid.). The successful corporate manager was seen to have something to offer the public sector because they had honed their skills in a competitive environment, whereas public managers and officials had been cushioned in a regulated and protected environment\(^2\).

It may be precisely *because* of the 'shades of grey' that public sector work entails that the relief of a clearer approach to management was welcomed by officials in the public service. For example, in the state apparatus there may be no single profit imperative and managers are vulnerable to the whims of changing governments. But the Managerialist literature appeals to the 'do-er' with a pragmatic emphasis. Because successful practitioners have also been among the main promulgators and authors of Managerialism (and not coincidentally the main suppliers of this information in the marketplace), this has lent a credibility not found in the writings of political science academics who are regarded as caught in the mists of theory and abstraction (Martin, 1994). In other words, the apolitical ideal embedded in much public administration theory was too divorced from reality - and the popularly packaged Managerialism filled this void.

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\(^1\) This book was endorsed on the back cover by the then Governor of Arkansas Bill Clinton.

\(^2\) Pollitt (1993) notes that Managerialist advocates support this claim by the fact the growth in the popularity of the 'corporate leader' has been paralleled by a decline in support for the political leader. There is not the empirical evidence to support this claim however.
More than this, the purveyors of Managerialism assume that it has an important role in terms of societal development. Pollitt (1993) identifies the logic as follows. Society's progress is directly linked with an increase in economically defined productivity. This increase will be primarily gained through advances in information and organisational technology. To apply these technologies the labour force will need to behave in accordance with this 'productivity ideal'. Management's function is planning, implementing, and improving productivity, and thus the quality of managers is crucial to societal development\(^3\). To execute this role managers must be given 'room to manoeuvre (i.e. the 'right to manage')' (Pollitt, 1993:3). Indeed, to restrict managerial discretion is to impede progress - which brings us nicely to the first of Managerialism's two major principles of operation.

It follows that managers must be free to manage their organisations, especially in the areas of recruitment, dismissal and remuneration. In the jargon, management is all about people, and people-driven human resource systems, as opposed to procedures and regulations commanding the personnel. Hence a Managerialist solution may be to create flatter management structures so that power is more widely shared, and less power lies with the manager at the apex. Relatedly, managers can then stay close to their people and customers, and ensure that their organisation is responsive to customer and client needs. Again, from the jargon, Managerialism is about releasing people's 'entrepreneurial spirit'. In a reformation of Taylorism's restricted and instrumentalist management strategy designed in the 1930s to optimise the output of the worker (Dunleavy and Hood, 1994), Managerialist cultural theorists recognised that a new managerial freedom had to accommodate this different emergent set of values (Pollitt, 1993). The culture and energy of an organisation, its rituals, norms and beliefs, could be harnessed to create a new successful product and workplace. Success is typically defined as producing results, and not as correctly following a procedure, and Managerialism accorded status to those individuals who might 'shine' in such an environment; fostering such innovative results-driven people was to be an end in itself.

As well as increased autonomy over human resource issues, managers are thought to thrive with increased discretionary financial powers so that they can use incentives or sanctions to enhance performance. Within top management, managers need the freedom to decide on the procurement of inputs, to select their own mix of workforce; and stay abreast of changes in information systems and technology, organisational

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\(^3\) This claim is seen in an early declaration of a prominent and early devotee of Managerialism that large organisations are important '...but it is the managers and management that make institutions perform' (Drucker, 1974, in Pollitt, 1993:3).
behaviour, people management, quality control and client service. Such discretionary powers were seen as successful in the private sector, and so Managerialism was viewed as being especially critical to a public sector in need of flexibility and innovation (Scott and Blakely, 1993).

The concomitant operating principle of Managerialism is that increased discretion must be accompanied by greater accountability. The power to direct resources has to be balanced by mechanisms that measure whether, and how well, the desired results are being realised. For incentives or sanctions to be meaningful at the individual level Managerialist mechanisms evaluate whether a performance is effective or not, for example through the use of management, performance and peer/self-review, and also by use of regular quantitative performance measures and accountability for pre-specified outputs. Use of such accountability mechanisms is consistent with a focus on organisational clarity - people need to know what their roles and responsibilities are so that they just ‘stick to their knitting’ (Aucoin, 1990:131). According to Managerialism, in the public and private sector alike these can be defined in economic terms, for example, by reducing expenditure and by increasingly efficient provision of specific goods and services. Efficiency is typically defined in terms of economising resources while remaining effective. In short, the public sector could ‘do more for less’ (Hoggett, 1996).

The theory of Managerialism is based on the assumption that it is a generic and superior set of operational principles, and so suggests the way the world should be (Pollitt, 1993). Because the precepts and practices are considered universally transferable they can be applied equally across large and complex organisations in the private and public sector. Within the latter, Managerialism was promoted by its advocates (Scott, Bushnell and Sallee, 1990) as relevant to areas such as the commercial or trading, service and core state sector, and sanctioned an increase in discretion and accountability.

**New Public Management**

The convergence of these two perspectives - New Institutional Economics and Managerialism - generated a set of mutually reinforcing assumptions and principles in line with which the state apparatus would operate. NPM is seen in enough similar public sector reforms across countries and policy areas to warrant its own status (Hood, 1994).

There are two key tenets underlying the distinct shift from OPA to NPM. First of all, restructuring means that the public sector more closely resembles its private counterpart: the means, if not the objectives, are always be the same. Secondly,
fragmenting the amorphous and all-encompassing regulations allows variation in practices and organisational design within the public sector. These two tenets of NPM are implemented via the following six principles⁴.

First of all, competition, rather than protected monopolies, achieves economy of resources and improves standards. The resultant contestability is deemed necessary to create a market in which the public sector's own service providers must compete with other public providers and with private providers. The assumption is that markets are the best form of meeting demand. State sector use of short-term contractual agreements, tendering rivalry and competition are all considered to 'mimic markets' (Hoggett, 1996:16) and their related efficiencies. Hence competition, particularly within the state, is a means of increasing efficiency.

The second principle is that large monolithic state departments should be disaggregated into smaller units or agencies according to the (preferably single) 'product' they produce (Hogwood, 1997). With a clearer specification of product any overlapping or dual provision would be reduced; and clear separation of purchaser/funder and provider would minimise any conflict of interest. Through corporate plans, 'advertising' or mission statements these departments or agencies promote their own identity and profile to their employees and clients and increase their market-share. Competition, accompanied by good information about the product and producer, fosters the market mechanism of 'exit', allowing a consumer to acquire the good or service elsewhere. This is in direct contrast to the OPA approach whereby the public's capacity to express their dissatisfaction was exercised through 'voice' typically via public consultation.

The replication of private sector human resource and financial management practices is the third principle of NPM. Freedom in these two areas is to foster diversity in public sector practices. Under NPM, industrial relations in the public sector take their cue from the private sector, and include the use of pecuniary incentives, sanctions and short-term contracts. With this, pay and conditions vary across and within departments, and are relative to private sector equivalents. One of the simplest ways to facilitate this transformation is to move people, especially managers, from the private into the state sector. Financial reporting is transparent, thereby revealing the cost of goods and services rather than hiding this under government or departmental subsidy or indirect subsidisation by non-users. Conversely, inputs, particularly the costs of individual salaries are opaque. Again, this is in sharp contrast to the two prongs of OPA. In the

⁴ This typology draws closely on Hood's (1994) identification of the six key methods of NPM, and is discussed in greater detail there.
former context, on the one hand the costs of salaries came under public scrutiny for it was the taxpayer who paid the civil servant, while on the other hand the cost of the provided goods or service were opaque because the welfare was considered a right to all potential users (Hood, 1994).

The private sector management culture of risk-taking is a further means of releasing the new potential that must be fapped if governments want their administrations to keep pace with competitors. These 'competitors' may be internal or external to the state, for the source of provision is not important.

_The core values around which public management cultures should develop include learning, experimentation, adaptability and flexibility. The need for these values arises from the rate of change with which governments will have to cope in the future (Metcalf and Richards, 1987 in Pollitt, 1993:24)._  

The fourth NPM principle to be applied in the state sector is a focus on achieving results. Under OPA state officials had tended to focus on securing a prescribed set of inputs and staying within their budget. In contrast, within NPM results are prioritised over following procedures. Clear role specification and organisational clarity in smaller units, plus the discretion to allocate inputs, enable an agency to work towards these pre-determined outputs. This fosters efficiencies by exposing inputs that are not contributing to these specific short-term goals. A ‘principal’ – such as a Minister - uses pre-set targets as a form of control, for when a department or unit in the bureaucracy is clear about exactly what is required, the risk of the department’s expanding its brief is minimised. Finally, under NPM, it does not matter who provides the outputs, as long as the contracted results are provided. Hence the role of the state can be reduced to broker, contracting in service providers with the appropriate professional expertise.

The fifth principle - the introduction of output controls and accountability mechanisms – is regarded as allowing greater managerial discretion. This element of NPM has been critiqued as a shift from implicit responsibility to explicit accountability for results, and so a move from anonymity and high trust to 'low trust' relations (Hood, 1994; Codd, 1999). Advocates of NPM, however (Scott et al., 1990; Scott and Blakely, 1993) have argued the reverse. Pre-set targets mean clear parameters for state organisations; and officials know what is expected of them yet have the discretion to decide how best to achieve these. In the NPM environment public sector managers can rise to the challenge of more visible management. Individuals can be and should be identified as accountable for achieving outputs and this new breed of self-promoting official is compared favourably with their former anonymous counterpart lost in the morass of the
public service. So, according to the logic of NPM, greater discretion encourages managers to be more visible and successful individuals. The ‘can do’ approach is accompanied by promoting those ‘being seen to do’ (Hood, 1994).

The sixth and final principle of NPM is quantifiable performance evaluation. If the output is specified and it is clear who will be made accountable for its realisation, then it follows that there must be some means of evaluating the individual’s or group’s performance in terms of efficient and effective service provision (Hood, 1994). Formerly senior officials were left alone with their responsibility to produce work to a professional and unspoken standard, but under NPM performance measurement is based on pre-set explicit and quantifiable standards. Results alone are not enough, they must be observable, measurable at regular intervals, and in the control of those being held accountable.

In sum, the above generic template of NPM represents a deliberate shift away from the implicit and anonymous contribution of large state departments. It is embodied by public sector managers and officials with increased managerial discretion working in fragmented, small, focussed agencies. The abolition of central regulations is complemented by clear, pre-specified and measurable outputs so that individuals and organisations can be held accountable for observable results. The combination of these six principles within an NPM model was heralded as a superior mode of operating in the public sector and so would create a more efficient and effective government.

**An Institutional Perspective to New Public Management**

The above generic template of NPM can be seen as a combination of New Institutional Economic theory and a Managerialist approach. The result is a relatively coherent set of ideas that prescribe how the public sector ought to be - in other words, NPM represents a logic of administrative action (Offe, 1985) that suggests not only what activities of the state are appropriate, but how they should be carried out. Before investigating how NPM was actually implemented in New Zealand's public sector and within the education apparatus of the state, it is apposite to consider NPM from an institutional perspective. In other words, how this abstracted form of NPM is characterised by the conditions associated with institutional change, and in particular, the significance of the contestation between NPM and OPA, and the conditions in which NPM is viewed as legitimate.
Contestation of OPA and NPM

Because there can be no *tabula rasa* onto which a new set of rules is implemented, the logics of OPA and NPM may co-exist and operate in tension. Elements of the enduring 'legacy' of OPA facilitates the implementation of NPM in two key ways. First of all, the ostensible strength of an ideal form of NPM in part stems from a very weakness of OPA. That is, the latter's inability to facilitate clear results and clear responsibility. Ironically, the absence of 'hard' evidence about the ineffectiveness of OPA (Dunleavy and Hood, 1994) permits its failings to be expressed in only a very general sense. In contrast, claims of the benefits of NPM draw on a definition of effectiveness that relies on tightly specified outcomes that are attributable to single units or departments, or to short term *ex ante* contracts with external (non-state) service providers. In short, the smaller the goal, the more likely that NPM is related to achievement of results, however minor or disaggregated these results may be.

Secondly, NPM recycles and relies on a fundamental element of OPA, namely, the sharp distinction between the roles of politicians and the bureaucracy. NPM is built on the OPA premise of the importance of an apolitical means of administration so as to allow the state apparatus to serve governments of any political persuasion. In what is effectively a neat reversal of the logic of OPA, the policy/administration split is invoked so as to constrain the work of un-elected officials to a series of *ex ante* specified goals. This extant policy/administration dichotomy justifies the need for reporting and monitoring mechanisms to maintain the separation of these roles. According to the principles of NPM technical solutions, such as disaggregating large departments into smaller agencies with single roles, address the 'messy' relationships within a public bureaucracy. However, it is likely that it is not just the bureaucratic nature of the state, but its *public* nature which creates problems (Alford, 1993). For the state, external effectiveness includes wider social policy goals such as equity or equality of opportunity, an acceptable level of service provision across regions, the development or pro-social behaviour, and long term social stability. Private enterprises also rely on these, but have the luxury of knowing that the state is ultimately charged with achieving such outcomes.

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5 A related effect is that private providers will also be inclined to offer services based on low 'asset specificity', that is avoiding those services which require expensive assets (equipment or staff or knowledge) related to a very narrow range of services. This is most obvious in capital-intensive areas such as health where public health providers are obliged to function as providers of last resort for those items too exclusive (used in a small number of services) and too expensive for private health care providers. In education 'asset specificity' may include staff's institutional memory or knowledge of the intricacies of policy developed incrementally over a long period of time.
If the OPA principle of the 'guiding hand of the state' is rejected wholesale, then the methods of NPM jeopardise its own success. Here the risk is what has been called a 'headless chicken' model (Dunleavy and Hood, 1994): an over-attention to measurable details and a relative lack of attention to broader social goals and outcomes, outcomes which are no less important for their indeterminate nature. The fragmentation of state organisations tends to weaken 'horizontal' communication across and within agencies, and this is exaggerated in a competitive environment. The ideal model of NPM fosters individually rational decisions, which are not necessarily consistent overall. In short, a risk inherent to NPM is that issues fall between the cracks, precisely because everyone knows exactly what they are accountable for. Finally, the influx of private sector employees into the public sector, and reliance on short-term contracts and private providers\textsuperscript{6} weakens the institutional memory of the public sector - an effect Pusey refers to as 'organised forgetting' (1991). Somewhat ironically, the process of moving staff between the private and public sectors requires a careful overview with central monitoring and control. For unless the state sector can offer similar rewards to its private counterpart, then the public sector becomes a training ground or career stepping-stone for the private sector employees.

**NPM Conferring its Own Legitimacy**

It is critical that NPM be implemented in conditions that generate internal state support for this rule, and there is a number of ways by which the nature of the change process contributes to its own legitimacy. The first is simply that the implementation of NPM confers legitimacy when presented as a coherent and successful way of operating. This dimension of NPM is especially critical given that the basis for institutional design and redesign cannot be justified by a reliable link between design and external effectiveness and performance (Hood and Jackson, 1991)\textsuperscript{7}. The doctrinal nature of NPM means there

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\textsuperscript{6} Ironically, one task, which may at times be suited to short-term contracting out, is the provision of policy advice to which consultants in highly specific areas of expertise may contribute discrete injections of radical thinking. However, according to Pollitt (1993) this is one area which tends not to be sourced outside the public sector.

\textsuperscript{7} Some public administration theories of institutional change appeal to more 'scientific' criteria for success. One 'Hobbesian' approach is to seek out the 'one best way', and this assumes that reformers purposely carry out experiments and observe changes over time, so that the results, \textit{ipso facto}, prove which was the best way of organising things (Hood and Jackson, 1991). The second approach is referred to as Aristotelian - for it employs his thesis on constitution making. This involves finding the 'best fit', so that administrators identify and select the method or solution from a whole set of options which is most appropriate for that particular circumstance (ibid.). However, conceptualising change in these ways assumes that a range of alternative models are researched, debated and rejected; and ignores the importance of the meaning attached, but not inherent, to a change process.
is not necessarily any 'truth' involved but rather ideas that sound truer than others (ibid.).

One source of such legitimacy lies in NPM's ostensibly neutral theoretical origins, that is, the 'laws' of the international movement of 'management science' and economics as a 'science of predictability' (Tullock, 1970). Promoted as an 'asocial' theory there is therefore no reason why the application of modern management principles in public administration should undermine the quality of service to the public (Scott, 1993). Indeed, with such immutable laws to refer to, public servants would be better able to withstand any political interference. Again, the logic of NPM draws on the residual OPA notion of the apolitical public sector.

More generally, the very presence of NPM has to be above question, and so the existence of NPM serves as evidence of its success. Because variants of NPM are being employed in a wide range of contexts - local and national government, policy and implementation in a range of areas, private and public sectors and across countries with governments of different political persuasions (Hood, 1994) - it is inferred that NPM principles are successful in many different contexts. Campbell (1995) labels this tautology a 'demonstration effect'. Additionally, the global emergence of NPM suggests an 'infinite re-programmability' with settings that can be adjusted to achieve a range of political goals (Hood, 1991; 1994). Significantly this again invokes the policy/administration dichotomy; NPM can be implemented in the public sector because of the apolitical nature of the state apparatus.

The importation of NPM and its diverse methodological origins, however, also confounds this criterion of legitimacy. Actors in different contexts and with different values will perceive NPM differently and not everyone's expectations may be realised. For example, the public choice element within NPM promotes the rights of the consumer or citizen and raises their expectations about service delivery. Public choice theory also promotes the politician's right to more control of the apparatus and so to require efficiencies. Thirdly, the Managerialist doctrine ascribes importance to 'freeing' managers, as greater discretion will lead to improved outcomes. Clearly, these three parties may have competing definitions of the legitimacy of NPM.

Actors' sense of the appropriate may also be context-dependent and as contexts differ so too may the level of legitimacy. For instance, Pusey (1991) and Pellitt (1993) suggest that forms of NPM are more successful in financial, trading and market-oriented departments, and rejected by the 'service departments' staffed by welfare state professionals. From an institutional perspective NPM is associated with a certain kind of expert - economists, managers with hands-on experience, and those successful in the
private sector. NPM is, therefore, a 'designer institution' (Offe, 1996a), with its origins very different to that of OPA. This implies that assumptions within NPM of actors' rational self-interest are in tension with the more altruistic motivation of a public service ethic. Thus, the implementation of NPM is problematic, because on the one hand many OPA notions are rejected, but on the other hand, successful implementation is reliant on the OPA principles of public service integrity and loyalty to their employer.

Finally, NPM can be analysed in terms of the way in which it obliges people to act - people must perform the right activity in the right way. At a very general level the need to improve results is legitimated by the urgent imperative for the public sector to continue to improve societal outcomes - a value few state actors would refute. However, legitimacy is afforded more powerfully by the mutually reinforcing or symmetrical nature of the principles and practices of NPM. Thus, it is posited that small and single-focus departments are more likely to achieve short-term goals that are specified ex ante, while greater discretion must be accompanied by both greater accountability and ex post monitoring for results. And as an environment of contestability will lift both quality and efficiency - future decisions should support greater competition, not less. In this context, activities which do not fit these NPM principles are at once problematic and indefensible. Moreover, once such NPM principles become a given, then subsequent debate over the fundamental nature of these activities is less appropriate than debate about how to refine these activities. For example, the importance ascribed to measuring results implies the need to constantly improve the sophistication of the measurement tools.

Where actors are coerced, rather than obligated, to implement change then this coercion may threaten the support of internal state actors for this change. This reflects a fundamental tension between the New Institutional Economic and Managerialist strands within NPM - managers can be perceived as 'free' to manage, or rather as 'made to manage' (see Aucin, 1990; Hood, 1990; Campbell, 1995; Boston et al., 1996). Using detailed performance specification to make people do what they are going to do anyway, is simply a low-trust model that does not engender loyalty (Aucin, 1990). Furthermore, it is disingenuous to construe working under a situation of performance pay and competing for your own job as the manifestation of an entrepreneurial spirit and attitudinal change. Thus, NPM merely side steps a classic tension in the theory of bureaucracy literature (Wilson, 1989): controlling a manager, and managerial discretion; making and obliging actors to act.
Conclusion

The generic template of NPM is seen here as a set of mutually reinforcing and coherent ideas that emerged from New Institutional Economics and Managerialism. These ostensibly value-free literatures have given NPM an apolitical status; and seen it portrayed as a programme of reform to improve the efficiency and effectiveness of the state apparatus. From an institutional perspective, however, the contingent nature of NPM becomes both obvious and significant. NPM is a theoretical amalgam that selectively rejects and recycles elements of the former logic of OPA. This is significant because the new rule's success is in part a function of discrediting OPA, while simultaneously relying on a residual effect of OPA in the state apparatus. The very fact that some elements of OPA are re-employed means that there is an element of incremental rather than wholesale change.

While there are contradictions inherent to the set of ideas within NPM, it also represents a set of mutually reinforcing ideas. This is critical for it fosters the capacity of NPM to confer its own legitimacy. The legitimacy associated with the practice and principles of NPM is especially important in relation to those state actors charged with its implementation. Because legitimacy can be neither imposed nor spontaneous, the doctrinal and contingent nature of NPM is critical to its introduction. The context, the timing, the packaging, and the messenger are all-important variables influencing NPM's legitimacy. As noted earlier '[T]he impact of an administrative doctrine is a function of its credibility, not necessarily of its truth' (Hood and Jackson, 1991:10). In practice, the success of the implementation does not reflect its profundity, nor provide evidence of success in the real world, rather, it suggests the capacity of NPM to delimit the activities and orientation of the state apparatus. The tension between OPA and NPM and NPM’s capacity to confer its own legitimacy proved to be critical in the context of the shift from OPA to NPM in New Zealand, as well as in the wider context of the political climate of the state in the 1980s. This empirical environment is the subject of the next chapter.
CHAPTER FOUR - NPM IN THE NEW ZEALAND PUBLIC SECTOR

The New Zealand public sector reforms have been the source of much academic interest to international researchers (Aucoin, 1990; Stewart and Walsh, 1992; Dunleavy and Hood, 1994; Hood, 1998), because the reforms of the 1980s and 1990s represent a radical and sustained translation of the principles of NPM into practice. This chapter looks at the shift from OPA to NPM against New Zealand's historical and institutional context. In New Zealand the depression of the 1930s was followed by a period described as the 'long boom' in capitalism, and from the 1940s to the 1970s this period of economic growth was epitomised in the development of the Keynesian Welfare State (KWS). This chapter begins by tracing the historical association between the interventionist KWS and the logic of the state's administrative apparatus, OPA. By the 1970s and 1980s changes in the context of New Zealand's political economy led to the introduction of a neo-liberal form of the state which was to delimit the state's interventionist policies. The administrative logic of NPM was to be a means of aligning the shape and mode of the state's apparatus with neo-liberalism's orderly withdrawal of state activities.

The New Zealand-specific context meant the public sector was ripe for reform, and also influenced the particular nature of the eventual form and implementation of NPM. While the country had to respond to the pressures of late capitalism, its institutional arrangements facilitated the actions of senior and strategically placed state officials who were in favour of NPM. A convergence of New Zealand's external environment and the form of its state apparatus provided state agents with the problem - a bureaucracy characterised by the OPA, and with the solution - a set of principles and mechanisms whereby bureaucrats would know who they were accountable to, and for what, and how this accountability was effected. The impetus for the implementation of NPM came from within the state, and so the shift in logics is an example of within-state institutions giving effect to changes within the state. Finally, the shift from OPA to NPM at the level of the whole public sector can also be seen to reflect the institutional dynamics of
change, the contestation between these two logics, and the extent to which the New Zealand contextual factors supported the legitimisation of NPM.

**Historical Context of the Keynesian Welfare State and the Neo-liberal State in New Zealand**

New Zealand's Keynesian Welfare State: 1930s to 1970s

While there are two versions of Keynesian economics - the traditional and the market (Easton, 1997) – both are underscored by Keynes's postulate that the economy is not self-managing and that governments in a capitalist society must intervene to avoid prolonged recessions (Jary and Jary, 1991). Following World War Two, three methods were of primary importance to the Keynesian State's project in New Zealand: pursuing full employment; minimising inflation and thirdly, state monetary policy at the macro-economic level which would 'curb the volatility of private investment using an active fiscal policy (government spending and taxation policies) and monetary management policy' (Sharp and Broomhill, 1988 in Armstrong 1990:120).

As noted in Chapter Two, the state in a capitalist society is required to support capital accumulation through providing inputs to this process. In New Zealand the state explicitly supported the training of labour and development of capital to build the manufacturing capacity of New Zealand (Maitra, 1997). Trade was heavily regulated to protect industry from external shocks\(^1\). Successive governments also developed a highly complex system of import controls for a large number of goods to protect domestic production, while allowing in goods critical to the growth in productivity. Finally, the state was involved in developing industrial capital through maintaining infrastructures such as energy, railways, ports, investment companies, and communications. Immigration and the domestic population grew following World War Two, and both the labour market and the range of services required to educate, house

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\(^1\) For example, the New Zealand Wool Commission ensured that the 'good years' subsidised the bad export years by stockpiling wool it was forced to buy from producers, and these subsidies saw dairy and wool producers receive a constant income despite variation in export earnings (Maitra, 1997).
and support this population growth expanded accordingly. These mutually reinforcing benefits were experienced offshore as well and foreign investment in the service sector accounted for 30 percent of all direct overseas investment in the ten years up to 1972-73 (Maitra, 1997). As new services were required, the breadth and depth of the state infrastructure was expanded.

The Keynesian State achieved a 'settlement' through both meeting industry's needs, and securing the state's authority to act via an effective legitimation strategy. The state was pivotal in redistributing wealth actively to ensure 'a fair go' for all (James, 1992). There was a series of post-war settlements between employees, trade unions and social democratic parties reaching a compromise with respect to national development (Shirley, 1990). The New Zealand governments between 1935 to 1975 explicitly worked towards full employment (Roper 1997) and unemployment averaged 0.07 percent between 1955 and 1964, reaching one percent (some 2,300 people) in 1968 (James, 1986:55)². Labour movements provided support to new social institutions in anticipation of full employment and a share in growing national prosperity, and employers accepted industrial arbitration and conciliation in return for a profitable and stable political environment. By the 1960s the state also adopted a strategy of large scale consultative conferences such as the Industrial Development Conference in 1960, the Export Development and Agricultural Conferences in 1963; and the Taskforce on Economic and Social Planning in 1976, the forerunner to the New Zealand Planning Council (Galvin, 1991). As noted in Chapter Two, nation states in this post-war period benefited from a relaxation of constraints upon the state apparatus, and an expansion in its range of activities and options (Offe, 1996b). In New Zealand the role of the state grew, and its apparatus adjusted accordingly. Precise figures of public service staff numbers are problematic (Henderson, 1990). However there was an incremental increase in the size and diversity of the state infrastructure since the formation of a uniform state sector in 1912. Boston et al. (1996) note that the single biggest increase in

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² In 1950-55 the monthly average number of registered unemployed for New Zealand was 54 (Department of Statistics, 1982:913). Folklore has it that the Minister of Labour knew them all by name.
size followed the Labour Government of 1935-1949. Ten departments were established in this period; and while in 1938 there were 10,500 permanent public servants, this figure grew to almost 27,000 by 1948. The numbers peaked in the mid-1980s at approximately 68,000 (ibid.: 54-55).³

During the 'long boom' New Zealanders enjoyed a sustained period of high standards of living, which was associated with successful governance. However, historians argue that this profitability was artificially sustained through subsidising export markets, and the sought-after 'economic independence' was largely a myth.⁴ Rather, this era of the 'golden weather' was a function of a fortuitous cycle in international capitalism and improved conditions for capital accumulation (Endres, 1989). International changes in transportation and communication meant that the use value of capital was maximised (Roper, 1993). Capital equipment had grown cheaper relative to raw materials and labour and this meant there was more labour available to produce those consumption goods. Labour-intensive manufacturing and primary produce made up the majority of the New Zealand's productive industry. This pattern continued as increases in productivity exceeded labour costs and so sustained the increase in surplus value (ibid.). All of this took place in favourable conditions for trade, such as unrestricted access to the United Kingdom for major export products. In Marxist terms, the tendency for the rate of profit to fall was obviated by dramatic changes to productivity through technology and the growth in markets as the range of possible commodities expanded.

As noted above, the Keynesian settlement hinged on the notion of a mixed economy; a market system of production and distribution with the state accepting responsibility for economic management and the enhancement of social wellbeing. The latter saw the state operate as a benevolent provider, incorporating social citizenship or rights-based principles. Entitlement to social services and income transfers was dependent on a

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³ A former head of the State Services Commission referred to a peak of 72,000 in the core state sector (Deane, 1989); while his successor noted that the public sector had been 88,000 strong (SSC, 1995).

⁴ Indeed, in the early twentieth century it was foreign investment, primarily British, which saw the development of capital stock, equipment, market infrastructure to allow domestic markets take over production of imports (Maitra, 1997).
person's status as a citizen, rather than on the basis of her or his income, wealth or prior earnings, or contributions (Boston, 1999). More specifically, the 1935 Labour Government keystone was that benefits were to be 'non-contributory, universal, comprehensive and adequate, and were to be provided by the state as a citizen's right, not as an act of charity' (Hanson, 1975 in Oliver, 1977:19). The Social Security Act (1938) aimed 'to provide such other benefits as may be necessary to maintain and promote the Health and General Welfare of the Community' (Royal Commission of Inquiry, Social Security in New Zealand: 65). Citizenship was espoused by a Royal Commission which stated that 'all citizens, irrespective of their socio-economic background are able to feel a sense of participation in and belonging to the community' (ibid.).

Such beneficence notwithstanding, the buffer of New Zealand's economic security masked tensions within the state's role and allowed people to enjoy a high level of social wage, that is, benefits in the form of government-provided health, education, and income transfers which did not exist in a commodity form. Closer inspection reveals that the New Zealand welfare state in the period 1935 to 1975 was a combination of universal policies (for example provision of health and education services and family assistance) and means testing (for example, the domestic purposes benefit, widow's benefit and most forms of housing assistance)⁵. Castles (1994) argues that in New Zealand (although much more so in Australia) the social expenditure of the state was secondary, and fulfilled a safety net role for those not included in the world of paid work⁶. Compulsory arbitration, minimum wages and wage control, were all the primary mechanisms of what Castles calls the 'wage-earners' welfare state' (ibid.) and social welfare was of secondary status. Before turning to the changes in the KWS it is

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⁵ New Zealand's international prominence in terms of social security was partly earned by the radical precedents set late in the nineteenth century: the Industrial Conciliation and Arbitration Act (1894), and the Old Age Pensions Act (1898).

⁶ More specifically the welfare state facilitated the security of the individual first and society second (James, 1992). Thus, in managing the labour market the state ensured that there was always work for the individual, and if greater income was required the said individual could work longer hours. The state was not a complete leveller, as some were clearly more secure than others were (ibid.).

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important to outline the relationship between OPA and the KWS in the period preceding the mid-1970s.

**The Keynesian Welfare State and the OPA in New Zealand**

OPA both facilitated and reflected the KWS, for as the state's role expanded, its apparatus developed in an incremental and *ad hoc* fashion (Boston et al., 1996). The beneficent KWS was accompanied by a connatural apparatus which, following the logic of OPA, was entrusted with expanding state intervention. While a public service ethic was not formally expressed in the post-war period, the OPA logic was that the autonomy and discretion of the public service was necessarily high, so as to keep the vagaries of political involvement to a minimum.

*This country has been so well served for so long by loyal, incorruptible, and politically neutral State servants that it may be inclined to assume that this is part of the natural order of things. There are many parts of the world where it is not so, and New Zealanders would do well to reflect on their good fortune* (Royal Commission of Inquiry Upon State Services in New Zealand, 1962 in Martin, 1994:92).

Until the late 1970s the New Zealand public sector apparatus, logic and ethos were all intertwined. This apparatus unity was the result of a public service conceptualised as a 'seamless web' (Roberts quoted in Cornwall, 1988:25). The imperative of OPA was, effectively, to ensure a balance such that Ministers might not have too much control over the public service – and hence to ensure its ongoing impartiality and ability to provide free and frank advice to the current government (Martin, 1994). Uniformity of regulations was epitomised in such tomes as the *Public Service Regulations, Public Service Manual, Treasury Instructions*, the *Accommodations Manual* and the *Storeboards' Manual*. The public service-wide personnel system largely dated back to the Public Services Act 1912. The State Services Commission (SSC) was the official central employer and state employees worked for 'the public service', not for a department. The SSC maintained pay relativities across the hundreds of occupational classes within the public service, so as to avoid any pay irregularities that might
advantage one department over another in recruiting staff. The Higher Salaries Commission was responsible for setting the salary levels of senior management, and other staff salaries stayed relative to this via the mechanism of the Annual General Adjustment (Walsh, 1991).

Tenure was permanent to reward public servants for their loyalty and to counter the tendency for departments to mirror their changing political masters too closely, as was the informal practice in America. Politically independent tenure arrangements meant Ministers’ involvement in the appointment of Heads of Departments was tightly regulated. By 1962 the panel responsible for these appointments consisted of the State Services Commissioner, an SSC nominee, and two permanent heads selected by the relevant Minister, but picked from a pool of permanent Heads elected by their peers bi-annually. Ministerial involvement was to be just enough to preclude any ‘closed-shop arrangements’ (Aitken, 1978:9). In 1973 a small measure of power was transferred from the SSC to Ministers when the State Services Amendment Act allowed Ministers to select three heads from the peer-elected pool to be part of the appointment panel, and deleted the requirement that Ministers consult the state sector union the Public Service Association (PSA). Notwithstanding this limited Ministerial involvement, Heads of Departments and senior managers had very general and implicit terms of employment, so that what was required of people was the result of public service socialisation, not a written contract (Horn, 1995).

For their part, governments, and governments in waiting (Martin, 1994) benefited from having an impartial public service, secure in the knowledge that the apparatus could serve governments of any persuasion. This ethos and orientation of the OPA was self-perpetuating, for the appointment of ‘outsiders’ was difficult. Heads of Departments could not be appointed from outside the public service – and public service positions

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7 Interestingly the PSA had never exercised this right to be involved, reasoning that to act as one of the ‘bosses’ would detract from its ability to represent its union members (Aitken, 1978).
tended to go to internal candidates. Opportunities to question this impartiality were negligible given the final component of the OPA logic: public servants' anonymity. This anonymity protected public servants from exposure to problems for which, following the Westminster doctrine of Ministerial responsibility, Ministers and not public servants should be ultimately accountable.

Traditionally the administrator is the anonymous servant of his [sic] Minister, bound by constitutional convention to make his experience, judgement, and departmental knowledge confidently available to his political master no matter what party is in office, and to accept and put into effect the Minister's decisions. For those decisions, and for the manner of their execution, the Minister takes the responsibility and hence any public credit or blame (Royal Commission of Inquiry Upon State Services in New Zealand, 1962, in Martin, 1994:95).

The net effect of making these regulations and procedures uniform across the entire public service was to produce a single entity designed to protect the political neutrality of its employees. Ministers had little way of influencing those charged with the administration of the government's policies. The dominant assumption within these OPA arrangements was that politicians were to be kept in check, not the public servants.

New Zealand and the International Economy: 1970s and 1980s

As is well documented elsewhere (Roper and Rudd, 1993; Bollard, 1994) New Zealand's economic downturn began after the 'oil shock' in 1973 when OPEC countries increased the price of crude oil by a factor of five (Easton, 1997:159). New Zealand's

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8 Since 1912 the public service operated according to the principle that external candidates could not be appointed unless they demonstrated 'clearly more merit' (Scott et al., 1990:154). This reflected the progressive nature of the public service so that jobs and promotions were earned – not bestowed by title or wealth.

9 There had been in New Zealand periodic crises after the war, for example the two years prior to Labour's infamous 'black budget' in 1958, and repeated in 1966-1967, saw New Zealand's export selling ability drop and prices consequently lower. The taxes on cigarettes, alcohol and petrol from these two budgets helped refund the government's money reserves (Oliver, 1968). However, the tendency for the rate of profit to fall was depressed not stopped and these jolts were minor compared with the series of severe shocks in the early 1970s.
economic vulnerability was exposed; as other countries faced recessions its relative position became even worse. The current account deficit grew from 5.4 percent of Gross Domestic Product (GDP) in 1974-75 to 24.2 percent of GDP in 1984-85 (James, 1986:61). There was a decline in New Zealand’s terms of trade as it competed with more powerful and industry-based economies, each seeking their own survival strategies. An export-reliant economy, New Zealand was hit by Britain’s entering the European Union Common Market and a decline in world commodity prices, with a concomitant increase in industrial goods prices (ibid.). In short, New Zealand’s pastoral goods went down in price while oil prices went up. Larger countries and those with strong economic lobbies secured protection and subsidies for their agricultural goods, and in the 1970s their surplus was being sold cheaply overseas (Bertram, 1993). New Zealand’s prices could not compete.

In addition in New Zealand there was a pattern of wage negotiation that saw wages follow prices to keep pace with the cost of living. Recalling the two ways in which capitalism secures profits - reducing labour costs and increasing market share relative to competitors - the demand-led and high-wage Keynesian economy began to put pressure on the state’s need to manage labour costs. In New Zealand the cost of labour grew disproportionately to the rate of profit in the labour-intensive service sector (Maitra, 1997). For example, in the ten years up to 1975, company income grew by 1.5 percent, while wages increased fourfold (ibid.:29).

The National Government’s responses (from 1975-1984) to these shocks were to prove both 
*ad hoc* and insufficient as the rate of growth in the New Zealand economy continued to lag behind that of other industrialised nations. New Zealand’s overseas borrowing increased, which saw debt servicing as a percentage of government spending increase from 1.2 percent to almost 6 percent in the same ten year period to 1975 (ibid.). While manufacturing and commodity prices dropped, inflation soared in the 1970s. The vulnerability of New Zealand’s economy was exposed. Between 1975-1982 inflation

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10 Aside from increased overseas borrowing, National Governments in the 1970s and early 1980s also devalued the New Zealand dollar and introduced a freeze on wages, prices, rents and interest rates.
was between one third and nearly three times higher than that of its major trading partners such as Japan, America and Australia (James, 1986:65). Domestic unemployment increased as labour costs grew, New Zealand's exporters could not compete overseas and its manufacturers lost out to cheap imports. This labour surplus meant an increased drain on welfare, just when the state was least able to deal with this. The cumulative effect of these internal and external pressures was too great, however, for these measures of increased intervention and overseas borrowing, and a different political response was needed.

**The Neo-liberal Form of the State**

Given these pressures, and with the apparent failure of the Keynesian settlement, a neo-liberal form of the state emerged. With this the economic focus of the state became the reduction of inflation, not unemployment, while long-term social planning was replaced by a reliance on short-term market initiatives (Easton, 1998). The state sector was to withdraw from markets in the private sector, because allowing unfettered markets was a key strand within neo-liberal economic theory (ibid.). Moreover, individuals, communities and institutions were to be free from government intervention, and only those unable to meet their needs, defined as very basic and narrow, would be entitled to temporary and means-tested support by the state. Under the political project of neo-liberalism it was assumed that the capacity of the state had been undermined by the growth in state functions and related compatibility and co-ordination problems. The solution was to redraw the lines of the involvement of the state.

As noted earlier the KWS in New Zealand was vulnerable to the retrenchment that was sought by the Labour Government that was elected in July 1984. Intrinsic tensions between universal and targeted elements meant that the basis for a more residualist means-tested regime was already in place. Governments, via the KWS, had pursued a high social wage, but within the parameters of neo-liberalism this was now considered a harmful element in society because of the alleged links with dependency. This association was crucial for it provided the explanation for the decline in capital accumulation – through the strain of high taxation required to fund the social wage. Moreover, those not in paid work were being drained of initiative and thus becoming
steadily more dependent on the state. State intervention was deemed harmful to the individual, to business and to the collective wellbeing of society.

Chapter Two outlined Offe’s (1975) position that in times of prosperity it is reasonably easy for the state to extract the revenue it requires to sustain the conditions for maintaining the accumulation of capital. In times of recession, however, the state has a number of requirements. The first two are to reduce the costs of labour to employers, and to increase surplus value (Roper, 1993). As neo-liberalism prizes entrepreneurialism over state investment the squeeze was put on business so that only the very strong would survive. This category was increasingly limited to those with international backing and resources, which were able to source labour cheaply and thereby maintain their surplus value at a superior rate to their competitors. The third requirement during a recession is to remove out of circulation that labour which is not directly linked to the production of surplus value (ibid.). This meant that the squeeze was also put on the very apparatus of the state, to reduce the burden of ‘unproductive labour’ - that is, labour which absorbs, rather than contributes to, taxation. State intervention was deemed to stifle the development of markets and to be a fiscal drain on government. The Labour Government identified the growth of state intervention as part of the problem, and sought to reduce the size of its apparatus. Within the context of neo-liberalism the role of the state was re-cast from guaranteeing the maximum - the role New Zealanders had come to rely on and expect - to realising a minimum.

In conclusion, the need for a policy response by the state was clear. Following Offe (1975; 1996b) the effects of structural economic forces in late capitalist societies required a political response. The state in New Zealand had to deal with the internal pressures of 'stagflation' (declining employment and increasing inflation) and the external pressures of a global market place (Jesson, Ryan and Spoonley, 1988). In other words, neither Keynesian nor any other form of policies could have avoided the effects of the boom and crash cycle in capitalism. The scene was set for a shift in the nature of New Zealand’s state apparatus, its logic of administrative action and its public service ethos. The response had to be state-driven for, following Offe (1975), only the state faces sufficient incentives to address problems in its political economy and to align its
apparatus with a particular political response. Not only was an ordered withdrawal required by the state and of the state, to be successful a new logic of administrative action had to indicate the appropriate as well as inappropriate activities of the state.

The Criticisms of OPA and the Promulgation of NPM

By 1984 the unavoidable dilemmas facing the New Zealand state during late capitalism began to be laid squarely at the door of the public sector and its practices associated with the OPA. Significantly, the call to expunge the OPA nature of the public service came from NPM advocates within central agencies of the state. Debate and ideas were limited almost entirely to agencies such as the Treasury, the Reserve Bank, the SSC and the Audit Office – and the stark absence of any external academic contributors was a feature of the change process in New Zealand (Goldfinch and Roper, 1993; Bollard, 1994; Boston, 1995; Easton, 1998).

Practices formerly considered a strength of the logic of OPA were pilloried in the late 1980s. Critics claimed that the OPA principles of the autonomy and uniformity, which were intended to keep a check on interference by self-interested politicians, had allowed self-interested bureaucrats themselves to go unchecked. This had clouded accountability as managers hid behind rules of thumb or out-dated guidelines and stifled entrepreneurial developments (Deane, 1986). The assumption that bureaucrats were more likely than elected representatives to work in the public interest was neatly reversed by criticism of the public sector. The latter came in the form of general public dissatisfaction, and direct attacks by state agencies, especially the Treasury, and by the fourth Labour Government. The effect in the 1980s was the simultaneous discrediting of OPA and promotion of a particular variant of NPM.

The Climate of Public Dissatisfaction

The end of the ‘long boom’ exposed the public sector to claims that it had not foreseen nor effectively responded to the economic recession. In the 1980s the New Zealand public service was considered guilty at a superficial level of the sins of bureaucracy; it

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was hierarchical, faceless, out of touch and bound by rules and red tape (Martin, 1994)\textsuperscript{11}. Such criticism echoed the perception that structures that remained static in a society rapidly becoming more complex were deemed to suffer from 'institutional entropy', that is, an in-built tendency for bureaucracies to run down over time (Dunleavy and O'Leary, 1987). New Zealand's public sector was thus construed as not only reactive but guilty of impeding progress. Evidence of the ossification of the public sector was found in the raft of Public Service Manuals. These volumes, as much caricatured as they were authoritative, provided the stuff of anecdotes. For example, the decree in the Treasury Instructions that employees who park a work car on a hill must ensure that its front wheels were turned in to the curb (in Ball, 1994:19), or specifying the amount a departmental head may spend on a tea-set (in Scott and Gorringe, 1989:84).

More seriously, the tight fiscal environment of the 1980s meant that the award negotiations of the public service came under closer public examination. Public sector pay-fixing regulations enshrined in the Annual General Adjustment meant that each settlement had to maintain 'relativity' both with the private sector, and across the public sector. Private sector employees objected to national rates being based on private sector averages (Walsh 1991:58), as the result in some regions was that public sector employees were being paid more than their private sector counterparts. Relativities between occupational classes in the state sector were also required and, as these were also based on private sector averages, similar criticisms applied. The circular nature of these fixtures was crystallised in a 1985 dispute which saw public servants gain an increase of up to 35 percent (ibid.:60).

Wilenski proposes that it is a basic requirement for any successful administrative reform 'to identify and publicise the failure of public bureaucracies so as to reinforce existing dissatisfaction' (1986, in Mascarenhas, 1990:78). The mid-1980s offered up a number

\textsuperscript{11} A case study of the media's 1987-1988 communications over public sector restructuring suggests that the media contributed to this condemnation of the state sector through an uncritical and unspecific analysis of the Government's reforms (Leitch, 1991).
of such failures as the Labour Government began its reform process and the privatisation of trading enterprises in the areas of banking, tourism, energy and shipping. The high profile sale of state assets built with public monies, along with the Government's mishandling of the sale of some state assets, generated the taxpayers' ire. For example, Prime Minister Lange promised in the 1987 election build-up that Labour would not sell Telecom, and not only did so, but was severely condemned for accepting a below-market price\textsuperscript{12}. Health was not only subject to the obligatory political points-scoring over waiting lists (Martin, 1994), but also suffered from the high profile negative exposure of a less than ethical experiment carried out in a large public hospital (Bunkle and Coney, 1987, in ibid.). The New Zealand Treasury (1987:60) drew attention to the wastage incurred in the state-funded Maniototo Irrigation Scheme of the mid-1980s, where not only were there cost over-runs but ultimately responsibility or blame was never clearly apportioned. Placing the public's discontent within a wider context, Martin (1994) suggests that in the 1980s a number of public sector institutions came under scrutiny, and there was a decline in confidence in the ethics of bureaucrats, business, finance and eventually the political process itself. Publicised unrelated specific incidents were taken as evidence that the bureaucracy was generally inefficient, not that there were particular inefficiencies within a bureaucracy. Goodsell (1991, in Jordan, 1994) argues that individualised cases which are generalised into an unacceptable whole are readily and likely to be reported precisely because they are unusual. Doubts about the transparency of the public service were triggered by the fact that financial inefficiencies, and indeed even the fiscal crisis itself, had not been brought to the public's attention (Martin, 1994).

With a loss in confidence in the mechanisms and the employee loyalty intrinsic to the public service, the state, per se, became a general-purpose whipping boy. Where, for previous governments, the state had been the solution to New Zealand's social and economic ills, it was now considered to be part of the problem. Ironically this

\textsuperscript{12} As Mascarenhas observes '...if governments are not good at running businesses, they are equally unsuited to selling them' (1991:45).
apportioned blame was an indirect result of the durability of the concept of a unified and uniform public service which had originally been considered one of the strengths and virtues of New Zealand society. Seen as one amorphous mass, the failings of particular agencies were generalised across the whole service.

**The Treasury's Criticism of OPA**

Denigration of the principles of the OPA, and related support for NPM-type reform came from within the state - the Treasury, the SSC, the New Zealand Reserve Bank and the Audit Office. Of these, the Treasury played the most prominent and dominant role in decrying the problems of the state as well as presenting solutions, and echoed (indeed magnified) the general level of public disquiet, accusing the public sector of structural inertia:

*It is worth noting that the nature of activity conducted by the administration has changed since the present broad structure was established (and will no doubt continue to do so) (Treasury Volume One, 1987:73).*

The Treasury's influence was either direct, or through 'colonisation' as its analysts were employed in other departments. As controller of finances the Treasury's role had been greater than that of any other department, for it was at the centre of public administration and its financial decisions and recommendations affected every aspect of government activity (Goldfinch and Roper, 1993). Such a position would not be unique to the Treasury, but a number of institutional elements combined to strengthen its influence from 1984 onwards.

From 1975-1984 when the National Government was in office, the Treasury's influence had been circumscribed and they had become frustrated at both their pariah status

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13 The Treasury's influence as policy advisor has been subsequently strengthened – Boston et al. (1996) note that in 1994/95 the Treasury was funded some $50 million for the provision of policy advise, a figure representing one sixth of the Government's total expenditure on policy advice. In 1998/99 the Treasury expenditure on health policy exceeded that of the Ministry of Health (Dominion Sunday Times, 3.1.99). Alan Bollard (1994) also noted that the Treasury was the Government's chief source of policy advice in the 1990s. Responsibility for this baseline or budgeted expenditure lies with the government of the day.
dictated by Prime Minister Muldoon, and the non-economic rationale behind many of the 'Think Big' projects (Bollard, 1994; Boston, 1995)\textsuperscript{14}. This political exile allowed a long lead time in which to formulate a radical agenda of public management, and papers released under the Official Information Act trace Treasury's interest in a particular agenda for public sector reform back to the late 1970s (see Boston, 1995). In the early 1980s a high profile think-tank within the Treasury, called 'Economics II', was particularly influential. Dissenting views from within the Treasury were rare and readily dismissed by the response 'there is no alternative' (Bollard 1994:91). Because of the ostensible internal consistency of these ideas, they were considered applicable across the state sector, including social services and social policy. Additionally, the Treasury's power had been institutionalised since 1973 for, unlike other departments, the Treasury's reports were circulated to all Cabinet members, where previously only the Minister of Finance, the Prime Minister and any relevant departmental Ministers would have seen these. Not only did other departments have to see the Treasury's work, but by far the majority of papers going to Cabinet had first to be viewed by the Treasury (Boston, 1992). This role was embedded in the guidelines of the Cabinet Office Manual.

* A proposal having economic, financial or revenue implications will not be accepted by Cabinet Office unless it has either Treasury's signed endorsement or is accompanied by a separate Treasury report - except, of course, when the Submission is presented by the Minister of Finance. (1987 Cabinet Office Manual in Boston, 1992:207).

The Treasury's influence over financial management advice was strengthened by a corresponding lack of economic frameworks and financial expertise in other departments. As the public service lacked an obvious career structure for highly qualified economists (Ball, 1994) and financial managers, (aside, that is, from in the

\textsuperscript{14}So-called, because they were very large-scale and long-term projects designed to significantly influence the state of the New Zealand economy.
Audit Office) departments generally had a small number of 'low graded' accountants\textsuperscript{15}. This dearth of highly qualified financial expertise was also exaggerated by the rise of professionals in the public service - for instance engineers in the Ministry of Works and school principals in the Department of Education.

The ideas proposed by the Treasury drew more strongly on the discipline of economics, and particularly new institutional economics, than the discipline of Managerialism (Boston, 1995), and consequently sought public sector accountability more than managerial discretion\textsuperscript{16}. The Treasury agenda was made explicit in Economic Management (1984) and Government Management (1987), written as the briefs to the incoming governments in those years\textsuperscript{17}. These documents indicated a shift in the role of central agencies from providing 'state of the nation' advice to the role of advising on the new economic direction of the nation. In Economic Management (1984) the Treasury argued, \textit{inter alia}, that to reduce government expenditure the role of the government in the economy should be neutral. Barriers to reducing the expenditure of the state sector were identified as: the reliance on input controls, and a concomitant lack of output controls; a lack of departmental objectives or management plans; and the absence of either department or individual performance assessment procedures (New Zealand Treasury, 1984).

\textsuperscript{15} The power of other central agencies has varied more than that of the Treasury. In the 1980s the power of the Department of Prime Minister and Cabinet was negligible - although this changed in the mid-1990s. The SSC did not become influential till around 1986 and only really weighed in to the education reforms at the end of the 1980s - primarily because the SSC had retained responsibility for negotiating education contracts.

\textsuperscript{16} Boston (1995) has examined the published and unpublished papers of the Treasury in this period and notes the heavy reliance on theories of New Institutional Economics. A cursory glance at the articles by managers such as Deane (1986, 1989) and Bushnell and Scott (1988) reveals that much of the discussion was inspired by agency and public choice theories (Scott and Gerringe, 1989:81). Martin (1994) cites the importance of Managerialist literature in New Zealand, but even the high profile text \textit{In Search of Excellence} (Peters and Waterman, 1982) is not referenced in the published Treasury papers (Boston, 1995). The variant of NPM in New Zealand reflects this reliance on New Institutional Economics.

\textsuperscript{17} 'Brief' is used advisedly, for the treatises were each over 250 pages long.
The aim of management should be the implementation of systems in the public service that can perform broadly the same role for the public service as the price system does in the private sector (ibid:287).

Government Management (Volume One\textsuperscript{18}) (1987) took this position even further and outlined the following problems, \textit{inter alia}. Public service accountability and responsibility were not clear and the organisational form of government did not support alignment of the bureaucracy with the government. The funding process and performance assessment arrangements were criticised as offering inappropriate incentives to managers (1987:57-89) and input controls, especially those administered by the control agencies, were impeding managerial discretion. This oft-cited document has been called the NPM 'manifesto' or 'blueprint' (Hood, 1990, 1998; Boston, 1995) as it endorsed the 'cardinal principles' of clarification of objectives, transparency, avoidance of capture, incentives, improved information, accountability and contestability (Treasury, 1987).

Other State Impetus for Change

While the impetus primarily came from within the Treasury, the New Zealand Reserve Bank had also been an early advocate (Bertram, 1993). In 1986 the Reserve Bank's influential Deputy Governor, Dr Rod Deane\textsuperscript{19}, was appointed Chief Commissioner of the SSC from 1986-88, and so imbued a 'stronger reformist ethos' in that central agency (Boston 1995: 113). A select number of high profile business leaders were also in favour of the state's withdrawal, and in the confines of a small country's capital city the links between business and politics were many (Hood, 1990; Goldfinch and Roper, 1993; Bollard, 1994). In a fascinating attempt to quantify the relative influence of individuals on legislative change, Goldfinch (1998) found that some private sector leaders had a greater influence on the privatisation process than some Prime Ministers

\textsuperscript{18} Volume Two of the Treasury's \textit{Government Management} (1987) was devoted entirely to education and is discussed in Chapter Five.

\textsuperscript{19} See Deane (1986) for a discussion of the problems of the principles of OPA and a clear rationale for NPM type solutions.
did. Business leaders were also visibly involved in heading the newly formed State Owned Enterprises and chairing governmental reviews as the Treasury required successful business people to head the newly formed companies (Roper, 1993; Bollard 1994; Easton, 1998). The New Zealand Business Roundtable assumed a public and vocal role, and was well placed to negotiate the policy process, for in 1986 it appointed as its spokesperson Roger Kerr, the former head of the Treasury think-tank Economics II. Goldfinch (1998) concludes that the key individuals were largely from four institutions: the Treasury, the Reserve Bank, the New Zealand Business Roundtable and the Cabinet.

Finally, the 1984 elected Labour Government itself pursued significant and rapid change\(^{20}\). The Labour Party had heralded its enthusiasm for economic restructuring and public sector reform with its proposal for an economic summit in the mid-1980s and this government-sponsored gathering opened the gate for the more powerful players to enter (Dalziel, 1989). Given the political difficulties in managing micro-economic reform the decision was made to adopt a radical and rapid approach in order to minimise opposition, to reach implementation goals within a three year elective term, and to maintain credibility in the face of mounting debt (Bollard 1994:97). Possibly the foremost proponent of this was Minister of Finance, Roger Douglas, who in the 1980s took what he called the ‘blitzkrieg’ approach\(^{21}\):

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\text{Do not try and advance a step at a time. Define your objectives clearly and move towards them in quantum leaps. Otherwise the interest groups will have time to mobilise and drag you down (Douglas, 1993: 221);}
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\[
\text{Speed is essential and it is impossible to go too fast (ibid.: 222).}
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\(^{20}\) Senior spokeswoman Anne Hercus of Labour had chided the National Government for acting as though 'restructuring' was a dirty word (quoted in Oliver, in Easton, 1989:33).

\(^{21}\) Even the more mild-mannered former Prime Minister Geoffrey Palmer admitted that some changes were 'implemented by stealth or ambush' (1992, quoted in Boston, 1995:114).
Douglas was not against interventionism per se but sought 'to remove political influences from the realm of economic policy' (Oliver, 1989:26) thereby insulating it from democratic involvement. Douglas explicitly prioritised economic needs over social, promising nothing more than responsible economic policy and the hope of improvements in living standards in the distant future (Oliver, 1989).

In sum, the mid-1980s provided a climate for reforming the public sector, and the Labour Government and central state agencies and individuals had both the impetus and the direction for state sector reform in New Zealand. The problem of the large and unwieldy public sector was firmly in Labour's sights. The Prime Minister had promised 'the most radical shake out of the whole [public sector] system since the demise of provincial government [in 1876]' (in Gregory, 1987:111). Underlying this is a debate whether the New Zealand public service had been politically neutral. Hood (1998) argues that there was some history of 'bad chemistry' between Ministers and bureaucrats; while Martin (1994) claims that there had been an apolitical public service. More certain is the fact that the Labour Government was wary of a possible hegemony, for the public service had since 1949 only served, very briefly, two Labour Governments in 1957-60 and 1972-75 (ibid.).

Upon election in 1984, the Labour Government was concerned at the myriad of departmental structures. Departments were organised around sectoral areas - thus the regulatory, social, policy and commercial elements were all within the aegis of one department (Deane, 1986). This supported the inter-related and even overlapping nature of roles, following the OPA tendency for wide consultation and responsibility for the issues at hand. Not only was there a large number of departments, and therefore a correspondingly large number of Ministers in the Cabinet, but departments tended to be very large. For example, in 1984 there were 34 departments and only two had less than 100 staff; while at least eight had over 3,000 staff (Boston et al., 1996:77-78). The number of government departments in New Zealand was considered to be relatively large, as England and America tended to have less than twenty (Boston et al., 1996).

Additionally, non-departmental organisations had developed unimpeded into many hybridised forms - quangos, advisory bodies, government-owned corporations,
tribunals, public corporations and regulatory agencies (Boston, 1991). The result was an apparatus upon which then Deputy Prime Minister, Geoffrey Palmer was later to reflect:

_We found that as a new government we weren't actually in control of them [large bureaucracies] in any real sense, and that came as somewhat of a surprise, because as people who believed in the orthodox theory of the Westminster system we were confronted at once with the reality that it does not work (1988:2)._ 

It was claimed that the effect of these OPA structural arrangements was that departments operated under multiple or inadequately informed objectives with role confusion. The State Services Commissioner (Deane, 1986) warned of the following risks. With more than one objective there was the potential for a conflict of interest, in particular provider capture. In the case of conflicting objectives managers and departments could not be held accountable for results. Moreover, multiple objectives meant that managers could be confused as to whom their clients were, when the ideal was seen as each agent having only one client. Without clear objectives - people knowing just what they are responsible for - there was a greater chance that overlaps and underlaps would occur (ibid.). The problems in relation to the OPA nature of the public service had been made clear from a range of perspectives. What form then was the proposed solution of NPM to take?

**NPM Principles in the New Zealand Public Sector**

Beginning with the key legislative the State Owned Enterprises Act 1986, the Labour Government undertook a public sector reform programme based on NPM principles, and this agenda was continued by the National Government elected in October 1990. The restructuring reflects the manifestation of New Institutional Economics' emphasis on making the public sector accountable, rather than the Managerialist emphasis on increasing managers' discretion. In short, the variant of NPM in New Zealand clarified what the public sector was accountable for, and who it was accountable to, and provided the mechanisms by which this accountability could be enforced. Given the momentum and direction already dominant in central state agencies, Governments used key
legislation and administrative reform to implement a model of NPM across the whole public sector.

**What is the Public Sector Accountable For?**

The call for role clarity, based on single functions, resounded from a number of public sector quarters. For example, the Treasury stated that responsibilities for the functions of policy advice, regulatory and funding activities and operational activity should all be separated, ideally handled by different agencies (1987; Bushnell and Scott, 1988). The State Services Commissioner claimed that commercial, social, regulatory, and policy advice should all be separated (Deane, 1986). Hunn, Deane’s successor as Commissioner, had similarly criticised the confusion between ‘commercial, social, regulatory and policy advisory roles’ in the (SSC, 1987:5). And in the subsequent year the SSC argued that the monitoring and policy roles should be split (1988, in Hobbs, 1992).

In the 1980s a key objective was to ensure that departments carried out different and single functions, and the state apparatus was restructured into tiers on the basis of this functional split. This split was crucial to avoid forms of ‘capture’. According to this logic, ‘capture’ can have various applications, with risks posed by bureaucrats, for-profit providers, rent-seekers, politicians, the middle classes, professionals, and ideologues (Martin, 1990) – while the Treasury (Volume I 1987) had drawn attention to capture by professions in policy work, as well as middle-class capture of government services.

The restructuring began by culling commercial activities from the public sector, for the aforementioned role confusion and conflict was of particular concern in the area of state trading areas. Poor management and cost recovery were deemed unsatisfactory returns to taxpayers (Wilkinson, 1989). Under the State Owned Enterprises Act 1986 nine enterprises were made into accountable commercial companies. The effect on the public sector was significant. The State Services Commissioner at the time noted that on 31 March 1987 - the day before the State Owned Enterprises Act 1986 took effect - there were approximately 72,500 permanent and temporary staff in the public service. Nine months later this figure was 60,000 (Deane, 1989:134). Corporatisation, or
'polishing the family silver', continued to proceed apace into a process of deregulation and, finally, complete privatisation or 'selling the family silver' (Mascarenhas, 1991:43). By 1989, the public service union, the PSA, estimated that corporatisation had resulted in 20,000 job losses (in Wilkinson, 1989:108). The rationale for NPM in the state sector was no longer restricted to improving efficiency but expanded to include: reducing government debt; reducing the state’s ownership risk; clarification of property rights by locating enterprises in the marketplace; and minimising the threat of interest group pressure on politicians (Deane, 1989).

After initiating the reform of the 'commercial' departments\textsuperscript{22} the Labour Government turned to the agenda for the core state sector which is indicated in the following SSC paper to Cabinet.

\begin{quote}
Departments have clear and consistent objectives; there is a high standard of accountability; trade-offs between objectives are explicit and transparent; bureaucratic or producer capture is minimised; the provision of advice and the delivery of services are contestable; functions which complement each other are placed together in one agency whereas functions with conflicting or potentially conflicting objectives are separated (i.e. located in different agencies); the duplication of functions is minimised; and resources are used economically and efficiently (SSC, 1988, in Boston, 1991:239).
\end{quote}

These NPM ideals were applied to the public sector 'core', which comprised only those activities which could not be corporatised or purchased from a second tier comprised of Crown entities (see discussion on the latter below). In New Zealand the pattern of restructuring has been to disaggregate large departments by hiving off smaller policy ministries, as in the case of health, justice, social policy and transport; and relegating remaining tasks to the tier of Crown entities. For example, the former Department of

\textsuperscript{22} Also included in the State Owned Enterprises Act was a requirement that the enterprises be 'good employers', take account of social responsibilities where practicable, and implement an equal employment opportunities programme. But, as Walsh and Dickson (1994:41) clearly argue, this directive was merely 'exhortatory', for the constitution of an Equal Employment Opportunities programme was not indicated, and the Act excluded any monitoring or enforcement procedures of good employer status.
Education with approximately 2254 staff (including those within the National Library of New Zealand) (Butterworth, 1993) was disaggregated in 1989. The result was the approximately 600 strong Ministry of Education responsible for policy advice, an inspection agency of 350 staff, and six single issue-focussed Crown entities covering the delivery of services such as early childhood and special education, and examinations and qualifications. Each of these was made accountable for their primary function.

The new structural arrangements were in line with managerial imperatives for smaller more manageable organisations which were also more amenable to the NPM tools of accountability for single functions, management strategies, corporate plans and mission statements; and the resulting clarity would thereby improve efficiency. The functional split saw the number of core departments increase from 34 to 39 over the decade from 1984-1994; and where in 1984 only two departments had under 100 people, by the mid-1990s over a dozen had these staff numbers (Boston et al., 1996:78). At the same time the number of people employed within the core public service continued to decline dramatically. Staff numbers dropped from 85,738 in 1985, to approximately 38,000 in 1994 (SSC, 1994a)\(^2\).

The second tier of the public sector is made up of agencies called Crown entities, which are responsible for any residual tasks that generally require less Ministerial involvement. The role of a Crown entity is defined by its function and, therefore, should another public or privately owned agency, provide this function, then the Crown entity has no reason to exist. A former Labour Prime Minister in this period admitted the unclear rationale for the establishment of Crown entities. These may have been formed to, among other things: relieve Ministers of responsibility for detailed and specialised tasks and bring private sector people into their management (Palmer, 1990, in Beatie, 1993). With an uncertain rationale, this tier of about 2,900 entities has become something of a ‘dumping ground’ that accommodates the breadth of the state’s infrastructure. For example, Crown entities include the large and influential Accident

\(^{21}\) Boston (1995) and Boston et al. (1996) record a figure that is 3,500 lower than this, i.e. 34,505 permanent staff.
Rehabilitation and Compensation Insurance Corporation, the Artificial Limbs Board and the New Zealand Film Commission, while by far the majority are the approximately 2,700 individual school boards of trustees. Over time this second tier has grown. The Government’s increasingly neo-liberal emphasis on accountability and monitoring has seen a raft of quangos ‘promoted’ to the status of Crown entities24, while the centrifugal force of devolution has ‘demoted’ some core public sector functions to within the ambit of Crown entities.

To summarise, the restructuring on the basis of role clarity specified exactly what the role of the public service was, while simultaneously delimiting governmental functions, and hiving off those which did not fit the NPM-driven criteria. The apparatus of the OPA, with large departments responsible for multiple functions and relying on overlaps within those departments, was explicitly rejected. By the mid-1980s NPM had been clearly promoted by central agencies, as the means of effecting an ordered withdrawal in the core public sector. In the event, while the state 'architects of the new structure' were consistent in advocating the need to restructure according to functions (SSC, 1995:12) many departments’ roles did not become clear until as late as the mid-1990s. In other words, the NPM principles were clearer about what to avoid - that is structures associated with the OPA - than what to do, and as such NPM in New Zealand was significant as a reaction against an institutionalised status quo (Hood, 1998).

**Who is the Public Sector Accountable To?**

In his 1988 budget speech the Finance Minister Douglas made the Labour Government's position clear.

> We are disengaging from day-to-day decision-making while at the same time establishing proper, genuinely effective systems of accountability and control. That way the Government is freed from the distractions of detailed daily

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24 Some semblance was achieved with the Public Finance Amendment Act 1992 requiring Crown entities to present the relevant Minister with an annual report of their financial operations and performance. But later this tier was recognised as a threat to the government for it received greater funding than the core public sector (SSC, 1994a) yet it remained at an arm’s length with muddled accountability procedures.
management decisions, and can concentrate instead on broad policy initiatives (Douglas, 1983:14).

Critically, public sector officials had not only to know what they were accountable for; but who they were accountable to. In 1988 the Government introduced the State Sector Act (SSA) which fundamentally re-oriented the focus of the public service by creating a series of explicit accountability contracts and a 'cascade of principal-agent relationships' (Matheson, 1996:4). Again, the view of the Treasury is germane:

[I]f accountability within the administration is to be enhanced, it follows that this should be done by ensuring that the chain of accountability is undivided, and has the Minister at its head (Treasury, 1987:60).

Principal-agent accountability was to dissipate what a former Labour Prime Minister felt to be very confused lines of Ministerial responsibility (Palmer, 1987). Focusing departments towards their client - their Minister - instead of the individual or society as user of the services, addresses the problem of 'aligning' the political executive and the bureaucracy (Scott and Gorringe, 1989). The SSC has underscored the importance of this alignment as 'ensuring that all components of a department are supporting the one purpose or direction and that the department's direction is in turn supporting government strategy' (SSC, 1994b:47). The influence of agency theory is clear here. Relationships are framed in terms of an agent's accountability to (ideally) one principal, and so emphasise intra-departmental concerns and vertical loyalties through staff to managers, senior managers and their Chief Executive (CE). While the SSA acknowledges that CEs and officials may be required to give advice to other Ministers, it is considered undesirable for them to do so without the knowledge and consent of their own Minister (Boston et al., 1996).

The linchpin of alignment between the government and the bureaucracy is the principal-agent relationship between Ministers and their CEs. NPM, and public choice theory in particular, highlights the significance of appointments as a means of achieving a particular policy direction (Scott and Gorringe, 1989). The Treasury 'blueprint' (1987:61) had, once again, presented the problem and its solution:
[i]f Ministers are to be held accountable for the performance of their departments then it seems essential that they should have an input into the appointments of departmental heads.

Following the SSA\textsuperscript{25} the selection panel for CEs is comprised of the State Services Commissioner, the Deputy Commissioner and community representation. The Commissioner retains the power to ultimately decide who should be recommended to the Minister. Cabinet can approve or reject the candidate and in the case of the latter, it is Cabinet's prerogative to direct the appointment of another candidate. Significantly, after the SSA, the position of CE changed from being a permanent position, to that of a five-year fixed term, with a written annual performance agreement.

Under the SSA the CEs are given significant managerial discretion, and each is responsible to the relevant Minister for, \textit{inter alia}: the carrying out of the functions and duties of the department; tendering advice to the appropriate Minister as well as other Ministers of the Crown; the general conduct of the department and; the efficient, effective and economic management of the department (SSA 1988, s32). Upon the introduction of the SSA into Parliament, the Minister of State Services declared:

\begin{quote}
Unless there is good reason otherwise, what is good for private sector employers, unions and workers should also be good for employers, workers and unions in the state (Rodger, 1988 in Walsh, 1991:73).
\end{quote}

The Treasury had argued that while the objectives of a private sector firm and the government may differ, the managerial means of achieving these need not. 'Without the ability to freely reach wage and staffing agreements with their workers they [managers] cannot be held to account for their performance, and thus incentives for performance are weakened' (Treasury, Volume I 1987:68). Thus the SSA effectively deregulated the public sector labour market, gave CEs discretion over all employment matters and provided a key plank for future reform. These freedoms were a deliberate

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\textsuperscript{25} It was proposed in the earlier State Sector Bill that the Prime Minister was to have direct control over the appointment of Chief Executives, but this was later revised (Walsh, 1991).
Labour Government strategy to attract private sector employees into the public sector, so as to import different ideas and practices and replace the institutional practices and memory of the OPA. Criticisms of the ossified public service meant that, by definition, private sector consultants would bring a different and a fresh approach (Galvin, 1991). The effect of increased freedom to manage and greater risk was to be a 'performance-based culture' (SSC, 1992:6), and it was hoped the changes would realise a common market of private and public sector senior executives (SSC, 1994a).

The New Zealand accountability-driven form of NPM is thus realised in legislation that replaced elements of the former OPA logic of a uniform public service, and seeks to create permeable boundaries between the public and private sectors. The result is a hybridised model - for example the practice of fixed term contracts for CEs is unusual in the private sector (Hood, 1998) – in which the bureaucracy is more tightly coupled with the political executive. Walsh (1991:63) notes that in the very rapid drafting, debating and then passing of the SSA, the Government viewed the changes as merely managerial, and without constitutional implications. But in explicitly aligning CEs and their departments with the Minister as client, the SSA was about both government management and the more intangible governance role of the state. The SSA afforded the Government greater control of the public sector on behalf of the public. For the public, however, three yearly elections, are a blunt accountability tool and, in the interim, more meaningful accountability of the government is problematic. The form of NPM appeals to the direct democracy of public choice theory and the clarity of agency theory, but it is the Government, not the electorate, which is effectively at the head of the 'vertical chain' of principal-agent relationships.

**How is Public Sector Accountability Enforced?**

The third convergent element of New Zealand's form of NPM was the Public Finance Act 1989, which stipulated how the above accountability would be enforced. The financial accountability of government had been considered long overdue for change (Pallot and Ball, 1996). Under OPA the emphasis on 'the management of Central Government [had] concentrated on being accurate, honest, equitable and reliable' (Audit Office, 1988:9). There had been little consistency across departments in their approach
to financial management. The appropriation and reporting of public sector funds involved some limited information on inputs (such as salaries, accommodation and equipment) and the general activities and programmes of the state. Moreover, the government accounts used cash accounting, where only cash transactions were recorded. This meant the capital value of most classes of assets was invisible, ownership of capital investments was only recorded in the year purchased and non-cash changes such as depreciation or re-valued assets were ignored (Boston et al., 1996) 26.

The historic requirement that all surplus funds be returned to the Treasury at the end of the financial year encouraged 'year-end spending sprees' accounting to secure sufficient resources in the subsequent year (Scott and Gorringe, 1989:84). Parliament appropriated funds, and monitored performance against this, but it was argued that the incentives were inappropriate as '...a manager was probably more likely to be rewarded for not over-spending than for being effective' (Audit Office, 1988:11). As inputs provided the means of control, the government tended to focus on securing these, and managers were left to make most of the decisions about what was produced (Scott et al., 1990). This state of affairs had prompted the Auditor General to exclaim:

*How, in Heaven's name can a Government claim that it is accepting an adequate standard of accountability when the accounts it presents of its stewardship offend against virtually every concept of recognised accounting practice?* (Audit Office, 1986:53).

The Treasury 'blueprint' (Volume I 1987), yet again, presented a solution that emphasised a shift to accountability for results and proposed a clear specification of intended outputs, along with a substantial relaxation of input controls. Although accrual accounting had began to emerge in New Zealand in the 1980s, the scale and breadth of financial management reform since the Public Finance Act 1989 (PFA) has been

26 Further information was obscured as many of the state's trading organisations did not appear in the public accounts and some agencies, for example, the Ministry of Energy, State Insurance Office, and the Post Office held their own set of accounts. These affected the main accounts only when extra funds were required (Audit Office, 1986).
unparalleled (Boston, 1995; Pallot and Ball, 1996) as private sector accounting principles were applied across the public sector. Significantly, these reforms are not merely technical in nature, but constitutional, for they redefine the roles of government, Ministers and departments (Whitehouse, 1994; Boston et al., 1996).

The agency problem of alignment - ensuring that departments operate in the interests of the government - is addressed in the PFA which distinguishes between the different results for which each party is accountable. Governments are accountable for 'outcomes' - that is the impacts on, or the consequences for, the community of the outputs or activities of the Government' (PFA, 1989 s2). Departments, or more specifically CEs, are accountable for 'outputs: the goods or services that are produced by a department, Crown entity, office of parliament, or other person or body' (ibid.). If no connection between outputs and outcomes can be found then, it is argued, there is no justification for resources to be provided (Scott et al., 1990). As enshrined in the SSA, the nature of this relationship is contractual, with Ministers purchasing these outputs. Output controls are an extension of the NPM maxim of focussing on results, not on processes. Through this accountability mechanism, poor or good performances within and between departments are to become transparent. The relaxation of input controls meets the NPM criterion of greater accountability requiring greater discretion, and therefore CEs, in return for increased autonomy, are made accountable for the effective and efficient production of outputs.

The main accountability contract is the annual purchase agreement between a department and a Minister, and the agreement's configuration around the highly detailed specification of outputs acts as accountability mechanism (Boston et al., 1996). Once again, the New Zealand model of NPM is significant for both its rejection of the implicit and the universal public service regulatory measures, and its focus on 'vertical' contractual accountability across the entire public sector. This accountability is enforced through ex ante performance specification and monitoring and ex post review. A novel extension of this approach to financial management (Boston, 1995) has been the requirement that departments present quantity and quality measures of non-financial
performance which are compared with those agreed to at the start of the period (Ball, 
1992) 27.

Accountability for outcomes has proved more problematic in terms of matching the 
ideal principles of NPM. The Auditor General noted his concern that the PFA did 'not 
require Ministers to report their progress in meeting the outcomes to which the outputs 
contribute' (Audit Office, 1988:21). This omission of governmental accountability 
contrasts with the plethora of detailed and explicit public sector accountability 
mechanisms. The inadequate description of outcomes frustrated public servants (Logan, 
1991) and the State Services Commissioner considered that the omission of government 
outcomes until the 1993/94 year made strategic co-ordination across the sector virtually 
impossible (SSC, 1994a).

Department s did their best individually, to interpret from the Government's 
general policy positions - and from their own perceptions of priorities - and to 
draw up 'outcome statements', but these understandably lacked cohesion and 
focus (ibid.:10).

The effect was that each department made its own 'informed guesses' as to what the 
Government's priorities should be (SSC, 1995:13) and the whole process operated in a 
'bottom-up' fashion until the Government published its 'Strategic Result Areas' (see 
Bolger, 1995). Even these, however, are of a very high order, making governments 
accountable for generalised positive outcomes at a societal level.

Conclusion

The shift from OPA to NPM in New Zealand clearly reflects a shift from one logic of 
administrative action to another. The principles of NPM are more congruous with the 
neo-liberal objectives of an orderly withdrawal of the state. Not only does this align the 
state apparatus with a new political project, but the standardised accountability

27 These Statements of Service Performance include output measures such as timeliness, quantity and 
quality along with cost. The last of these has not been readily calculated in the public service, and efforts
mechanisms were a means of alignment across the whole public sector. The result was a reappraisal of the role of government which gave 'the whole package of the reforms an internal consistency' (Scott and Gorringe, 1989:81), and NPM advocates claimed improvements in public sector performance and efficiency that would 'benefit all New Zealanders' (ibid.: 89). There was a degree of symmetry to the accountability devices such as principal-agent accountability and ex ante specification and ex post measurement of results. This internal consistency is significant, for NPM in New Zealand represented a set of mutually reinforcing ideas which when presented by powerful central agencies, catalysed change, and then provided direction for a rapid and radical state sector restructuring. NPM was represented in an enduring 'blueprint' in a period of great upheaval in the state.

The legitimacy of this form of NPM was not only internally derived but also stemmed from the specific context of the 1980s. Key factors were the combination of public and government dissatisfaction with the general performance of the state, and the discrediting of the principles of OPA by the central agencies of the state. More invidious than the claims of inefficiency and inertia, were the criticisms that the OPA-type constraints upon politicians to hire, fire and pay the salaries of bureaucrats, had allowed the bureaucrats to 'capture' the benefits of these constraints. This context provided both the impetus and momentum for the reform-driven fourth Labour Government, and after 1990, the National Government, to pursue a particular accountability-variant of NPM. The public sector had to know what it was accountable for, who it was accountable to, and there had to be the means of specifying and measuring this. NPM provided the answer to all three. These same contextual factors - the climate of the criticisms of OPA and the influence of central agencies - were to prove critical in introducing this variant of NPM in the sphere of education.

are still going on to attribute costs of outputs accurately (Boston et al., 1996).
CHAPTER FIVE - NEW PUBLIC MANAGEMENT IN EDUCATION

Just as the wider public sector came under intense scrutiny in the late 1980s, so too did the role of the state and, in particular the role of the Department of Education (DOE). The DOE had been established in 1877 and, while there was a plethora of other education organisations, it was the largest and the most important part of the education bureaucracy. The Department, as with the rest of the state sector, had grown significantly in association with the expansion of the Keynesian form of the state. By the 1980s the OPA logic of administrative action was, again, undermined by the central state agencies which criticised the DOE for having been 'captured' by staff who were education professionals. In a climate of some public dissatisfaction with education outcomes, the OPA at this generalised level was identified as the problem, and the NPM provided the direction for the restructuring in education.

The reform of education began in 1989 when the DOE was restructured into a small policy-focused Ministry of Education (MOE) in accordance with the ideals of NPM already mandated elsewhere in the public sector; and subsequent changes in education continued to be influenced by NPM accountability principles and tools. The education apparatus was restructured into two tiers, in a move which simultaneously reduced the core of the state, and created Crown entities to operate at arm's length from Ministers. Principal-agent relationships were bedded in via a series of explicit contracts, so that officials knew who they were accountable to, and output controls were introduced as a means of enforcing this.

This context of the MOE is significant, because the changes in the regional office studied here took place against this background and were shaped by events at this level of the state. From an institutional perspective, the difficulties in implementing the idealised principles of NPM in the education apparatus are explained by the enduring influence of OPA. Also, the rapid and radical change process provided both opportunities and problems for the Government and the state agencies continuing to advocate for NPM.
The Department of Education and the Old Public Administration

Historical Context of the Department of Education

The DOE was created in the Education Act 1877, which was intended to reverse the unequal resource allocation and disparities which had existed under the former regional structures. The Act created a three-tiered administrative structure made up of the small central DOE, twelve Regional Education Boards (REBs), and local school committees. Charles Bowen, architect of the system, sought a small DOE, for he was a Liberal Member of Parliament, conscious of the 'over-interfering state' (New Zealand Parliamentary Debates, 1877:32). He contrived that both REBs and school committees should act as checks on the growth of the Department.¹

Despite this, Bowen unintentionally begat a system of Departmental centralisation (Webb, 1937; Currie Commission, 1962) along with an education apparatus where responsibilities overlapped for over 100 years². From an institutionalist perspective, the legacy of this past can be seen in schools' tendency to depend heavily on the education bureaucracy, and the concomitant sidelining of parental involvement. Initially the Department was given control over regulation, teacher training and conditions of employment and was able to enforce compulsory attendance and its own prescribed education standards (Webb, 1937; Openshaw, Lee and Lee, 1993). At the turn of the century, the Department clawed back some powers from the REBs and seized opportunities to establish new responsibilities³. As the state's funding in education increased, the government wanted greater control of its financial investment through the Department (Currie Commission, 1962). The Department's functions as employer grew, as teachers from the already-strong primary school teachers' union the New Zealand

¹The 1877 Act was drafted by Sir Charles Bowen who initially claimed that 'the expenditure of a central department will be very small, because a secretary and a clerk will probably do all the work of the central department for some time to come' (New Zealand Parliamentary Debates, 1877:32).

²For example, school committees were made totally reliant on the REBs for funding. Also, through voting, school committees could influence the REBs' composition; but the REBs had the power to decide what constituted a school district and, by creating only one school per district the strength and unity of school committees was greatly undermined (Webb, 1937). Finally, while REBs had to consult with the school committees when appointing teachers, they were able to define 'consultation' as they pleased.

³Native Schools were brought within the Department's aegis. And raising the school leaving age saw the creation of secondary, technical and district high schools, with new DOE responsibilities for school and teacher inspections and state examinations.
Education Institute (NZEI) joined secondary colleagues and lobbied for national pay, grading and promotion scales. These had been introduced in line with wider public service changes by law in 1920 (Openshaw et al., 1993). The growing power of the Department attenuated its relationship with the REBs; from the Department's perspective, the REBs were a hindrance, and from 1914 to 1930 the DOE repeatedly lobbied for their abolition (DOE, 1978).

The 'massification' of education following World War Two saw the Minister of Education require 'a place for every child and a teacher for every class' (quoted in Renwick, 1986:xxvi). In pursuing these KWS-type objectives the education bureaucracy in the form of the Department and the REBs adopted diffuse roles and responsibilities (Renwick, 1983). For example, primary schools were government owned, so the Department provided the funds to maintain the property, while the REBs disbursed these funds. Departmental approval was required for expenditure of some operational funding; however, the REBs also had significant allocative discretion with tagged grants. The REBs selected and appointed principals as well as having the power to hire, fire and discipline teachers, and while the Department negotiated with unions, the salaries of teacher were disbursed by the REBs.

Conversely, at the grass roots level school committees had relatively minor responsibilities for routine matters: overseeing the heating and cleaning of buildings; maintaining buildings and grounds; purchasing equipment; and a say in the principal's appointment and the school's religious education. Limited to such minor housekeeping these committees failed to keep a check on either the Department or the REBs (McLaren, 1974; Mitchell, McGee, Moltzen and Oliver, 1993). In contrast to primary schools, the secondary schools' boards of governors, had, theoretically, the power to hire, fire and discipline staff, including the principal. But in reality boards of governors were more involved with 'the physical fabric of the school' (Barrington and Marshall, 1979:29). Secondary school principals had slightly more autonomy than their primary counterparts and so relied less on the education bureaucracy, dealing only with the Department, not the REBs. On balance however, schools had little autonomy relative

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4 Responsibilities were even more confused in schools that deviated from these arrangements. For instance intermediate schools were regarded as primary schools and so under the aegis of both the DOE and the REBs. Composite schools, from Form 1-7 were under the REBs' jurisdiction for three years, at
to that of the formal education apparatus of the state; and this situation was the unquestioned norm.

As state education provision continued to expand, the Department, which had tended to take responsibility for professional matters further encroached on the REBs' domain of administrative and funding tasks. The Department began to secure its position in both professional and administrative domains, and this incremental 'creep' meant that in areas where responsibilities of boards of governors and school committees were unclear, it was the DOE by default which assumed responsibility (Renwick, 1983). This was consistent with the growing scope of the public service and its employment of education professionals with expertise greater than that of elected boards and parent groups. The surety of the role of the state was supported by the importance afforded to education within the KWS and the Department's 'social engineering role' was regarded as crucial (Renwick, 1986). The apparatus grew accordingly and Department regional offices were opened in South Auckland 1953; Christchurch in 1960; and in Wellington 1962. The Department regarded its superior position and power as constitutional and above that of elected REBs (Currie Commission, 1962), and the dominance of this superior and celebratory view of the DOE was noted by a later Head of the DOE.

...the power of the state was the means by which the powers of district education boards and high school boards were to be curbed. It was the instrument for the

5 Among the many responsibilities of the DOE were the Curriculum Development Unit, the School Library Services, pre-school education, residential institutions for the handicapped, the Foundation for the Blind, the National Library, administration of Teachers Colleges, adult education and the technical correspondence school. This scope of a government department was typical of the OPA in New Zealand; as was the detailed nature of its intervention. For example, the DOE prescribed the operations of teaching road safety, the musician/teacher scheme and monitored the requirement of the Ministry of Agriculture and Fisheries Protection Act that all schools must form an animal ethics committee and notify the DOE they had done so. There was one key concession to involving the community in the curriculum: following the Currie Commission (1962), the Government legislated that Religious Education was to be the domain of school committees.

6 For example, the Education Development Conference in the early 1970s recommended that primary school committees share in the power held by the DOE, and to a lesser extent the NZEI and the REBs, in appointing principals. However, this was debated for more than nine years without any effective resolution, and in the interim the DOE effectively maintained its dominant position.
removal of inequalities and the opening up of educational opportunities (Renwick, 1983:77).

A Government review in the 1960s attempted to clarify the position of the DOE. It was concluded that given the first principle - that Government funds must be the central means of financing schools - then there was a need for centralised accountability for expenditure and determination of financial priorities, and thus the 'primacy' of the Department's role had to be assured (Currie Commission, 1962:93).

In sum, the central importance of the Department in education provision was historically embedded and largely welcomed after World War Two when education was expanding in so many respects. The Department had become the source of professional expertise, and so was heavily relied upon by schools and teachers. That education experts staffed it engendered the confidence of schools, while simultaneously positioning parents and school communities as less knowledgeable. The views of both teachers and parents were sought, in that order, but the Department had the formal and unofficial mandate to make the final recommendations to the government.

The Climate of the Shift from OPA to NPM

As with the broader public sector, the Department was indirectly and directly criticised by the public, the Treasury and other agencies within the state. These concerns emerged in the 1970s and continued space into the 1980s. A series of reviews focusing on inherently education issues, especially the Curriculum Review 1986 and the Scott Report on the Inquiry into the Quality of Teaching 1986 meant that by 1988 the only aspect of education left to review was the actual education apparatus, the DOE.

Criticisms of the Department of Education

As noted above, the education bureaucracy was highly centralised because either decisions were made at the level of the Department, or the rules and procedures which constrained them were (Barrington, 1990). The Department also strongly reflected the OPA, as it recruited most of its staff from schools, and education professionals were either consulted or involved in policy making to add an external voice to the Department's decision making. The Department's close partnership with the teaching profession had begun at the turn of the century when Director General Hogben began
consulting with the secondary principals, the NZEI and the principals of Teachers Colleges (Renwick, 1983). The Currie Commission (1962) endorsed this, and recommended strengthening the Department's capacity to consult, and regional offices were opened, in part to facilitate this7.

Because of the wider public interest in education the Department also consulted with the wider public through a plethora of regional and national, sectoral and interest groups. The 1970s presented some extreme examples8. For example, the DOE canvassed opinion in relation to health education in the early 1980s. Some 111 national organisations had their views heard, and the Departmental project team had then to distil these, come up with a draft syllabus and return for further consultation. The rationale for this was later expressed by the Director General of the time (Renwick, 1983:83):

*The important result, however, is that Ministers and their Departmental advisors are now much better informed on what that range of opinion is, what the sensitive issues are, and what will need to be done to produce a health syllabus that will be acceptable to that diversity of opinion.*

There was, however, growing disquiet from parents who in their local school bodies were condemned to maintaining their school’s buildings and grounds, were tired of both professional and Departmental dominance and wanted a greater say. In a conference of the national organisation of the (primary) school committees Shallcrass (1987) decried the 'paternalistic nature' of New Zealand's education infrastructure which saw elected school committees with very little power compared with that of the middle class education professionals.

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7 The relationship between teachers and the DOE should not be overstated, for teachers resented the Department intruding in areas they deemed as trivial or part of professional autonomy. For example the contentious topic of whether teachers should have to submit their lesson plans to principals was cited by a former Director General of Education (Renwick, 1983) as a clash between the teachers and the accountability sought by the DOE. As neither side wished to concede at the time the then Director General 'reneged' and the outcome was decided by default through the extant 1963 legislation. Additionally, the teacher unions resented the level of Departmental involvement in employment matters.

8 In 1972 300 delegates representing 110 organisations attended the Education Priorities Conference. A 1973 OECD conference involved 30,000 people, producing three reports for departmental discussion and two for the public domain. For the Education Development Conference universities' extension departments were asked to organise education seminars in their regions over 1972-74 and the level of public interest was huge - 4,000 seminars involving 60,000 people who presented a total of 800 submissions - consultation unrivalled in scope before in New Zealand.
As with the wider public service, the Department was to be criticised for inertia and benign neglect. But more seriously, the education apparatus was deemed to have contributed to social inequalities and in the 1970s and 1980s institutions considered to be part of 'the establishment' were duly challenged (Renwick, 1986). Academics in New Zealand drew on the growing range of education sociologists who increasingly recognised that the pluralist picture was out of focus and that schools were not the neutral places once assumed (see for example Bowles and Gintis, 1976; Willis, 1977). At the same time as the class-based nature of schooling was being identified, new social movements in the 1980s - such as feminist, indigenous, ethnic and alternative education groups - challenged the dominant forms of knowledge perpetuated in schools. In New Zealand, research implicated education in sex stereotyping in schools, monoculturalism, the growing numbers of unemployed youth and the inequities of academic versus vocational education.

The DOE came to be seen as ineffective, inherently political and less benign in not achieving equitable outcomes for all children. For example, the New Zealand Council for Educational Research (NZCER) published a report *How Fair is New Zealand Education?* (1986) for the Royal Commission on Social Policy, which claimed that coordination was lacking between the policy and administrative mechanisms, and between the support systems and the classrooms; that the Department displayed assimilation and integration tendencies; and that it was 'all too easy for one hand to undo the work of another' (NZCER, 1986:6). Significantly, the OPA tendencies within the Department had resulted in a structure and orientation that was criticised by the community of education professionals and researchers, as well as by parents and school communities who felt dis-empowered by the education state. These critics did not proffer an alternative approach; as with the wider public sector, the DOE was seen as part of the problem.

**The Treasury's Criticisms of OPA in the Education Apparatus**

Similar to its criticism of the wider public sector, the New Zealand Treasury in the 1980s identified both the problem and the solution as lying with the education apparatus. This critique was heralded in *Economic Management* (Treasury, 1984) and developed further in *Government Management Volume II* (Treasury, 1987) with the latter devoting over three hundred pages to education. The core of the Treasury's thesis
was that state intervention in education had limited New Zealand's education performance.

*In sum, government intervention is liable to reduce freedom of choice and thereby curtail the sphere of responsibility of its citizens and weaken the self-steering ability inherent in society to reach optimal solutions through the mass of individual actions pursuing free choice without any formal consensus. Government intervention produces its own internal dynamics and hence problems (Treasury, Volume II 1987:41).*

Thus increased state intervention or funding would only exacerbate the problems, and the New Zealand education state ostensibly confirmed this. *Government Management* noted that although education funding continued to rise, the education outcomes for Maori, for girls and for the working class remained relatively poor (ibid.). As improved education outcomes were allegedly linked to improved economic performance, it followed that New Zealand's extant sub-standard economic performance could be blamed on education⁹.

The Treasury's solution for education was the NPM model rolled out elsewhere in the state. Taking a first principle approach, the state's role in education was 'assumed out' by the New Zealand Treasury, and any intervention in this 'commodity' had to be 'argued in' as cost effective and justifiable (ibid.). Where present, state intervention should be tightly targeted and facilitate a deregulated contractual market via the abolition of national pay scales, and via redirecting funding from large institutions to individuals, families and small institutions. In this way, the role of the state in the complex structural and social relationships of education - such as those between unemployment, poverty, qualifications 'inflation', and the welfare state - was rewritten. In its place was a series of NPM-driven technical solutions such as clear roles and lines of accountability employed elsewhere in the public sector.

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⁹ Education researchers provided counter arguments in response, essentially noting that education cannot on its own revive or impede a nation's economy (Lauder and Wylie, 1990; and Middleton, Codd and Jones, 1990).
The significance of the Treasury paper was its coalescence of 'populist' notions and clear identification of the OPA source of problems in education, and its coincidence with both wider public criticisms and a government receptive to its prescription of a NPM solution in the education apparatus. While other commentators were debating wider equity and education outcomes, the Treasury's recommendation - to reduce and rewrite the role of the state in education - was the answer to a different question. In 1980 the Labour Government had a series of reviews under way in education\textsuperscript{10}, but none of these dealt explicitly with re-orienting and re-drawing the boundaries of the actual apparatus of the state. The Treasury's ideas and influence were critical forerunners to the Government's 1988 proposal for restructuring the education apparatus.

**The Picot Report**

In the budget of July 1987 the Labour Government called for a review to examine the powers and functions of the education administrative structure, and to recommend changes for a more appropriate distribution of responsibilities (DOE, 1988a). The resulting Picot Committee comprised a businessman, Brian Picot, as chairperson, four educationists, and an official each from the SSC and the Treasury to act as secretariat, although, ultimately these two officials were to prove more involved than might have been expected (Wilson, 1991).

The Committee received some 700 submissions and consulted communities, and identified four inter-related systemic problems. First, the system was over-centralised as certain interest groups and professionals had captured positions of influence, decision-making processes were opaque and Ministers had too much 'hands-on involvement' (Ramsay, 1992:9). Secondly, the morass of structures was 'a creaky cumbersome, affair' resulting in duplication of services and poor co-ordination (DOE, 1988a:22). Thirdly, the DOE was 'weak' and lacking effective management practices - although this criticism was tempered with the observation that the Department 'was held together by the personal integrity and commitment of its staff' (ibid.:29). Fourthly,

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\textsuperscript{10} At this time the Labour Government released a series of reports: the *Vocational Training Council Report*, the *Scott Report on the Inquiry into the Quality of Teaching*, the *Review of Tertiary Education*, and in 1987 a report from the Ministerial review of curriculum recommendations called for community involvement in curriculum formulation.
more results-based information was needed in terms of student performance, and more choice was to be made available to the parents and students as well as to those working within the system. The status quo had left parents and communities feeling powerless.

Wilson (1991: 107) has clearly highlighted, there are striking similarities between the Picot Report and Government Management. He argues that Government Management (Volume II 1987) provided the transition between the economic imperatives of the 1984 Briefing, and the reduced role of the state in the education restructuring recommended by the Picot Committee in 1988. Wilson also points out that four key questions raised in Chapter Two of Government Management - of which drafts were sent to the Picot Committee - were also key themes throughout the document Tomorrow's Schools. Namely, who pays? who chooses? who benefits? who is accountable? Picot identified DOE management problems such as role confusion, lack of accountability, rule-bound behaviour, inappropriate incentives and deficient property management and financial planning.

There was also, however, a democratic element to the Committee's recommendations built around empowering communities through a restructured administrative system in which schools and parents worked in partnership. The Department and the REBs would be abolished and replaced with a policy-only Ministry of Education, and schools would be freed to work directly and closely with their communities. The recommendations were based on the assumption that the government would make no substantial change in the level of funding to education and that under the more efficient model of administration any funds from efficiency gains would be put back into education (DOE, 1988a).

The Committee felt that radical and profound structuring was necessary for the system could not be 'massaged into shape' (Post Primary Teachers Association (PPTA) News, June 1988:1). Fearing that a long-term process would see DOE resistance increase and changes watered down or not implemented (Ramsay, 1992), the Committee named the day of changeover as 1 October 1989 and recommended preceding this with a rapid 'implementation' phase of just over one year (DOE, 1988a:36). This rushed approach

11 Somewhat confusingly, the period leading up to the 1.10.89 changeover was labelled by the Government and the DOE as the 'implementation' phase.
reflected the change strategy already adopted within the Labour Government (Douglas, 1993).

The *Picot Report* was released in May 1988, followed by a seven week submission period and in August 1988 the Labour Government's policy document *Tomorrow's Schools* was published (DOE, 1988b), which reproduced Picot's recommendations largely unchanged. *Tomorrow's Schools* also reflected the tensions between the educationists wishing to promote the role of parent communities, and the central agencies' officials (Wilson, 1991; Ramsay, 1992) wanting to constrain the role of the state in education. For example, the Committee had recommended a Parents' Advocacy Council (DOE, 1988a) as a means of voicing parental concerns, but the Committee's members had disparate justifications for such a body. The SSC and the Treasury officials agreed to the Council because it could counteract the power of the teacher unions (Wilson, 1991). In contrast, the educationists regarded the Council as a means of empowering parents. And Picot himself felt the Council, along with the similarly democratic proposal of Community Education Forums, would ensure that parents could all access the system equally (PPTA News, August 1988:6). Moreover, Picot sought to draw on parents as a resource, and had already stated 'there is a reservoir of energy in everyone and we all have a much higher ceiling' (ibid.: 6).

In sum, the *Tomorrow's Schools* document questioned the fundamental nature and extent of the state's involvement in education, which could be traced back to the 1877 legislation and the strong OPA principles and infrastructure adopted by the ever-expanding Department. *Tomorrow's Schools* was developed in a context where critics had questioned the effectiveness of the education bureaucracy. Finally, an alternative and ostensibly successful NPM model for the whole public sector had begun to be implemented elsewhere. The convergence of these institutional factors meant that *Tomorrow's Schools* reflected an inherent tension between the bureaucracy as, at best, a benign influence or, at worst, as a beast to be hobbled. In hindsight, the document's emphasis on democratic participation and greater community involvement was something of a setback to the NPM reform agenda proposed by the central agencies (Dale and Ozga, 1993). The Government, however, relied on the democratic elements of *Tomorrow's Schools* to reject claims that the state appeared to be withdrawing and
leaving schools to face the vagaries of the marketplace. The Minister of Education and Prime Minister, Lange, took pains to reassure the sector.

_**Education is not a marketable commodity. There is no way at all that you can be equitable and leave education to market processes and no-one in Government is advocating that** (quoted in PPTA News, May 1988:8).

The climate of the criticisms and restructuring of the DOE, however, were significant, as they not only undermined the strength of OPA but also provided the context for the implementation of a new logic of administration in a part of the state that was historically resistant to externally imposed change.

**NPM as a Logic of Administrative Action in Education**

In broad terms the education apparatus was restructured to reflect very strongly the logic of administrative action already being implemented across the public sector. Here, the idealised principles of NPM are seen in the reorganisation of the DOE in 1989. (See Figure 1 on p. 119 for a diagram of the pre-Tomorrow's Schools structure of the DOE (DOE, 1988a: 21)). The NPM accountability framework provided the parameters and direction for subsequent changes in education. The new MOE and related education agencies employed principal-agent contracts and output controls to ensure that the 'appropriate' activities of the state were undertaken in an 'appropriate' fashion. A standardised implementation of the principles of NPM in education mimicked that elsewhere in the state, so that officials knew what they were accountable for, who they were accountable to and how this would be realised.

**Clarifying What the Ministry of Education is Accountable For**

The education reforms reflected those in the wider public sector and created a small core Ministry, a second tier of Crown entities including schools, which were at arm's length from the Minister, and a further layer of enterprises from whom schools would purchase the services and assistance which the Department and the REBs had formerly provided. (This two tiered structure is illustrated in Figure 2).
Underlying the shift of responsibilities was the ideal that each agency has a clear and ideally single function so as to remove the risk of conflict of interest, role confusion or overlapping. This ideal was ostensibly realised in the 1989 and 1990 reorganisation in education. But the unevenness of implementing NPM beyond this initial restructuring reflected the institutional constraints faced by, and within, the Ministry, namely, the ongoing influence of the OPA in the attitudes and actions embedded in education, and the processes through which central agencies sought to replace the OPA with NPM.

The Reorganisation of the Education Apparatus

There was substantial debate within the Picot Committee on how to structure the new apparatus, because this was a prime opportunity to contest the OPA and to re-orient education according to the accountability variant of NPM. Significantly, debates were not over whether to pursue role clarification, but concerned permutations of how to do this\(^\text{12}\). In the end, the Committee proposed that the new Ministry have three roles: policy formulation, policy implementation and property management. No recommendations were made about the structure of the new organisation, as this was seen as the prerogative of the new Chief Executive (CE), but the Picot Report stipulated that the Ministry be based on functions, with a minimum of management layers and representation from all levels of education (DOE, 1988b). It was left to the incoming CE to decide the Ministry's form but, as she was not employed until 1 October 1989, the Department had to carry out this task. Russell Ballard, whose immediate prior experience was in the New Zealand Forest Service, oversaw the Department's changes and planning which preceded 1 October 1989. As an external agent he was to ensure there was no 'backsliding' in the implementation stage.

\(^{12}\) The SSC and the Treasury were reportedly in favour of a distinct functional split involving six separate organisations. Namely, a policy Ministry, an State Owned Enterprise-type organisation responsible for property, a provider from which schools could purchase services, a Parent Advocacy Council (PAC) and a Teacher Registration Board (Gianotti, 1991, in Hobbs, 1992:10). Interestingly, the Taskforce had debated separating the Ministry's policy and operations responsibilities but decided that separate structures might risk confused accountabilities, competitive rivalries and a lack of co-ordination (DOE, 1988a:59).
Interestingly, the abolition of REBs was something of an afterthought to the Picct Committee\textsuperscript{13}, and the decision to create MOE regional offices was also made very late. Ballard himself is reported to have initiated a district structure following a June 1989 visit to look at education reform in Victoria, Australia (Harper, 1992). He was to later be 'praised and damned for' (ibid.: 111) this proposal, for it deviated from the NPM ideal and facilitated the continuation of the OPA mode of operating in the regions. However, the head of the Department's Implementation Unit that was charged with preparing schools for the changeover welcomed this decision of Ballard (Boyd, 1997).

On 2 October 1989 (1 October was actually a Sunday) the new MOE began with approximately 600 staff, plus a further 400 staff in two temporary units: the Post Compulsory Education Unit, and the Residual Management Unit (Supplement to the Education Gazette 1.8.89). There were three areas within the MOE: Policy, Operations, and Finance and Support. Significantly in terms of this study of a MC in the Operations Division, the Operations Division began with approximately 220 staff, many more people than the NPM architects had intended it should have. While policy advice was 'at the centre' of the Ministry's core activities (MOE, 1990a:7) the Ministry was also responsible for district operations and, inter alia, school transport, payrolls, student allowances, curriculum resources, and research and statistics.

The other core agency at the core of the education apparatus was the Education Review Office (ERO), established to undertake the role of school inspection(see Figure 2). The ERO was charged with conducting school reviews and making recommendations, but was also told explicitly not to provide advice and guidance to schools (DOE, 1988a). This reflected the NPM principle that conflicts of interest should be removed, and schools were to be made directly accountable for achieving results. It was important particularly to the SSC that the education review agency be neutral, for it apparently felt strongly that the former DOE's Inspectorate had tended 'to push current DOE thought when it should have been a little more independent' (SSC, 1988 in Hobbs, 1992:50). In line with the NPM ideal of clear principal-agent relationships, the Ministry and the ERO were to be accountable to separate Ministers.

\textsuperscript{13}Apparently, the idea that REBs be abolished was triggered by a chance meeting in an airport lounge between the taskforce's chairperson and chief executive officer, and Russell Marshall, Minister of
The second tier, as illustrated in Figure 2, was comprised of Crown entities. Recalling the SSC’s definition of the core state as comprising those things which cannot be corporatised or purchased from other Crown entities, the agencies in this second tier were responsible for service provision. This reflected the Picot Committee's decree that the MOE should have no part in education service provision, so that policy advice was free from self-interest (DOE 1988a: xii). It was also consistent with the generic NPM model of a small public sector core and Crown entities positioned at arm's length from the Government. By mid-1990 there were six key Crown entities\(^{14}\), along with approximately 2,700 schools, and all were positioned as providers of services directly to the Crown. The NPM generic model of a functional split was further mapped onto schools where Boards of Trustees (BOTs) were responsible for ‘governance’ and school principals were responsible for school management. In abolishing the REBs and the Department, schools were given discretion for school management, and the devolution of funding for operations and staffing was to facilitate this.

The third and final tier was to be that of private service providers\(^{15}\). Where the DOE had been a monopoly supplier prior to 1989, the Picot Committee sought to free schools to purchase services from whomever they chose (DOE, 1988a). Education Service Centres (ESCs) were established by the Government in October 1989 to introduce competition into provision. Ostensibly independent, the ESCs had significant advantages over more privately run counterparts for they received more than $6 million in Government resources and $3 million in school supplies, along with interest-free suspensory loans to be written off if the company was still operating in 1995 (Dominion Sunday Times, 18.2.90)\(^{16}\). In addition, the ESCs had use of ex-Department staff on full board and Department salaries and for the first year of Tomorrow's Schools there was

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\(^{14}\) In mid-1990 these were the Special Education Service (SES), the Early Childhood Development Unit (ECDU), the Careers Service, the New Zealand Qualifications Authority (NZQA), the Education, Training and Support Agency (ETSA) and the Teacher Registration Board (TRB). See Figure 2.

\(^{15}\) In the event this tier encompassed a diverse and large number of small providers, which ranged form wholly public to wholly private bodies. The incoherent and fragmented nature of this tier, and its location at the periphery of the state's education apparatus, meant that it became less amenable to the implementation of the logic of NPM. For this reason the third tier does not appear in Figure 2.

\(^{16}\) An independent review of the ESC's Business Plans found a significant number posed a financial risk to the government (Dominion Sunday Times, 18.2.90).
no open tender process for the provision of these services in education. At the time, critics argued that the education bureaucracies had effectively orchestrated their own reincarnation and this highly protected arrangement was roundly condemned by the Treasury and the National Party in opposition (Dominion Sunday Times, 12.10.89) as well as by other private agencies\(^\text{17}\). The Minister of Education responded that the success of the reforms of Tomorrow's Schools' was reliant on the continuity of service which staff from REBs and the DOE could offer (Dominion Sunday Times, 18.2.90) while still allowing for competition in the long term (Audit Office, 1990).

**Central Agencies' Criticisms of the Ministry of Education**

By 1990 it was readily apparent that the SSC and the Treasury felt that the NPM ideal of role clarity, devolution and the removal of conflict of interest had been compromised in the implementation of Tomorrow's Schools. In December 1989 the Government announced the composition of a committee to review the education reform implementation process. This committee comprised two business people, the Secretary for Education and one representative each from the Treasury and the SSC (hereafter called the Lough Committee after its Chairperson). The Lough Committee was mandated to do a 'wide ranging review' whereby nothing was excluded from its terms of reference. Its Report, made public in April 1990 (Lough, 1990), like the later report *Education Sector Briefing by the SSC* (SSC, 1990) made a number of serious criticisms of the implementation process.

The *Lough Report* and the SSC *Briefing* both identified problems and solutions specific to the district operations of the Ministry; these are discussed fully in Chapter Six. More generally, the *Lough Report* noted that decisions about the implementation of Tomorrow's Schools and the MOE structure had been done without the involvement of the eventual CE of the Ministry (Lough, 1990). The implication was that the DOE had 'captured' these crucial elements of the change process. The *Lough Report* criticised the fact that less than ten percent of the MOE staff were specifically designated to policy, while the policy manager was one of twelve managers reporting directly to the Secretary for Education (ibid.). The *Lough Report* did concede that both the former

\(^{17}\)One private supplier Northern Education complained it had spent $50,000 (Dominion Sunday Times, 18.2.90) in preparation and development to ensure their tender would be successful.
Department and the Ministry had been overwhelmed by an immense change process, but noted that 'one off' transition pressures would ease off 'in a few months' (ibid.: 36).

More significant is the condemnatory Briefing by the SSC which claimed that the implementation process had not only got the 'wobbles' (SSC Appendix, 1990:10) but that the Ministry had willfully deviated from the Government's plans.

During the processes of more detailed policy development and implementation the intention of the reforms was significantly undercut, particularly by education bureaucrats and provider groups (SSC, Appendix, 1990:2).

The problem was not the implementation per se, nor its speed or breadth in the first six months. Rather, the context of the implementation ultimately allowed the influence of the logic of OPA to predominate. Again, the SSC's view about the implementation process makes this clear.

Officials from the Treasury and the SSC were on some of these groups. The large number of such groups and the intensive nature of their work meant central agency officials had only limited influence on the process. Chairpersons appear to have been appointed primarily on the basis of the respect they commanded in the education field, rather than their independence or objectivity (SSC, Appendix, 1990:1).

In short, officials from the central agencies could be trusted while education professionals could not\textsuperscript{18}; some public sector employees were more neutral than others were. For the SSC, the logic of OPA was still very strong in the Ministry, and was impeding the implementation of the model of NPM. It noted that the organisational structure of the Ministry too closely resembled that of the DOE and 80 per cent of policy staff were ex-teachers with operational, not analytical, skills. Despite being a new organisation, no 'outsiders' were employed at the senior management level and the

\textsuperscript{18}Gianotti, the first Chief Executive of the ERO is reported to have said that the SSC had endeavoured to sever the flow of staff from the former DOE Inspectorate into the ERO by prescribing salaries as low as $30,000 to $35,000 (1993, in Smith, 1994). The SSC also had created a job description in terms of 'broad generalist people' which was eventually rewritten by the ERO senior management to include 'recent extensive successful teaching experience' (ibid.).
opportunity for new ideas and management culture in education was lost. The way in which the MOE operated was also condemned by the SSC.

Although the new education structure is still in its infancy, problems of policy duplication and co-ordination are apparent. This partially reflects the large number of well organised interest groups in the education sector who are always striving to influence the decision making process, and, which are now working through the relevant agencies (SSC, Appendix, 1990:20).

The Ministry continued to operate a consultative approach to policy formulation\textsuperscript{19} and this indicated 'the extent of professional/union capture that abounds in the education sector' (SSC, Appendix, 1990:19). Also inappropriate was the extent of the influence of interest groups working through the tier of Crown entities (ibid.). This position of the SSC is in stark contrast to the OPA approach epitomised in the view of the former Director General of Education. To Renwick, the involvement in policy advice of some twenty national organisations with a stake in the system represented an education administration strength because it allowed local interests to be voiced in 'national consultative forums' (Renwick, 1983:78).

Ironically, the broad range of the new Ministry's activities in part reflected the strength of the NPM model applied to the tier of Crown entities. These organisations had greatly reduced responsibilities and clearly demarcated tasks - and hence the MOE had to pick up any remaining tasks by default. The SSC and the Lough Report agreed that the solution to the breadth of the Ministry's activities was that operational activities, such as property, payroll, transport and school publications be 'spun off in the future' (Lough, 1990:9). This could be done through functions going to stand-alone cost centres, or being made contestable and contracted out. The role of the ERO was to be similarly pared back\textsuperscript{20}.

\footnote{For example, in 1989 a draft of the Ministry's 1990/91 Corporate Plan was sent to over 100 external groups for feedback (MOE, 1990a:7).}

\footnote{A year later the Review Team of the ERO (1991), comprised of Treasury, SSC, MOE and ERO officials suggested that one option, among others, was selling the ERO's national review methodology and this Committee noted that interest had been shown in purchasing this methodology. There was even suggestion that schools be funded directly to carry out self-review, a concept counter to Picot}
While both the *Lough Report* and the SSC recommended substantial and rapid downsizing of the Ministry the consequent restructuring was less dramatic. The MOE began in 1989 with approximately 600 staff, in 1993 this was 561, and by 1996 the figure was 526, still well exceeding the 300-400 recommended by the *Lough Report* and the SSC\(^{21}\). Since the radical 1989 restructuring the Ministry has undertaken internal reorganising or reduction of divisions and positions, but the overall structure of the education apparatus remains essentially the same as that of 1989\(^{22}\). Thus, the 1989 change heralded the introduction of NPM into education, but its principles of accountability were further operationalised and embedded through an ongoing reconfiguration of the relationships and activities in relation to the operations within the MOE.

**Accountability Relationships in the Education Apparatus**

*Principal-agent Contracts*

The 1989 reorganisation of the education apparatus was accompanied by redefining key relationships so that people knew who they were accountable to and this was made explicit in a series of principal-agent contracts. This model was used by the Ministry in its first *Brief for the Incoming Government*\(^{23}\):

> Those who are accountable are the agents of those to whom they are accountable (their principals). Good accountability arrangements will be concerned to align the interests of the agents with those of their principals... [T]he present call for accountability is a call for evidence, however tentative, that some actual learning of positive attitudinal change took place' (*MOE, 1990b:171*).

Committee's emphasis on educational accountability but consistent with reducing the state's role in education.

\(^{21}\)More severely affected was the ERO which began 354 staff in 1989, and this was reduced to 226 in 1991, while by 1996 staff numbered approximately 130.

\(^{22}\)This contrasts with the severe and repeated restructuring of the departments associated with health and social welfare.

\(^{23}\)This document gives a fascinating insight into revealing how the MOE grappled with the NPM model (many NPM 'experts' are referenced in the *Brief*), while attempting to define accountability, outputs and outcomes in education terms.
The 'cascade' of accountability relationships (Matheson, 1996) in education was outlined by the Ministry in some detail. There were clear accountability relationships between Parliament and the public, the Government and Parliament, and the MOE and the Minister. In addition, schools boards were accountable to the Minister and to their parent communities, school principals to their boards, and teachers to their principals (MOE, 1990b). Three particular contracts in the education apparatus particularly illustrate how the principles of NPM were given expression, and influenced the nature of the MOE's work and relationships.

*Purchase Agreement Between the CE and the Minister*

As noted in Chapter Four, the linchpin was the performance agreement between the CE and the Minister of Education, and in the pressured first few years of the Ministry's operation this document was an important managerial tool. These contracts are public documents but are not available for public scrutiny. The CE's performance agreement was to influence performance agreements further down the organisation and while there is evidence that many managers and senior managers also had such contracts, both these and the CE's contract were subject to the vagaries of an organisation in a huge state of flux. For instance, *ex ante* performance specification meant very little in this period when schools were still 'finding their feet' and the MOE was reacting to unexpected difficulties in the transition to Tomorrow's Schools.

By 1991 an SSC review of the state sector was commissioned by the Government and this review found that it was inadequate to have departments' financial and non-financial performance, and ownership interest24 collapsed into one performance agreement document (Logan, 1991). The solution was a separate annual purchase agreement that specifies *ex ante* the goods and services the Minister purchases from the MOE and this was implemented in the MOE around 1993/94. The purpose and scope of the purchase agreement between the Minister and the Ministry CE are clearly stated on its first page.

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24 Up until the mid-1990s analysts in the central agencies persevered with developing a model for ownership contracts as the state apparatus was 'custodian' of huge resources. For instance in education the MOE is charged with managing assets which account for $6 billion of a $7 billion portfolio. However, the search for a single contract to manage this risk has not been fruitful (Boston et al., 1996).
The object of the Purchase Agreement is to provide the Minister of Education as Vote Minister with information to assess the strategic importance and value of the Ministry's outputs and to make comparisons with similar outputs across both the public and private sectors. By allowing meaningful comparisons of value and cost, the output descriptions in the agreement should assist the Vote Minister to select those outputs that conform to the Government's strategy and which, in the Minister's opinion, represent value for money (MOE, 1996).

Document of Accountability

A second example of a principal-agent contract is the Document of Accountability. Following the ideal NPM model, the MOE was to take the role of 'contract broker', managing the contracts between the Minister and the Crown entities at arm's length. In 1989 and 1990 a plethora of contractual arrangements existed, but this was criticised both by central agencies and the Ministry for a lack of standardisation (Beatie, 1993). A reading of the Ministry's Annual Reports indicates that contracts were belatedly drawn and signed and the Minister, as principal, did not have adequate information about performance monitoring. More seriously, one Crown entity sought an injunction against the MOE in 1991, believing that the MOE's intention to put a service out to tender breached what the Crown entity thought to be a three year contract for that service (ibid.).

These anomalies in the accountability of the Crown entities were reviewed in 1992 by a committee of officials from the MOE and the central agencies - the SSC, Treasury, Department of Prime Minister and Cabinet - which sought to streamline the

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25 For example of the six Crown entities, initially two had a charter with the Minister, two had a formal written 'charter of service' and two relied on the terms in the Education Act 1989 (the Education Amendment Act 1990 s.253 and the original Education Act 1989 s.120-139)). In the case of non-compliance the CE could take action in the high court injunction to remedy the behaviour of just two of these agencies.

26 To illustrate, in the 1990/91 year the Careers Service's contract was signed five months into the financial year, Special Education Service's ten months into the year; while the Educator, Training and Support Agency contract was 'negotiated, but not signed' before the year long contract period had expired (MOE, 1991a:48).

27 For instance in 1992/93 the MOE was to advise the Minister on the Crown entities' performance within 21 days of each quarter. However, this did not happen as none of the Crown entities met the requirement to report within 21 days of each quarter. Again, the Ministry's Annual Report (1993:48) does not refer to any implications, nor state whether or when the Minister was eventually advised.
accountability framework in education. This committee noted that: the quality of performance specification was inadequate and thus any incentives, sanctions, ex ante reporting and ex post performance assessment were of limited utility; negotiation procedures were unclear in the legislation; and the Minister had only a limited ability to dismiss Board members (in Beatie, 1993). In other words, while the general reorganisation had been completed, more specific accountability mechanisms were required at the level of organisations within the education apparatus. The solution in 1993 was a Document of Accountability between the Crown entities and the Minister, standardised to minimise compliance costs, and the nature and terms of key education relationships were thereby determined in legislation.

The Charter Between Schools and the Government

A final example of a principal-agent contract is the charter between a school's BOT and the Government, which was initially a keystone of Tomorrow's Schools. The Picot Committee's debate revealed divergent views about this relationship, and thus about its contract. The educationists considered that the community should be involved in setting educational objectives, while the charter satisfied the central agencies' need for an accountability mechanism (Wilson, 1991). The Tomorrow's Schools document referred to charters as 'a living document' (DOE, 1988b: 4), and in the 1989 build-up to the 1 October change-over the Department's Implementation Unit and the Government emphasised the nature of this partnership, and particularly the 'paramount principle' that 'the needs of children and their learning shall be paramount' (Codd and Gordon, 1990:48). For this reason, in 1989 and 1990 most schools took developing their charter very seriously (Mitchelli et al., 1993).

In its first year of operation the new MOE underscored the partnership nature of the school-government relationship. It stated that 'rather than viewing the relationship as 'legal' it would be more helpful to consider it analogous to a 'trust' model' (MOE, 1990b:183) because 'it seems doubtful if, in practice, the Minister would ever seek to enforce those undertakings by resort to court action'. In addition the Ministry stressed the link between schools and wider society. Thus, the 'state school system had legitimate concerns about wider societal values and interest' that were larger 'than any one individual school community' (1990b:180). Clearly there were those within the
Ministry mindful of both the narrow accountability model, as well as the more complex nature of responsibility for education provision and education outcomes.

Following this rhetoric of partnership, subsequent unilateral changes by the Government were viewed with scepticism by the schools. The Government clearly saw the charter as a legal minimum that ensured boards were accountable in law for all aspects of a school's performance (MOE, 1995). In 1991, when some schools postponed signing their charters until the newly-elected National Government released the long awaited amended National Education Guidelines (to which the charter was inextricably bound) the Minister urged schools to sign charters regardless (NZEG, 15.3.91). In response to the early unilateral changes to charters many boards refused to sign their charters as a form of protest. Without a signed contract the Government had no enforceable legal accountability, and boards' legal status as employers was in jeopardy (Marshall, 1995). In 1991, therefore, the legislation was changed such that any school which had no signed charter was 'deemed to have one' (Education Act 1989, s. 61(12)), thereby removing the last means by which BOTs could influence charter decisions. In short, the charter went from being an agreement between the Board and the Minister and the Board and its parent community to being a means by which the Government could effect the accountability of its agent - school boards of trustees. School boards noted with cynicism that all these changes to the text and the status of charters had occurred despite the statutory clause (Education Act 1989 s. 61(7)) that the Minister would first take reasonable steps to consult with schools and to account for any amendments (Betts, 1990).

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28 For example, in 1990 the pro forma charter sent to schools referred to an 'undertaking' between the government and the school - but the Labour Minister of Education claimed that such a clause could have been interpreted as an 'open-ended funding commitment' (Goff, 1990, in Codd, Gordon and Harker 1990:16). Moreover, it was inconsistent with the already enacted legislation of an undertaking of the board to the minister (Education Act 1989 s.64). At the same time the Government deleted the paramount principle.

29 A similar process occurred in the ownership contract, Property Occupancy Documents, between Boards and the Minister. These were negotiated over a two year period, and 82 percent of these were signed by the end of 1991 (NZEG, 2.12.91). This process was hurried along when the MOE announced that Boards with unsigned Documents would not receive their operational funding (Marshall, 1995).
The Significance of Contracts

The above three examples illustrate a range of principal-agent contracts designed to align organisations and relationships within the state. They also suggest that it is not always the contract per se that is important, but the surrounding issues and processes that matter. For instance, the CE of the Teacher Registration Board felt that a voluntary contract offered the promise of 'at least' one meeting per year with their Minister (in Beatie, 1993:73). And it was the process of drafting charters that prompted important debate between school principals, teachers and communities over fundamental issues such as the Treaty of Waitangi.

The extent to which contracts drive the work of those 'down the line', is a moot point. They did however, provide a vehicle for improving the alignment within an organisation, and also to link more tightly the MOE and Crown entities, including schools, to the priorities of the government of the day. But again, it was what the contract represented that was significant. For instance, the 1996 Purchase Agreement was not signed until four months into that year and was subject to many drafts and internal feedback processes. It was thus a means for the Ministry to plan in some detail its likely work programme and to discuss this in an iterative process with the Minister. The absence of formal Ministerial approval did not weaken the importance of the document, as the covering page of the draft MOE purchase agreement noted in October 1996. ‘...at this stage the document remains unsigned but, as we still have to meet the quarterly reporting requirements, this is the document we are working to'. In a similar vein, the presence of a signed ex ante contract does not ensure successful contractual relations, as in the case of the tensions between the NZQA and the Ministry20 which had degenerated by 1996 to a 'stand-off' (SSC, 1996:24) between the two agencies.

Contracts cannot capture all the important elements in a relationship and so tend to take institutional factors such as trust, a steady political climate, and positive interpersonal

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20 Although not directly relevant here the institutional arrangements of the NZQA facilitated its power, and hence its tense relationship with the MOE. NZQA had a policy-making role, thereby elevating it to the status of the MOE, and while its CE was accountable to the board, he reported frequently (approximately once a fortnight) (Beatie, 1993) to the Minister (Boston, et al. 1996). NZQA did not operate in a contestable environment, but had a practice of cost recovery for activities which schools had to undertake. Finally, its function of qualifications was unnaturally separated from that of the MOE function of curriculum because what is taught is inextricably tied to how it is assessed (Irwin, 1994); and this looseness allowed the NZQA to chart its own course.
relationships for granted. Similarly, Crown entities and the MOE make contributions to social cohesion, departmental relations, and public good concerns that cannot be captured in a single document. To give a further example, the property occupancy documents were a simple principal-agent contract between schools and the Ministry which are not sophisticated enough to capture the Crown's vast property concerns. Paradoxically, it is perhaps because of the Crown's substantial ownership risk tied up in school property that the government has been unwilling to alter these documents.\(^{31}\)

As with the ideal of 'role clarity' the central agencies have been instrumental in identifying where the education apparatus deviated from the NPM ideal, and these agencies pursued explicit principal-agent contracts to bring education into line with the mechanisms operating across the whole public sector. The limits of education contracts notwithstanding, the contracts have provided the Government with a means of framing the role of the state, the key relationships in education, and crucially the nature and terms of these relationships. Moreover, the Government's control of the substance and orientation of these 'agents' is made explicit through the Minister of Education's power as 'principal' and purchaser. Significantly, the Ministry itself was not to be involved in the provision of education, and was to work with Crown entities including schools only as the Minister specified. This freed the Ministry to focus on the policy needs of the Minister and removed it from any conflict of interest through involvement in service provision.

**Accountability Via Output Controls**

The third and final element of the NPM accountability framework in education is output controls, which were to be the key means of achieving the purpose of the education reforms in the Ministry. Namely, more efficient and effective education administration. Under the Public Finance Act 1989 s. 2 outputs are 'the goods or services that are produced by a department, crown entity, office of Parliament, or other person or body'. The complement to outputs is outcomes; 'the impacts on, or consequences for, the

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\(^{31}\) In the absence of a rewritten contract, or indeed property restructuring, increased accountability has been sought by other means: an asset register; tightening property output classes; District Property Consultative Committees; a computerised property information system; addressed school contents risk management; the complex contract the *Property Occupancy Document* and improved long term planning for roll demographics.
community of the outputs or activities of Government' (ibid.). As noted in Chapter Four, NPM in New Zealand was based on the assumption that outputs lead to outcomes, and therefore that the Government needs to ensure departments produce the specified outputs. The second assumption of the variant of NPM in the New Zealand is that the specification of outputs captures all of the activities of the apparatus of the state.

Operating and reporting in terms of *ex ante*, monitored and measured outputs was to prove a significant task for the newly created MOE pre-occupied with overseeing the bedding-in of the education reforms. As it did with the school charter and the 'vertical chain' of principal-agent relationships, the MOE wrestled with the rhetoric of the new framework. In its *Brief for the Incoming Minister* the Ministry noted that there were two dimensions to education outcomes. Firstly, outcomes are the immediate effects of the instructional services on the students and secondly, education outcomes are the longer-term effects on society such as the ability of people to live together and the enhancement of cultural life (MOE, 1990b:173). The *Brief* went on to expand.

*While the outputs of an education institution could be monitored reasonably readily in quantitative terms, it is difficult to directly monitor their quality except through their immediate outcomes. These are their effects on the knowledge, skills and attitudes of the students concerned. Thus it would seem necessary, when monitoring the performance of educational institutions to use immediate educational outcomes as a substitute for outputs* (MOE, 1990b:173).

At this early stage the concept of outputs was too abstract, and the MOE’s focus on inputs and the longer term objectives in education too strong, for a meaningful application of outputs to be evident. Given that the objectives of the PFA were clear and enforceable lines of accountability then the Ministry's *Brief* was somewhat wide of the mark.\(^{32}\)

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\(^{32}\) The Ministry also persevered in explaining to schools the NPM approach. In 1993 the CE stated that outputs could be seen in two ways; two output classes - Policy Advice and Ministerial Servicing - are 'delivered directly to the Minister (as our client)'; the other six output classes are 'delivered indirectly for the Minister (as our client) where we act as agent to you, the education constituency, on his behalf' (NZEG, 1.3.93:1).
In the MOE’s first Annual Report to Parliament (1990a) its financial and non-financial information was organised in relation to outputs and sub-output categories, each with its own targets. In the absence of a purchase agreement in its first few years, the MOE did not so much produce pre-specified outputs, as much as annually record its activities in terms of output classes. After beginning with 19 outputs in 1989, some eight were settled on in 1992 and, since then, the MOE’s activities have generally been presented along these lines. These output classes are: policy advice; management of contracts; curriculum development and support; ministerial services; payment of salaries; information dissemination; school sector property and teacher housing. ‘Performance targets’ were initially very general; for example policy advice was to be of the highest possible standard, timely and relevant, reviewed internally and externally, within budget and meet the Minister’s requirements. Into the 1990s, as the Ministry built up a historical record of its activities, it could report its output targets and actual performance more specifically and more realistically.

Conceptualising 'outcomes' in education had a similarly uncertain beginning. This was because, as noted in Chapter Four, the public sector suffered from an absence of Government-defined outcomes, and concomitantly departments were inclined to focus on internally-driven programmes and why these were necessary (Boston et al., 1996:278). Without any government-specified outcomes the MOE took into account the historical, social and economic context of education and developed ten long-term outcomes, which the Government subsequently adopted. For example, '[H]igh standards of personal integrity and awareness of social responsibility' (MOE, 1990a:24). The SSC criticised these outcomes, arguing that their range was as broad as the different philosophical views of education, and that not one outcome pertained to employment or economic growth concerns (SSC, 1990:3). For the SSC it was not the breadth but the agenda associated with the outcomes that was problematic. Also of concern to the SSC was the weak linkage between the outcomes and outputs. However, given the lack of government direction, the nascent nature of the MOE, and the enduring influence of

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33 After the Public Finance Act 1989 departments were required to report to Parliament half yearly, but the compliance costs, particularly for the small departments, were felt to outweigh any benefits and so annual reports introduced in the Public Finance Amendment Act 1992 (s29).
staff and culture from the DOE, it was predictable that the Ministry would endeavour to
carve out its new goals and purpose in education and that these might have something of
the flavour of a social wish list. By 1993 the MOE's outcome statements were greatly
 pared back, and eventually became redundant in 1995 following the Government's
 introduction of the, equally over-stated, Strategic Result Areas.

Along with outputs and outcomes, a further generic accountability mechanism for the
whole public sector was created in 1994 - Quarterly Statements of Service Performance,
which require reporting every quarter about the quality, quantity and timeliness of its
activities. By this time the MOE had generated enough internally-sourced information
about its own activities and inputs such as staff time and numbers, and so the Ministry
was able to more reliably estimate its output provision and these could be reflected in its
Quarterly Statements. Critically, these Quarterly Statements facilitated yet more
standardised information gathering, reporting and monitoring procedures across
regional offices, output classes and divisions. So as with the contracts, the output
controls and the Quarterly Statements were not so much ex ante control mechanisms,
but rather an internal reporting and monitoring tool and a means of organising the work
of the whole Ministry.

Finally, BOTs too were required to employ an outputs-based model and also complete
at the end of the financial year a statement of service performance\textsuperscript{35}. As with the
idealised accountability forms, reporting BOTs' performance in terms of outputs had
been an elusive process (Treasury, 1990), but was regarded as fundamental to complete
the NPM model.

\textit{Better definition and measurement of Boards' outputs means that their
accountability to parents and the community can be enhanced (Treasury, 1990:134).}

As with the wider public sector, schools have slowly come to grips with reporting on
financial and non-financial matters, the latter of which has proved especially difficult.

\textsuperscript{34}The Treasury also noted that the initial education outcomes had been poorly specified, but stated that
this was to be expected in the transition period (1990).

\textsuperscript{35} This included a statement of financial position; an operating statement reflecting revenue and expenses;
a cash flow statement; statements of contingent liabilities, commitments and accounting policies; and
comparative figures of both the relevant and previous year's statements.
The MOE, following the urges of the Treasury and the Audit Office has pursued the latter, with a pro forma *Statement of Service Performance* based on outputs and sub-outputs. Following the Public Finance Amendment Act 1992 these statements have been a legal requirement for schools. However, reporting their activities in outputs and sub-outputs has simply not happened and in the years following 1992 the Ministry has gained Ministerial approval that schools are exempt from providing these statements to their auditors. Despite this, Ministry circulars to schools note that it is expected that schools will still prepare the statements. But from the schools' perspective, principals and BOTs have not considered these reporting statements as a useful means of either measuring or improving performance, but rather as an imposed and irrelevant administrative pressure (Wylie, 1995).

**Conclusion**

The introduction of NPM into the education bureaucracy represented a shift in the logic of administration. The DOE, with its reliance on education professionals and close relationships with schools, education institutions and communities, reflected the principles of the OPA. In this way in New Zealand the KWS structure was firmly linked with the associated logic of OPA. The new administrative logic of NPM was a radical departure. The MOE was to be re-oriented towards its 'principal' the Minister, and to work with schools and other Crown entities only on the Minister's behalf, or as a contract broker. This heralded a significant contrast to the nature and terms of the former DOE's relationship with the education sector.

Three specific features facilitated the implementation of NPM in education in the 1980s. As with the public sector generally, there was a level of disquiet over education outcomes, and the Government had something of a mandate to reform the administration of education, as it was doing elsewhere in the state. Secondly, powerful state agencies, especially the SSC and the Treasury, had condemned the OPA-like characteristics of the Department, and explicitly criticised both the composition and orientation of this organisation staffed by education professionals. The third contextual element was the presence across the public sector of an already identifiable form of NPM, with its concomitant practices and tools. The ostensibly 'apolitical' nature of this new logic was presented as a rationale for implementing in education what was 'self-evidently' successful in other departments and even internationally. Simultaneously,
this served to mask the association between NPM and the objectives of a neo-liberal Labour Government to constrain the activities of the state. NPM can be seen as a means of aligning the internal apparatus of the state in education, as well as ensuring that the MOE was congruous with a particular political form of the state.

In education the logic of NPM was legitimated not only by its presence elsewhere, and by its status as the 'solution' to the problems of OPA, but also through an internally derived legitimacy. The form of NPM proposed for education relied on mutually reinforcing tools - outputs and outcomes, ex ante and ex post specification of outputs, and explicit principal-agent relationships. Thus, all elements of this form of NPM had to be present for the model to be successful. Moreover, where elements of the OPA endured, NPM advocates saw this as evidence of the former logic's flaws. In this way, the incomplete implementation of NPM in the Ministry indicated that the education bureaucracy was either captured or inert or both. Whichever it was, the solution was always not to question, but to pursue an unadulterated form of NPM. The MOE was subject to on-going change to keep education aligned with developments in the wider public sector. Over time, mechanisms such as purchase agreements or statements of non-financial service performance were duly mapped onto the MOE, Crown entities, and schools.

Despite the internal coherence and momentum of this accountability form of NPM, its application in education was problematic at a very general level. For pragmatic reasons, the new MOE with a brand new role and organisational form could not, in its early years, be driven by pre-specified and pre-costed outputs. Rather, output classes were simply used as an organising principle for the activities and work undertaken by the MOE at a time of great upheaval in the education sector. Ironically, although the information presented publicly in terms of outputs was effectively drawn from inputs, or from the 'bottom up', - the new model justified an absence of publicly available information about those inputs. Under NPM the Minister, and by implication the public, simply required information about what was achieved, not the resources and processes which saw this happen. Indeed the specification of the costs of any inputs was actively discouraged because the MOE was positioned as just another provider in the market, and such information could benefit competitors.
The focus on outputs was consistent with making the bureaucracy, rather than Government, accountable; and also consistent with the demonstrated assumption that outputs were causally linked with outcomes. Where the former DOE allegedly suffered from the duplication of work and related inefficiencies, the MOE's tight prescription and monitoring of outputs carries the risk of 'under-lapping'.

In other countries, certain actions and outcomes fall between the cracks of the accountability system because managers are unsure of what they are responsible for; in New Zealand, they sometimes fall between the cracks because managers know precisely what they are responsible for (Schick, 1996:73).

The effect is an almost tokenistic attention to outcomes. There is an incentive for politicians to keep outcomes vague and general, for otherwise they could be made accountable for long-range and complex effects not directly under their control (Schick, 1996). The difficulties in defining these intangible costs and benefits provide a further in-built disincentive to make explicit things such as future welfare values, infrastructure and culture, intangible assets and human resources that are hard to control, value and measure (Boston et al. 1996:291). Moreover, one important purpose of the new reporting requirements is to allow the government to choose between any service provider, public or private. But as there are no straightforward equivalents in the private sector to the above intangible values, then the inclusion of these immeasurable costs and benefits might distort comparisons between public and private providers.

Clearly the MOE was not just 'any other provider in the market', and there are philosophical as well as pragmatic difficulties in applying NPM at the general level. The difficulties in assessing the performance of the Ministry were noted in its Brief for the Incoming Government. (MOE, 1990b:175).

It is important to note that there may be conflicting government objectives in education - as in other areas of government activity. For example in pre-school there may be a trade-off between accessibility and quality, and in the schools area between local and national interests. This means that it would be inappropriate to comment on Ministry performance in one objective only, and out of context of broader policy requirements and constraints.
As the MOE is not just 'any provider' its performance cannot be readily compared with that of other output providers. For example, as part of the apparatus of the state the MOE is required to consider issues of education distribution and access in all regions. And often the Crown occupies a monopoly position, especially in niche but fundamental areas of education, such as provision of education for special needs. Thus, the NPM-type sanctions associated with poor performance are unlikely to be applied in areas where withholding resources would risk the viability of a state organisation. And the non-provision of services such as children's schooling is politically untenable.

To summarise this chapter, the ideal form of NPM provided a 'road map' for the restructuring of the education apparatus, but it also contained internal flaws that rendered its complete implementation in education highly problematic. The result was a very general re-orientation, reflected in the formal accountability documents of the education apparatus, and the MOE as a whole. The capacity of NPM to align internal actors within the Ministry and engendering their support for the neo-liberal state's withdrawal in education would prove to be even more problematic. The case study in the next three chapters reveals the complex and dynamic nature of the shift from OPA to NPM in the MC, from 1989-1996.
CHAPTER SIX - THE STRENGTH OF OPA, 1989-1990

Introduction to Chapters Six - Eight

Chapters Six to Eight comprise a case study of the shift from OPA and the implementation of NPM in a specific area of the education apparatus - a regional office of the MOE. By 1989 an ideal set of NPM principles had been embedded in the roles, relationships and reporting of the public sector at a very general level. NPM was not, however, implemented in the Management Centre (MC) in a linear fashion, and this unevenness over time forms the organising principle of the discussion in the next three chapters. While exact periodisation is difficult the MC went through three phases described here as 'hands-on' (1989-1990), 'hands-off' (1991-1994) and 'hand in hand' (1995-1996)\(^1\). These phases, and indeed phrases, reflect the changing relationship between the MC and the education sector and community, as well as the relative predominance of first OPA, then NPM, and the eventual compromise in rules in the third period.

Chapter Six discusses the 'hands-on' nature of the role of the MC staff and the factors which caused this. In the hectic period following the introduction of Tomorrow's Schools the National Office of the MOE was itself going through upheaval. The DOE of well over 2000 staff had been abolished and the Ministry of just 600, along with new Crown entities, were created in its place. The National Office was, therefore, in no position to assert the forms of accountability which were a distinguishing feature of NPM elsewhere in the state sector. In the absence of a strong form of NPM, the work processes of the MC Liaison Officers (LOs) reflected the influence of the enduring rule, OPA, particular in their autonomy to build relationships in the education sector to help the transition to self-management. Ironically, the OPA-like activities of the MC in this first period meant that the new rule was essentially ushered in on the strength of the former rule. By the end of 1990, however, the central agencies, principally the SSC and the Treasury, reasserted the need for NPM principles to be imposed upon the MOE, and

\(^1\) The identification of these phases came from many staff within the MC. Also, an internal planning document from the MOE referred to three phases of 'Hands On' (1989-1992); 'Hands Off' (1992-1994); and 'Customer and Client Focus' (1995-) (National Operations strategic planning document, 1995:1).
upon the regional offices in particular, and thus they signalled a change in the role of the MC.

The subject of Chapter Seven, the period called 'hands-off', was a time in which the relative strength of NPM grew, and the MC was more tightly aligned with the Ministry's core role of policy. Working with schools and institutions in the education sector became delegitimated because it was regarded as impeding the completion of schools becoming self-managing. Following the criticisms of the central agencies the MOE was compelled to align itself with the NPM logic of the wider state administration. NPM was given further impetus by the downsizing of the Ministry's Operations division, and the Government's budget cuts in the Ministry; factors that were, of course, related. The promotion of the principles and mechanisms of NPM stemmed from a devaluing of those OPA principles that had been an asset in the first year of Tomorrow's Schools. For the LOs working closely with the education sector, this was a difficult period, as the existence of their office, and their way of operating, were subject to questioning.

Finally, the negative consequences of the 'hands-off' approach were felt both by the MOE and by the Government, and by 1995 it was realised that a more proactive role was required of the regional offices in order to support those schools struggling with the tasks of self-management. The 'ideal' NPM model was abandoned, and the purpose of the MC clarified so that they were able legitimately to work 'hand in hand' with the education sector. Their new role, however, reflected a compromised form of NPM and OPA, in which the staff retained some autonomy, but significantly less than they had had in the 1989-90 period. From an institutional perspective the chronology of OPA and NPM in this regional office of the Ministry demonstrates how one rule prevails over another, and the ways in which this occurs. Chapter Eight concludes with an institutional analysis of the changing role of the MC from 1989-1996, and highlights the dynamics of the rules of OPA and NPM, specifically, how the rules operated in conjunction, and the conditions and contexts which saw the rules' legitimacy, and their capacity to confer legitimacy, wax and wane.
The Formal Role of the New Management Centre

*Tomorrow's Schools* had stated that '[T]here should be no formal structure at district level', while pragmatically conceding that the MOE would have the discretion to establish a district presence as it wished (DOE, 1988a:53). It was, however, clearly stated that a district structure should *not* act as a control between education providers and the education agencies at the centre. Following this, in early 1989 the Department officials designing the structure of the new MOE decided, on balance, that a number of temporary staff positions be established at the regional level (Butterworth and Butterworth, 1998). The need for *some* district presence was also heralded by the Department's Liaison Group, (headed by Neil MacDonald) that was established in late 1988 'to communicate developments, visit institutions, and assist with charter creation and provide management advice when required' (NZEG, 17.10.88:2). MacDonald and the then Director General of Education Ballard, were both concerned that the 'dependency syndrome' of schools would take some time to dissipate (Harper, 1992:111) and that valuable liaison work in the education sector prior to 1 October 1989 would still be needed after this date.

As noted in the previous chapter, the decision to establish regional offices was not made until about June 1989 (Boyd, 1997), which meant that the newly appointed regional office managers had little time to appoint staff and prepare their offices for the 1 October onslaught. The Department stated in September (NZEG, 14.9.89) that the Operations division\(^3\) of the new MOE would be made up of eleven offices, plus the National Office in Wellington. The division was to liaise with schools in preparing and approving charters and it was also to be responsible for community liaison matters (NZEG, 1.9.89). It was envisaged by the architects of the reforms that once the charters

\(^2\) The pre-1.10.89 Liaison group officers were travelling New Zealand meeting mainly with school staff, committees and boards of governors. Community interest grew significantly in the first BOTs elections in May 1989, and to assist with the transition to BOTs the Liaison Group grew to incorporate many regional Inspectorate staff from the Department (Supplement to the NZEG 14.4.89). Critically, up to 1 October 1989 the Liaison Group Officers reported regularly to Wellington and so provided 'our eyes and ears for what were the issues out in the community' (McDonald, quoted in Boyd, 1997:31).

\(^3\) The District Operations Division had regional offices with both 'Operations' and 'Property' components until property was hived off in the 1991/92 financial year. This study looks only at the Operations work of District Operations.
were in place the state could and should allow decisions to be made at the school level, so as not to interfere with the school-community line of accountability (DOE, 1988b).

The MC that is the focus of this study, began with nine LOs, who were to work with 324 schools and 230 early childhood centres in this region in 1989\(^4\) (MC District Newsletter, January 1990). The six LOs interviewed for this study in 1996 were all in the MC from its inception and had all been teachers in schools or early childhood education (although not necessarily immediately prior to the changeover). They had also all worked in some capacity in the former DOE, i.e. for example, as inspectors, officers or advisors. Two of the key administration staff were also ex-DOE. Given this similarity in background, an office culture and collegiality was readily established in the MC. The education experience of the LOs meant they felt they had a good understanding of the needs and sensibilities of schools or early childhood institutions. A further benefit of this background was the continuity facilitated through the LOs knowing ex-Department colleagues employed in other new agencies or Crown entities, such as the Special Education Service.

An early definition of the role of the LOs in this MC was provided in a newsletter sent to the region's schools and early childhood centres.

*The Liaison Officers are responsible for approving school charters and working closely with schools, boards of trustees, community groups and other organisations, including the SES. They are also involved in the licensing of early childhood centres, school suspensions and other tasks defined in the Education Act (MC District Newsletter, January 1990:2)*\(^5\).

The DOE had undertaken a large-scale implementation and publicity strategy over the preceding 18 months and so 'the world expected everything to be set up by Monday'.

\(^4\) Precise staff numbers are difficult to find as figures often merge the operations and property staff in this MC. But sources, including a Parliamentary Question (12.9.97), the NZEG, the MC District Newsletter (1990) and interviewees, suggest that at the inception of the MC there were 9-10 LOs and some 5-6 administration officers and support staff.

\(^5\) District offices sent a national total of 37 newsletters in 1989/90 (MOE, 1990a:41) and 91 newsletters in the 1990/91 year (MOE, 1991a:58).
(MC official, interview 11.11.96). Accordingly, on Monday 2 October 'the phone went mad', and the first twelve months were described by staff as hectic and a time of much confusion within and without the MOE. LOs worked very long days, despite their contracts specifying 7.6-hour days.

"It was extraordinarily long hours. You thought nothing of going home at midnight to be in again at 8 the next morning. You were out at Board meetings late at night (MC Official, interview 12.11.96).

LOs recall this period as intensely hands-on as they worked to support schools in the transition to self-management; oversaw the licensing of early childhood centres and the negotiation and approval of charters; and provided all manner of information to BOTs and schools. The latter quickly developed into a very challenging role. In the first couple of years the LOs each assumed responsibility for working with a cluster of schools, for example one person might respond to all queries from all the schools in the north of the region. For schools, this meant they were encouraged to forge a relationship with one LO to whom they could address their queries. For the staff it meant becoming a generic expert on all matters across a range of schools, and this became a very steep learning curve as LOs were suddenly required to contribute to policy questions in areas where they had little or no experience.

"I had a primary school background and I only had that knowledge. We were all running around with pieces of paper, trying to find out about other sectors and with the phones ringing constantly. It was incredibly stressful (MC official, interview 12.11.96).

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6 Direct quotations are attributed to either MC or National Office officials; the decision to maintain anonymity in this way is discussed in Appendix One.

7 Compounding the very early difficulties was the fact that in this office, as in other regional offices (Harper, 1992; Boyd, 1997) the relocation of DOE furniture, information and computer systems had not been smooth.

8 MCs contributed significantly to the task of approval of all charters for state-funded institutions. This included early childhood centres and home-based schemes, schools, polytechnics, colleges of education and universities. In addition the Ministry was to assess the corporate plans of post-school institutions, the registration and integration of private schools and the exemption certificates for home-schooling (MOE, 1990a:32).
To meet the need for generic expertise the MC staff would gather information about their particular areas and pass this on to colleagues or, alternatively, volunteer the information directly to principals outside their own cluster. One LO recalled that a typical day might include a visit to an early childhood centre armed with tape measure and calculator to inspect site criteria, after which they might then discuss child management with parents or teaching staff (MC official, interview 12.11.96). Another visit might involve discussion about incorporating the Treaty of Waitangi into charters, and funding or staffing formulas. Finally, the MOE National Office might request information on a specific matter such as a local issue, or an area the LO was deemed to have some expertise such as special education provision or contracting school transport or payroll services.

Schools were of course, also overwhelmed with the extent of the change, and the stress they experienced preceding, and immediately following, 1 October was acknowledged by the new Ministry's CE. In mid-October she requested that every school and early childhood centre be gifted a Ti Kouka or cabbage tree9 from the four main education agencies - the MOE, Education Review Office, Early Childhood Development Unit and Special Education Service - and expressed her hope that everyone could work together in that difficult time. The climate in the education at the time of the changeover was one of trepidation, but there was also some optimism10. Tomorrow's Schools had promised that savings from the reduced bureaucracy of would be in the vicinity of $17 million (DOE, 1988a:90) - although in the event the figure was closer to $5 million (Slade, 1998).

Optimism in the MC was also reasonably high as staff worked to realise the participatory and inclusive nature underpinning the Tomorrow's Schools reforms. LOs' work involved attending BOT meetings with communities and schools who were wrestling with the compulsory inclusion of Treaty of Waitangi and gender equity issues.

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9 This gift was considered appropriate for in early times it was a landmark 'and is well-known for its determined growth under all conditions' (CE letter to schools 16.10.89).

10 This optimism was no doubt enhanced by the Government's public relations and information strategies for the change to Tomorrow's Schools, which cost $4.9 million (Slade, 1998:34).
into school charters. Debating and resolving these issues was challenging but satisfying work. Liaising with the Parents’ Advocacy Council and the Community Education Forums (both structures were disestablished by 1991) and interacting with the community was an important and legitimate part of their job. The MC manager at the time relied on staff to deal with the barrage of requests for information. In toto:

It was exciting because things were meant to be open and transparent. We had a manager who incorporated a very flat management structure; although we had a manager and a deputy it didn’t quite work like that at all, it was really very flat. So in that sense it was exciting. You were part of something new and the need for you to be out there was enormous for things not to just tip over. We were having to learn, we’d all take up a role to swot up and teach all the others. We’d all take our turns and we’d go out there (MC official, interview 12.11.96).

It is easy to see how the LOs described this period as ‘hands-on’ as they were constantly dealing with and providing information to schools, early childhood centres, and the community. ‘Hands-on’ expressed their commitment to a role they needed to fulfil - supporting schools and early childhood institutions into self-management - and this role was legitimate, for self-management was the Government’s expressed policy intention at the time. As the official government agency in education, the MOE was the first point of contact for those with education-related queries, even though after October 1989, the issue could be under the aegis of another department or agency. Staff drew on their institutional knowledge as well as their wide range of contacts, either to inform schools or members of the public, or to direct them to the appropriate agency. The MC staff felt accountable to the public, the education sector and to the Minister and the Ministry - and endeavoured to contribute to all parties. There was a sense of satisfaction that their education and institutional knowledge were being both drawn on and expanded. They operated as generalists, while also accruing knowledge in their specialist areas.

Thus in general, the LOs operated in a manner consistent with the logic of OPA - drawing on knowledge of education and their professional ties and interacting with education professionals. There was some duplication of roles, in the sense that

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11Some equity clauses were later made voluntary by the National Government elected in late 1990 - but most schools retained these, having invested so much in their initial determination (Mitchell et al, 1993).
everybody was expected to deal with issues from pre-school through to tertiary, and in all the institutions in their geographical cluster. For staff the introduction of Tomorrow's Schools involved new and varied work which was very different to that in the DOE. As will be discussed later, the breadth and depth of the LOs' work had changed significantly, but its nature remained strongly influenced by OPA principles, and this was primarily due to the weak form of NPM in the MC in this period.

The Relative Strength of OPA and the Weak Form of NPM, 1989-1990

Liasing or 'working with schools' set the very general parameters for the work of the MC. However, determining what activities the staff did, and the way they did them - the function of a logic of administrative action - is explained by the relative strength of OPA, and by the fact the MC was subject to relatively weak principles and practices of NPM in the 1989-1990 period. These can be seen as two sides of the same coin, and an eventual paradox because embedding the new roles of the agencies and education institutions relied on the OPA mode of operating. In other words, a hands-on approach was needed in the first year to make the move to devolution possible.

The Strength of OPA

Two critical OPA 'legacies' were influential in the work of the new MC - the nature of historical state-schools relations and the funding regimes - and both were associated with the former rule.

State-School Relations

The style the Ministry wanted to run was a hands-off style. The intent had been self-managing schools, let them get on and manage, and that meant Ministry, stay away. That was all very well unless you happened to be at the district office of the Ministry and the phone was ringing  (National Office official, interview 19.9.97).

Under the logic of OPA schools had become accustomed to drawing significant and free (Barrington, 1990) support from the former education apparatus. A 1989 survey had found that DOE advisors and inspectors were the main source of information and advice for teaching training and school development for 45 percent of schools (Wylie,
1990:52). The extent of this support prior to Tomorrow's Schools was impossible to estimate given the complexity of the decision-making processes embedded in the DOE and REBs. Often both organisations were involved in responding to a school's query (DOE, 1988a; Barrington, 1990; Butterworth and Butterworth, 1998), and this was especially the case when the boundaries between professional and employment issues were blurred. The collective weight of this support institutionalised by schools and the state was hidden until 1 October 1989.

Right from the start, the range of queries received by the MC was very large, covering the intricacies of the many funding and accommodation formulas, as well as the raft of new education regulations. Primary schools in particular had had a long and close relationship with the education bureaucracy, and continued to expect and seek significant information and support.

*I began to see very quickly why Tomorrow's Schools was necessary because I couldn't believe the level of dependency that primary schools had experienced. The questions they were asking were things that hadn't been part of the secondary world (MC official interview 11.11.96).*

Schools were, however, wrestling with a huge number of decisions at the school level, and with policies, many of which were incomplete at the time of the changeover. The new and radical nature of the reorganised structures and responsibilities made it impossible to predict the post-October difficulties. The reforms in New Zealand were significant in that the scale of devolution to school BOTs went further and faster than in most other countries. Given this complexity and uncertainty, and given their historical

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12 For between 20 and 25 percent of principals the next source of support was teaching colleagues, the Colleges of Education and the DOE's Psychological Services (Wylie, 1990:52).

13 Letters to the MC include the following topics. A principal's request for reimbursement of child care expenses incurred while attending BOT meetings. Enquiries about BOT's responsibilities for students at out of school activities and in relation to religious education. Another board, after finding that it was responsible for auditing the 1989 financial year - when the Government had assured BOTs this would not be the case - sent the MC an account for a private auditor's services, thanking the Ministry in anticipation for its payment. More light-heartedly, one regional office manager from elsewhere recalled that the first phone call from one school was to notify the Ministry that over the weekend someone had stolen all the lemons from their tree, and what was the school supposed to do about this (quoted in Harper, 1992:112).

14 One estimate of the percentage of decisions that are made at the school level has ranked New Zealand second among OECD counterparts. Jackson (1995) estimates that in New Zealand 73 percent of school-
relationship with the state, schools automatically approached the state organisations for help. MC officials themselves often did not know the answer to some queries, but would attempt to find out. A national survey in October 1990 indicates that the Ministry's regional office staff were perceived as willing and approachable, but often unable to give schools the help they required (Wylie, 1991). While principals recall being sent 'written material by the truckload' (ibid.:64) they report mainly positive dealings with regional office staff, but with a more mixed evaluation of experiences with the National Office staff. Nowhere was the need for information more important, and more marked, than in the area of funding.

**Funding Legacy of OPA**

Under the mode of OPA the education funding regime had grown to accommodate a myriad of anomalies. This was the legacy of the diffuse nature of responsibilities in the DOE and REBs, and of politicians who had learnt that to reduce a school's funding was to strike at the heart of the government-school relationship. Quite simply, in 1989 no one actually knew what it cost to run a school (Barrington, 1990). While revising the funding formulas and regimes for early childhood and tertiary sectors proved reasonably straightforward, work on the school sector funding was filled with unexpected difficulties (National Office official, interview 19.9.97). In 1989 the DOE had frantically endeavoured to finalise operations and staffing formulas but was unable to complete the many reviews and working groups' reports and formulas that had been anticipated. So, by the changeover, 'a sizeable collection of amounts had been parcelled up, some temporary arrangement constructed for them, and left aside to be dealt with after October 1989' (National Office official, interview 19.9.97).

Developing the new operations funding formula for schools had got off to a bad start in 1989 when it was discovered that the DOE 'test budget' formula\(^{15}\) would realise a 31

\[\text{related decisions are made at the school level. Ireland is recorded as the highest, with 74 percent, although 'school level boards' in Ireland are comprised of trustees who are part of larger established religious authorities. By comparison, in America 26 percent of decisions are made at the school level (ibid.).} \]

\(^{15}\) While BOT governance began in 1.10.89, their responsibility for budgets did not begin till 1.2.90. The Funding Working Group began in October 1988 to devise the nationalised operations and staffing formulas envisaged by the Pick Committee. Their first formula was trialled, and the Government received 'test budgets' for 1990 from 2005 schools (NZEG, 1.12.89:1).
percent deficit between the amount schools spent in 1989 and their anticipated allocation for 1990 (NZEG, 2.12.89). Given the uncertain levels of support for Tomorrow's Schools, the Labour Government had to ensure that the reforms could not be construed as a cost cutting measure. In December 1989 the formula was adjusted to reflect 'the estimated level of support schools received either through the DOE and/or education boards' (ibid.) and another $8.2 million was allocated. The Government went on to stress there could be no negotiation as 'the Ministry holds no additional funds for distribution to schools for their operating grants. The amount distributed is all that is available' (ibid.:1). Additionally, in the election year of 1990 the Minister of Education responded to schools' complaints about the adequacy of the new operations grant by establishing a second taskforce and this saw a further $5 million added to operations funding (Goff, 1990). While complex, at least the new operations grant could be made transparent and standardised and so at least its administration was reasonably simple.

In contrast, the administration of staffing funding proved more complex for the MCs because it reflected a diversity of historic arrangements. The bulk of staffing was incorporated into relatively standardised per-pupil 'entitlements'. But schools also relied on 'discretionary' or 'attached' staffing funding which accounted for approximately three percent of staffing in primary schools; two percent in intermediate schools; 8.4 percent in secondary schools and 12.5 percent in area schools (that is schools from years 7-13) (MOE 1991c:10-11). Schools had applied for, and effectively negotiated, this funding with REBs and the DOE District Senior Inspectors. The percentage of discretionary staff was reasonably small overall - but to schools which employed teachers and provided children with services via discretionary funding, it was a highly significant matter after the changeover. Because education bureaucracies had held such autonomy under the previous OPA arrangements, principals had had to construct their cases for funding and grading of staffing positions. These were arguable and not entrenched positions and principals had learned that success could be due to both 'skillful advocacy' and 'the capricious whim of Departmental officers' (Jeffery, 1995:53). One National Office manager likened the autonomy of the Department's regional offices to 'semi-feudal independent baronies' (interview 19.9.97). The result was a maze of discretionary resources distributed to schools (MOE, 1991c) which sometimes were no more than informal arrangements where Government Departments had traded 'in kind', for instance exchanging the services of physiotherapists and education psychologists.

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When the administrative layer of DOE and REBs was abolished, this legacy of the OPA arrangements was realised as a funding system full of 'black holes', as they came to be known in the MOE (Boyd, 1997)\textsuperscript{16}.

\begin{quote}
You have all of those neat local fits from over the years. They get broken apart and there's a whole new myriad of jagged edges, and who gets confronted with them? It's the district office, and no one was anticipating it. There was a naïve faith in the purity of the funding formula which would then be released on to the world and the world would live with it (National Office official, interview 19.9.97).
\end{quote}

After the changeover schools wanted to know their discretionary staffing, and their queries contributed to the MC's work. LOs were advised in October 1989 that they were to be the 'face of the Ministry' (National Office memo to MCs, 12.10.89). If funding questions were simple then staff could handle it themselves. It was stressed that LOs were not to act in a negotiating role, but to clarify any misunderstandings and know where to direct the BOTs or the principal for help (ibid.). Some answers could be retrieved from the 'black holes committee' in the Ministry's National Office which met each week to discuss and possibly resolve issues as they were faxed in from the districts (Boyd, 1997:33). National consistency was attempted, but was highly problematic given the absence of information about the historic arrangements and the serious funding anomalies. Debate was particularly heated regarding special education, where children's needs were often both urgent and significant, and where discretionary teacher and equipment funding was relied on by schools, early childhood institutions and families.

Attempts by the Government to change funding levels were roundly condemned by schools, particularly in light of the pronouncements that there would be savings to redistribute to schools.

\textsuperscript{16} There were literally hundreds of specific staffing and funding arrangements. For example, resourcing teachers with many kinds of special education needs, itinerant teachers, remedial reading and refugee allowances. Area schools could apply for 'additional staffing for special reasons' while secondary schools had a 'schools with special problems' allowance (Butterworth and Butterworth 1998:168-169). Other arrangements were the result of partially implemented policies. For example, some schools had retained enhanced guidance staffing provision after joining a pilot programme in 1974.
Schools on the whole, and particularly primary boards, didn't believe and didn't understand it. They never knew how much money any board actually spent on any school, but they believed it was a whole lot more than they were actually getting (National Office official, interview 19.9.97).

To maintain the legitimacy of the newly reorganised education apparatus the Labour Government was forced to develop and maintain a funding regime which produced figures reasonably close to the peculiar extant arrangements. But, in order to be both tolerated and affordable, the result was a set of arrangements that were much more complicated than intended. In this initial period, regional office managers were often allocated a total of discretionary funds for their region. To address the 'black holes', the MC allocated certain kinds of discretionary funding to schools, and often had to assign them to a host school and decide who would look after discretionary staff, who they would report to, who was responsible for travel costs, accommodation, office and phone, and so on. The MC treaded a fine line. Many schools continued to advocate for funds, and ask for help and direction, yet LOs had to avoid any negotiations with schools, but still contribute to funding decisions.

MCs also provided funding information on behalf of the Ministry's National Office which was itself often unable to advise, and only wanted to be notified when there was something which would clearly set a precedent or had national implications (National Office official, interview 18.9.97). The hectic nature of the changeover to Tomorrow's Schools meant that the LOs, who were often out in the region to license early childhood centres and ensure that institutions were meeting the new compliance measures and regulations, bore the brunt of much of the dissatisfaction with the change process. This somewhat 'informal' role of working with schools took place within an overall direction of devolution, as a manager who had worked in both the regions and the National Office recalled.

The very clear message was that, right from day one, the Ministry was a 'hands-off' Ministry and that there were self-managing schools and organisations. They would only be self-managing if they were allowed to self-manage. That was a very difficult thing for some schools (National Office official, interview 18.9.97).
Clearly it was difficult to make schools become self-managing in the face of the complexities of state-school relations under the former OPA arrangements, and the very great needs expressed by the public, schools and other institutions. Significantly, the enduring influence of OPA also stemmed from the relatively weak form of NPM that was present in the MC in 1989-90.

**The Weak Form of NPM in the Management Centre**

In 1989-1990 the idealised form of accountability found elsewhere in the public sector was largely irrelevant to the MC. Rather than stipulating that the 'right' activities were to be done the 'right' way, the model of NPM effectively assumed that any Ministry presence in the regions would be temporary and minimal. The proponents of NPM had, therefore, very little to say about these operational offices of the MOE and so the ideals of NPM were not translated into clear accountability mechanisms and practices in the MC.

**The Indeterminate and Extensive Role of the MC**

The raison d'être for the MOE was to provide policy advice to its client, the Minister of Education. Given the climate of the central agencies' denigration of the OPA and, the Department, the new CE was under pressure to achieve a policy-driven Ministry and self-managing institutions.

*To make a reasonable degree of sense of the way in which the Ministry was set up, you'd have ideally wanted the policy outputs to be largely, or pretty well entirely held by the policy group. On the other hand, I think that the Secretary at the time was feeling quite strongly that if she did not have the whole of the Ministry contributing to policy she was going to lose bits of it, because it was supposed to be a policy-driven ministry. So, for example, you had people in the district offices describing themselves as working on policy (National Office official, interview 19.9.97).*
Notwithstanding the difficulties of translating policy advice into outputs, it was a pragmatic challenge for the MOE to make the largely unanticipated and indeterminate role of the MCs compatible with NPM. Clarification of the accountability role, relationships and mechanisms of its regional offices was a luxury which the hard-pressed MOE could not afford. Mindful of the criticism that the MOE continued to be 'captured' by ex-DOE officials with education experience, the CE highlighted the difficulties faced by the Ministry.

*The new organisation had been designed for a 'steady state' which will, in fact take some time to achieve. The reality is that we are still in transition and continuing the perfectly normal developmental process of implementing the reforms through ongoing changes, adjustments and amendments. This created uncertainty, confusion and a certain resistance to further changes amongst those (the majority) who had thought the reforms were over on 1 October 1989* (MOE, 1990a:7).

In short, it was a 'madhouse' in the MOE National Office as well. The success of the reforms in operating with a pared-down regional structure and devolving decisions to schools was, at this time, making a virtue of necessity. The Ministry National Office made it very clear that they were 'overloaded' and that regional staff were to rely on their own systems, information and staff where possible, rather than 'put pressure' on Wellington (National Office memo to MCs, 12.10.89). Ministry regional managers may have endeavoured to train staff to look 'inwards' towards the Minister and not outwards to the community but the pressure from the centre to do this was less than the pressure to smooth the implementation of Tomorrow's Schools. Indeed, there was pressure from the National Office for MCs to alert them to the critical issues and policy developments

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17 The uncertain nature of assessing and costing policy advice has been explored elsewhere (Scott, 1992; Schick, 1996). Policy development is not readily amenable to ex ante specification of short-term outputs, and Ministerial directives may see policies merged, or sidelined, sometimes indefinitely. This is seen in the MOE's early Annual Reports which note that policy timelines were often not met because of 'revised work programmes', general elections or because 'further work was required' (MOE, 1991a).

18 This was reiterated in the MOE Corporate Plan 1990/91 which highlighted tensions to emerge from implementation: the speed and complexity of change; funding issues; board of trustee governance issues; and high public and interest group expectations (MOE, 1991d:12).
that could be politically embarrassing, as well as qualitative feedback on whether policy was working (minutes of regional managers' meeting 5.7.90).

The centre was also reliant on the regional staff to respond to queries from institutions when policies were incomplete, under further development or where errors had simply been made. Given the scale and pace of change, errors were not infrequent\(^{19}\), and were quite reasonably explained by the Ministry operating as a new organisation, developing and implementing major reforms, in which difficulties would be inevitable (MOE, 1990a: 24). Occasionally information was circulated to schools before it had been sent to regional offices. The 'liaison' element of the MC's work was also required when the early childhood centre licensing took more time than anticipated. The MOE's delayed promulgation of the school charter guidelines meant that community consultation was prolonged, and the close-off for final approval was postponed till 1 March 1991. Maintaining work and momentum in relation to charters and licences was fundamental, because they were key accountability documents. In a similar vein, the national guidelines for matters such as zoning, enrolment schemes, and financial planning and reporting were still being completed in 1990, and these often generated further queries from schools\(^{20}\). Clarifying these accountability mechanisms was critical, since they provided the parameters and compliance regime within which schools operated.

Thus, the MOE National Office was reliant on the efforts of the MCs. It was assumed that the MCs would provide support in a range of ways and circulars to schools often concluded by saying further explanation or forms could be got from the local MOE office. This role as first point of contact meant that the LOs absorbed a lot of the dissatisfaction from institutions and from people who only contacted the MOE when there was a problem. Tensions were exacerbated by the Ministry's proclivity to impose

\(^{19}\) The most high profile 'error' was the discrepancy between the charter legislation and the charter framework, the latter was amended to remove the Ministerial commitment to fund schools to meet their charters' requirements (Codd, Gordon and Harker, 1990).

\(^{20}\) For instance in the financial year ending June 30 1991, it was noted by the Ministry that the early childhood centres expressed a high level of dissatisfaction over regulations, while BOTs were only moderately satisfied. On average each school required from regional offices two or three explanations about these regulations (MOE, 1991a: 41) which, for the MC, meant at least 650 queries. Interestingly regional managers reported a high level of satisfaction with the content and presentation of the new guidelines.
very tight timeframes on schools for supplying information, when the Ministry itself was able to extend its own deadlines (Jeffery, 1995).

The MC's extensive role, albeit one that was not formally prescribed, represents a significant paradox: the introduction of the logic of NPM in education was in fact **reliant** on the enduring influence of OPA. 'Hands-on' intervention was crucial to the implementation of a 'hands-off' model. Where institutions had difficulty with key accountability mechanisms - such as the school charter, early childhood centres' licences and schools' financial statements and guidelines - MC staff were required to clarify or come up with the necessary information so as to ease this transition. Where policy decisions happened 'on the hoof' (Boyd, 1997), the Ministry relied on the education institutional knowledge and skills of the LOs to quickly become expert on the relevant information. One LO, formerly with the DOE Inspectorate, recalled:

> I can remember driving all over the region looking for a primary school, stopping on the side of the road to read things and get up to date with the policy. It was very different compared with going in as one of a team of inspectors for four days into a school (MC official, interview 11.11.96).

Without the fundamental NPM requirement of a single and clear function, and in the face of significant needs both in the community and in the Ministry National Office, the LOs were effectively sanctioned to exercise professional judgement and discretion and respond to struggling schools. This situation was fostered by arrangements where they forged relationships with school clusters. Despite the intense work pressures, this high level of autonomy engendered significant job satisfaction.

**The Absence of NPM Accountability Mechanisms**

With the role of the MC being so loosely determined, it was problematic to introduce the accountability mechanisms to enforce this, particularly given that the MC performed an operational role within an ostensibly policy-driven Ministry. Technically, the Minister was the MC's 'client', but in the first year of the reforms the National Office had not established a strategy to reinforce this, and the relationship was not couched in principal-agent terms. Even if it had been, the LOs were supporting the transition to devolution and so following the clear intentions of the government of the day. The
Minister needed a smooth transition of the Tomorrow's Schools reforms, more than he needed a series of ideal-type principal-agent contracts and output controls.

In the first year, the reporting systems of the division of the regional offices were, as one former regional manager put it, 'crude' (National Office official, interview 17.9.97). From 1 October 1989, regional managers were in daily contact with their general manager in Wellington, and from the beginning had to summarise key internal and external issues in a weekly report to National Office (National Office official, interview 18.9.97). Performance Agreements for managers appeared in 1990, but these tended to be generic and so did not meaningfully reflect the work of senior managers nor influence subordinate staff. As the position of 'liaison officer' had been a DOE position, the format of this job description closely resembled that of the pre-Tomorrow's Schools era (MC official, interview 12.11.96). There was a tendency for functions put on paper to be overtaken by events.

Also in the first year, the MOE began to build its entire financial management systems from scratch (National Office official, interview 18.9.97). But the weak 'top-down' form of NPM was not only the result of the Ministry's immaturity, but also of the difficulty in applying the ideal NPM principles to the historically diffuse financial arrangements of the OPA. In 1989-1990 there were no 'output controls', rather, the MC contributed to the developing picture of the Ministry's overall expenditure, as well as to building its forecasting capacity and the systems to support this. (The significance in late-1990 for the MC of the essentially input-derived 'output controls' in education is discussed in Chapter Seven).

Initially some LOs were optimistic about the new funding regime, which was to allow discretion to move funds across categories and remove the hierarchical regime of line-budget approval that characterised the DOE (MC official, interview 12.11.96). While the reality did not live up to the rhetoric, for funds were always being scrutinised and requiring justification, the regional managers and budget officers did enjoy their newfound financial autonomy. This reflects the minimum financial reporting requirements in that early period, and a situation where if additional funding was required, it could be
justified under the generic category of 'operations' (MC official, interview 25.11.96)\textsuperscript{21} as well as an absence of information about what activities cost. Strained financial procedures were inevitable; for instance, at a regional office managers' meeting on 5 July 1990 it was noted that regional managers should start to prepare their bids for that financial year, which had already begun (minutes of regional office managers' meeting 5.7.90)\textsuperscript{22}. In the context of the organisational chaos, however, the MOE was in no position to identify either efficient or inefficient management, let alone employ accountability measures and rewards to influence subsequent management processes.

In an effort to remove the middle administrative layer in the regions, the Ministry contracted out to Education Service Centres (ESCs) the task of payment of some school expenses\textsuperscript{23}. The process, however, was protracted and could require careful MC administration. To illustrate, the MC might approve the requests for, say, reimbursing travel expenses for Resource Teachers of Maori Language. After checking the pay rates against the information from National Office on teacher awards, the MC might advise the teachers and their principals that the request had been approved and then note these expenses against the MC's 'commitments' that were sent each month to the finance section of the National Office. Only at this stage would the invoice be sent, in a batch of others, to the ESC\textsuperscript{24}. The ESC would then contact National Office requesting funds so that it could pay the teachers. Delays at any stage could also involve the MC in placating schools.

To summarise, the weak form of NPM in the MC stemmed in part from the weak form of NPM operating throughout the Ministry and the legacy of the intervention the

\textsuperscript{21} For example one former regional office manager recalled that their office in 1996 ran on about a third of the total of its inaugural budget (National Office official interview, 17.9.97).

\textsuperscript{22} Regional offices only dealt with money ‘on paper’; all invoices were sent to National Office and paid from there, so the regional managers put in a bids for their operational budget and, the Manager of the District Operations Division would decide funding. In the New Zealand public sector the financial year is 1 July to 30 June. Typically a department begins preparing its budget 9 months in advance.

\textsuperscript{23} As noted in Chapter Five, ESCs were created by the Government in 1989 and comprised a third tier in the education structure. These Centres provided services to schools and also provided a range of services to the Ministry.

\textsuperscript{24} District offices also sent a copy of the total claims to head office, allowing a cross check on funds going to the ESC.
education community had come to expect for the bureaucracy. Additionally, there was the legacy of the complexity of the OPA's many funding regimes, and in a climate of discontent and chaos, it was not straightforward to continue or amend extant funding formulas, let alone introduce new ones. More significantly, the advocates of NPM had effectively 'assumed away' a regional education apparatus of the state, and so there was no relevant translation of the ideal principles of NPM onto the MC. The advocates of NPM had assumed that a series of principal-agent contracts would be established which would ensure clear roles and accountability within the education apparatus. Hence the focus of the MC on securing these contracts, and especially the charters and licences. In contrast, within the MOE there was relatively less attention paid to its own paper-based contracts. Even where contracts and reporting were in evidence, the new Ministry was frantically reacting to problems, and so could not base these on ex ante specification, monitoring of performance and accountability for results. The difficulty the MOE had in even gathering reliable information about expenditure and inputs did not bode well for its generation of outputs or services that could be meaningfully specified and costed.

Central Agencies' Critique of Management Centres

As noted in Chapter Five, the central agencies of the SSC and the Treasury considered not only that the reforms' implementation process had unravelled and 'got the wobbles' (SSC, 1990), but that the new MOE structure contributed to this poor result. This view was clearly expressed in two key documents: the Lough Report (Lough, 1990), and in the Briefing by the SSC (1990). These reports are significant, for they explicitly discuss the OPA characteristics of the MOE's regional offices as a problem, and propose a NPM-driven solution.

The Lough Report noted the rationale behind the MOE's regional presence as being the advantage gained from close proximity to educational institutions in the transition period. However, this presence presented major disadvantages in the long term:

*The longer lines of communication within the Ministry between districts meant that liaison on policy matters is less effective. In the absence of detailed knowledge on the part of district staff, advice may be inaccurate and therefore add to uncertainty rather than reduce it...*
Location in the districts encourages educational institutions to continue to depend on the Ministry of Education for operational advice, which is counter to the intention of the reforms (Lough, 1990:43).

The Lough Review team concluded that as people became familiar with the reforms, the need for MCs would decline (ibid.) and rather than see 'staff identify new tasks to occupy their time', the MOE senior management should plan for staff reductions (Lough, 1990:44).

The SSC similarly noted that, once charters had been negotiated, it was unclear what the operations division staff would do (SSC, 1990: 8)\(^25\). Furthermore, the tenacity of the district staff was explained in terms of rent-seeking behaviour or ensuring their jobs were maintained. Simply, education professionals had, like the DOE before it, captured the MOE and the district offices were similarly tainted.

*It is predictable, given the long history of heavy central control, that the paternalistic culture of the central bureaucracy could not be suddenly transformed into being hands-off or minimalist (ibid.:17).*

These two documents concluded that students' education outcomes would be improved if funds were released from the MOE's operations in the districts and reallocated directly to schools\(^26\). Moreover, in place of the regional offices, one central help desk might be a 'more effective and efficient support mechanism to schools', with the concession that two might initially be required (Lough, 1990:44). In line with NPM, the Ministry's operational functions should be positioned to be 'spun off' in the future, and the staff size should decline to 300-400 (from the existing 600 or so) over a two-three year period. Both Lough and the SSC insisted that the MOE acknowledge a new direction in terms of down-sizing operations and staff numbers, with the SSC later claiming that unless the Ministry was given a specific target and time frame, its reorganisation would not occur (SSC, 1990). In short, the education bureaucracy would

\(^{25}\text{The SSC (1990) stated that the Lough Committee had noted ambivalence and dissatisfaction with the purpose and services of the operations division. In fact, the Lough Report levelled this criticism at the property part of the division.}\)

\(^{26}\text{As noted in Chapter Five the Lough Report (1990) also advised that the ERO's activities could be reduced and the funds redirected to institutions.}\)
not enforce this logic upon itself; or if they did, the shape of it would change, as evidenced by the DOE's apparent relitigation of the pre-Tomorrow's Schools implementation process.

For the SSC, the MOE's failure to implement the bulk funding of school teachers' salaries - where schools were allocated a lump sum with which to pay staff salaries - was a case in point. Bulk funding was critical for it reflected the principles of NPM: people could be made accountable only for that which they had control over. According to the SSC the Ministry was impeding bulk funding by devising centrally-controlled complex funding formulas, that 'fudged accountability relationships' and so jeopardised completing the reform process (SSC letter to Minister of State Services, 1.2.91b).

*For schools to be self-governing and make the most efficient and effective contribution to the Government's education outcomes, they need control of all resources as bulk funds. Only then can they be held responsible and accountable for results* (SSC letter to Minister of State Services, 1.2.91a).

Although conceding that bulk funding would require careful management, the SSC stated this should be done by a committee which would contract a number of 'transition co-ordinators for a finite period to provide support where necessary' (SSC letter to Minister of State Services 12.7.91). In short, the SSC argued that the MOE, and especially its regional offices, were incapable of implementing their own withdrawal from activities in the education sector, and hence required careful monitoring and controls.

**Conclusion**

The 1989-1990 period was one in which the 'bottom up' influence of OPA was stronger than the weak 'top down' NPM model. The influence of the OPA was seen in expectations of the education sector and the public that the MC would support the transition to Tomorrow's Schools. The Ministry's CE noted that there had been a significant mismatch between expectations of what the new organisation was supposed to do, and the reality of what the Ministry 'can and is intended to do' (MOE, 1990a: 8). For its part, the MC was empowering schools to adopt self-management, working with their school clusters to explain and clarify the policies and regulations often being developed on the hoof. Moreover, the MC was also obliged to help meet the
information needs of their National Office, while the National Office assumed that the
MCs would 'plug' gaps as they emerged. Hence, the LOs' education knowledge,
contacts and institutional memory were important in seeing in the new regime - and the
frenetic pace of the work relied on their exercising significant autonomy to do so.

The LOs remember that first period as one of hands-on, an approach that was necessary
to bed in the new reforms. A hands-on approach was also the result of the strength of
the OPA in this particular regional office, and the relatively abstract and irrelevant form
of NPM in relation to the MC. This was something of a paradox - implementing the
new model of NPM relied heavily on the OPA characteristics as staff worked to
implement the key accountability documents of the charters and to ensure statutory
compliance with the new licenses and regulations. Their role was, however, scrutinised
and duly criticised by the NPM advocates in the central agencies, when the Government
accepted their recommendation for a review of the implementation process. Despite the
new model's reliance on the enduring principles of OPA, the advocates of NPM roundly
criticised the orientation of education professionals in the new education apparatus. The
Ministry was compelled to respond, and the role of the MC was to be shaped by the
CHAPTER SEVEN - STRENGTHENING NPM, 1991-1994

Introducing the Pressures for Change

Between 1991 and 1994 two factors saw a greater alignment between the MCs and the MOE. First of all, the restructuring of the MOE's operations group, and secondly, closer application of the NPM principles of accountability to the MCs to ensure that the right activities were carried out in an appropriate way. The effect was an explicit directive to be 'hands-off', an approach not welcomed by the LOs or by the community still struggling to cope with the reforms.

One of the things we, in the head office anyway, found ourselves doing in the early years was to get the people in the MCs to see themselves as front line troops of the Ministry. They weren't front-line troops of the education community. They had to have their spears facing outwards. They were government servants not servants of the education world. Some people found that quite uncomfortable. Certainly the education community found it uncomfortable (National Office official, interview 19.7.97).

Significantly, the restructuring and alignment in this period were implemented by the MOE, which was under pressure to respond to the Lough Report, and also under retrenchment following Government budget cuts. By 1991 the Ministry, and the Operations division in particular, was better equipped to focus on internal management and processes. The MC was thus influenced by a number of different contexts.

In 1991 the CE, besieged by the central agencies' criticisms, highlighted the difficulties of the 'perfectly normal' transition process.

This has created uncertainty, some confusion, and certainly a growing resistance to further changes. It is going to be some time, before the education reforms are complete. Recognition, acceptance and resourcing of the transition period we are in, and the consequent operational requirements, will go a long way towards ensuring ultimate success. Times of change inevitably require extra effort, people and resources (MOE, 1991a: 9).
The central agencies positioned both the current and the future operations of the work of the regional offices. They signalled that these offices should have a finite and short-term role, and that many operational activities be hived off or made contestable. By 1990 the LOs heard rumours that, instead of MCs, staff could be based in motels using laptop computers, and that district operations could be a temporary division. Such scuttlebutt did not eventuate but the latter half of 1990 was nonetheless an uneasy time for the MC as their work was as best misunderstood, and at worst, attacked overtly. From their perspective, 'if the Government wanted to see Tomorrow's Schools up and running then it needed some people on the ground' (MC official, interview 20.11.96). The MOE, however, was compelled to undertake restructuring and to align the MCs with the centre - the Ministry and the Minister.

Restructuring According to the Logic of NPM

From 'District' to 'National' Operations

In response to the April 1990 Lough Report the MOE announced a number of measures - many still tinged with the former OPA approach to public sector activities. The Ministry established and chaired a number of working parties, which included sector groups' representatives, to address concerns raised in the Lough Report. A Principals' Implementation Taskforce was convened to wrestle with the implementation issues. Where Lough had highlighted the need for the MOE to focus on its core business, the CE concurred with this, and noted that drafts of the Ministry's first Corporate Plan had already been sent for comment to over 100 organisations (MOE 1990a: 7). The CE later welcomed the 45 responses as 'rewarding...and as a result the Ministry's perception of its role in core activities was further clarified' (MOE, 1990c: 5). Such measures, consistent with the logic of OPA, were criticised by the SSC which saw the Ministry's inclusion of 'traditional interest groups' as part of the problem and not the solution. Instead, it argued, the Ministry should have been consulting private and public specialists in trading activities (SSC, Appendix, 1990:18). The SSC repeatedly noted that the education reforms had been 're-litigated' by education agencies, and by the Ministry in particular. Conversely, Dale and Jesson (1993:18) note that in fact the Lough review of the education reforms was more an attempt at re-litigation itself, than reviewing per se. This is borne out by the Government's directive to review the implementation process just two months after 1 October 1989.
The *Lough Report* did generate a number of procedural responses within the Ministry which were to influence the work of the MC significantly. An internal working group produced a draft report in June 1990 that defined the MCs' functions by inserting the 'district level' into the MOE's three objectives in its *Statement of Purpose*.

*To provide informed and reasoned policy advice from a district level.*

*To ensure that legislation and the Ministry's policies are implemented at district level.*

*To ensure the optimal use, at district level, of resources devoted to education*  
(*MOE internal draft report, 20.6.90*)

The MOE had been instructed by Cabinet to report back to the Government by the end of July 1990 with its down-sizing strategy and timeline, and so this internal paper drafted options for both. Interestingly, this paper focussed on the future size and structure of the Operations division with its eleven MCs, reflecting that inputs and not outputs at this time were the focus of managers and of the Government. The draft paper notes that the outputs asked of the Ministry from 1 October 1989 to 30 June 1990 were 'probably unrealistic' (ibid: 5). The paper also posits those MC tasks that could be contracted out without threatening education outcomes, and highlights the tasks that require knowledge of local needs, charter objectives and curriculum initiatives.

For these reasons the internal paper focuses on options in terms of spinning off tasks, and in reducing inputs (for example, to lose ten percent of staff by 1993, or 20 percent by 1995) (ibid.). In contrast to the approach ideal in NPM terms, clear specification of the range of outputs is absent, reductions in staff or inputs is the focus and the core role of the MCs remains elusive. The latter is seen from the minutes of a meeting where regional 'managers differed over LO roles in relation to achieving self-managing institutions' (minutes of regional managers' meeting, 7.11.90). Indeed the CE herself referred in 1990, somewhat broadly, to the operations' functions relevant to the regional offices as the 'development of charters, funding administration and the exercise of statutory delegations' (MOE, 1990c:6).

The most obvious MOE response to the *Lough Report* was an internal restructuring in October 1990. An Operations group was created, and the former district operations
reformed into a National Operations division with its own manager. This new structure was based on the assumption that issues emerging in the districts were in fact national issues; the analogy was that MCs were no longer to be disparate 'corner dairies but branches of the bank' (National Office manager, 1996 in Boyd, 1997:37). The new National Operations senior manager oversaw eleven regional office managers, and rotated district managers into the National Office, ostensibly to give them experience, but primarily to help manage his own workload (ibid.). The SSC condemned this first restructuring as a 'reshuffling exercise of the senior management group' (SSC, Appendix, 1990:17). The restructuring was significant, however, for it prepared the ground for, and promoted the importance of, the MOE's scrutinising the size, structure and orientation of its regional presence. The 'external' impetus for this came from the Government's introduction of cuts to the MOE's budgets.

The Climate of Governmental Fiscal Restraint

In October 1990 a National Government was elected and immediately set about to curb social spending, following its claim that the previous Labour Government had left a legacy of a fiscal crisis (Butterworth and Butterworth, 1998). The Government promptly undertook 17 reviews of the education sector, and signalled not only the search for fiscal savings, but also a deliberate shift from the OPA approach, in that the review teams comprised only MOE, SSC and Treasury officials. The teams' composition, and the subsequent reforms, provoked an outcry from the teachers' unions. For example, a union criticised the fact that the team reviewing the Teacher Registration Board had not included any sector representative. The Government subsequently decided to make the registration of teachers voluntary, effectively implying that people without the necessary qualifications could teach (NZEI RouRou, 20.8.91).

The impact on the MOE, and its National Operations division in particular, was significant. Accurate budget comparisons are difficult, but in general terms the MOE

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1 The restructuring also saw the creation of Chief Advisors in the early childhood, school and tertiary sectors, who were 'a professional contact point for each sector' (MOE, 1990c:6). However, queries from the regions were unlikely to be directed to these advisors in the National Office, and clearly one person per sector was of limited help.

2 People with 'appropriate expertise' were seconded, but this referred to officials from the Ministry of Women's Affairs and the CEs of the Crown entities that were being reviewed (Smith, 1991:35).
regional operations budget had been approximately $17 million in 1989/90 (a nine month year) and approximately $18 million in the 1990/91 year (minutes of regional managers' meeting, 5.7.90). But in the 1991/92 year the new Government reduced the Ministry's total funding by $7 million (Smith, 1991) and the newly created National Operations' budget was cut by $2.324 million (MOE/PSA Review Report of the Joint Working Party on Restructuring: National Operations, 1991:4). The retrenchment placed extreme pressure on the new senior manager of National Operations to require that staff do more for less.

Savings were made from the disestablishment of 24 positions across the National Operations division through a policy of attrition and non-replacement of staff, and in addition efficiency gains give a saving of another $0.551 million (ibid.: 4).

Still further savings were required in the following year, 1992/93, when the Government cut the MOE's budget by $2.417 million (Smith, 1991:43), and so the National Operations had to make savings of 'a further $1.237 million in future years' (MOE/PSA Review Report of the Joint Working Party on Restructuring: National Operations, 1991:4).

These cuts impacted directly on the MC by providing tight parameters around its activities, particularly travel and visits in the region, which were further scrutinised. Budget restrictions were instigated in early 1992. LOs were told that conference calls could replace project/policy team meetings; all LOs' daily travel had to be approved by their manager, especially that involving overnight stays; all travel which involved flying or a daily allowance had to be personally approved by a more senior manager; and some items such as stock purchases and newsletters were delayed till after 30 June 1992 (MC internal memos, 27.9.91 and 6.3.92). The MC operations manager further noted that in the following year a retiring LO would not be replaced, regional visits to deal with the matters such as Maori education, Education Development Initiatives (EDIs - initiatives that explored closure and merger options for schools, often in rural regions facing population decline), early childhood licences and compliance would be actioned more slowly and the MC budget would preclude staff attending meetings in Wellington (MC internal memo 29.11.93).
Any visits to the region in this period were especially fraught as the sector too felt the effects of the National Government's fiscal restraint, along with the politics related to its high profile Ministers of Education and Finance. For example, in December 1990 the Minster of Education announced that schools' operations grant was effectively capped, and the pool of equity funding was kept static while the number of schools applying for this increased (Butterworth and Butterworth, 1998). At the same time, more tasks were devolved from the MOE to schools as BOTs were made responsible for the administration of relief teaching funding, and in 1992, for the salaries for management positions in schools (ibid.). Some of the antagonism expressed by the community was related to the views of key Ministers in the 1991-1994 period. The Minister of Education made no secret of his belief that private schools were superior to state schools.

_The state tends to protect mediocrity. Teachers are not promoted on performance but on time served...sameness is the goal. The mediocrity of the whole, so that everyone is equal,... I recently visited what has to be one of the best state schools in New Zealand. One of the reasons that it was so good just has to be that it was in the vicinity of four private schools_ (Smith, quoted in NZEI RouRou, 5. 2.92:3).

In a school system where only 3-4 percent of pupils are enrolled in private (or 'independent') schools such views raised the ire of many, and were interpreted as an attack on state schools. The controversies in this period were also related to the views of the very neo-liberal Minister of Finance who stated that New Zealanders had to stop 'whining' for more funding, and that people had to 'change their attitudes' about what they expected from the education system (Richardson quoted in NZEI RouRou, 20.9.93:1).³

As noted in Chapter Six, the heralded financial discretion of NPM had been welcomed in 1989 by MC staff who had felt the DOE's hierarchical and inflexible spending regime was wasteful. However, in the climate of fiscal restraint the MOE as a whole had to

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³ The recently retired Secretary to the Treasury, Graham Scott, who had been a high profile advocate of NPM, expressed a similar view. He stated he had no bias about public versus private schools, but regarded the state's role in promoting education services as merely a 'technical issue' (quoted in NZEI RouRou, 20.9.93:1).
retain control of all its budgets and, in practice, MC's budgets were looked at to
volunteer savings so that the National Operations division could remain within its
overall allocation. In addition, savings could be asked of entire divisions to ensure that
the MOE stayed within its own shrinking baseline budget. Again, exact figures are not
known, but it is estimated that the MOE's funding went from approximately $80 million
when it began, to approximately $60 million in the 1993/94 year (Butterworth and

The budget cuts did not provide an incentive to 'under-spend' as had been promised in
the rhetoric of NPM with its focus on controlling by measurement of results, rather than
control over inputs. Rather, the cuts made fiscal restraint an imperative. For example, in
late 1993 a MOE budget review team considered that National Operations as a whole
was under-spending and would therefore have to contribute 'savings' of $247,000, with
$12,600 to come from this MC (MC memo to National Office, 29.11.93). The MC
manager at the time took the opportunity to convey, in unusually frank terms, to the
National Office that many staff felt that the National Operations division was now so
under-funded it could not staff all the positions the division was entitled to.

Meanwhile, dedicated officers continued to work long hours in order to enable the
Ministry to maintain credibility - a fact shown by the output sheets... That is why
the $247,000 is such a bitter pill to swallow. Presumably this money has gone to
some other division which claims to be in greater need of it than we are. We
could easily promote ourselves to the head of the queue of needy divisions if we
simply appointed staff to positions currently vacant, instead of adopting our
policy of responsible, disciplined restraint (MC memo to National Office,
29.11.93).

The Problematic Nature of Managing by Inputs and Outputs

The budget cuts restrained the activities of the MC, and prompted major restructuring
(as discussed below), but they also indicate the MOE's and the Government's focus on
inputs more than outputs. While the Minister ostensibly 'purchased' outputs from the
MOE, as per the ideal principles of NPM, these outputs or services were not the driver
of the Ministry's work, and nor were they a means of controlling the MOE's activities. For the MOE, outputs do not control, but rather describe what the Ministry does.

Linking costs directly with outputs is very difficult in education and in the MC for three reasons. The first is that expenditure on inputs such as staff, training courses and research information is likely to contribute to a variety of outputs and so linking any 'inputs' *directly* with a specific output is highly problematic (National Office official, interview 18.9.97; MC official, interview 25.11.96). For instance a visit to a school or early childhood centre and meetings with staff and the community might involve more than one output class (e.g. the output of 'curriculum support' and that of 'administration of payments') as well as many output sub-classes (e.g. 'administration of payments' for transport, risk management and boarding bursaries). One telephone query about special education policy might also contribute to the outputs of contract management, and information services; however, many queries do not fit into any output sub-class. Secondly, the focus on results via these measurable outputs does not capture the ongoing nature of some of the work. For example, the careful management of an EDI process might take three years, possibly not within the previously agreed timelines, and for reasons outside of the LO's control. Thirdly, the purchase of pre-specified 'outputs' cannot capture the unexpected but unavoidable additional tasks requested by the Minister or by others in the MOE. For these reasons, in practice, the Ministry's and the MC's activities are driven by budgets, and their costs have been simply recorded against a generic default code of 'output 99'.

This pragmatic reliance on inputs suggests that changing the amount of funding people receive is the fundamental means of influencing what they choose to do. Indeed, management via 'output controls' is something of a misnomer, for in reality outputs are indirectly costed via two essentially *input-driven* sources of information. The first source of information is levels of expenditure in categories such as personnel, travel, property and equipment, each of which has sub-components. The new Ministry had inherited a regime where costs were hidden, free or subsidised, and many of the MC's

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4 This is noticeable in the Minister's high profile education budget statement (Smith, 1991) which refers to reductions in expenditure on the one hand, and policy projects and overarching goals on the other hand. Outputs are conspicuous by their absence. A National Office official commented that this particular
tasks were very new and completely uncosted. Mapping information about inputs - what was spent on what activities - was therefore an early priority and remained a dominant organising principle within the Ministry's operations.

The second input-driven source of information has been the use of time recording sheets to calculate the proportion of staff time spent on various activities, for staff costs are approximately three quarters of the MC's budget. One of the first tasks of the new manager of National Operations, particularly in the face of budget cuts, was to compile a picture of the status quo. As noted earlier, some 'crude' reporting measures had been used up to the end of 1990, but the Government's directive to alter the size and structure of the MOE meant that managers needed more accurate information about MCs' activities.

In this 1991-1994 period, staff in the regional offices recorded their work against a list of outputs, and for a time even accounted for their time in six-minute segments. Mail and phone calls, both incoming and outgoing were logged, and staff were required to record which output each was related to. The reorienting from district operations to National Operations relied on the creation of nationally comparable desk files and to this end the output recording systems were revamped a number of times. Staff were to record time and tasks against the output classes and sub-output classes. For example Output 2, 'Management of Contracts and Administration of Payments', had six sub-classes which included output 2.5, with four tasks, and output 2.7 with 26 tasks. In total these recording sheets specified up to approximately 100 sub-output classes. (See Appendix Two for a 1993/94 example of the weekly recording sheet, and Appendix Three for an example of the detailed entries required in the telephone logging system).

Minister of Education seemed to have little interest in documents about 'outputs', they 'were just bits of paper that he had to do because they were the rules of the game' (interview 19.9.97).

Ironically this emphasis on inputs also facilitated the Government's and the Treasury's moves to cut budgets, as well as those expenditure decisions made within the MOE. Some Departments complained to a Government review that the Treasury used input analysis to exercise greater input controls (Logan, 1991:99). Treasury's response was that input analysis and input controls (that is cuts) were needed precisely where those policy outputs were poorly specific and therefore most inadequate (ibid.).

Appendix Three is dated October 1995, but the form was the similar to that used in the hands-off period.
Through this system of recording time against outputs, the MOE could generate a cost allocation ratio to estimate the proportion of expenditure which could be attributed to particular outputs. Thus if staff spent three percent of their time on, say, output 2.6, then this output represented three percent of the expenditure. This information provided a detailed picture of the activities and time spent across the National Operations division, and was one basis for decisions to reorganise its activities, size and structure.

**Reducing the Number of Management Centres**

Following the 1990 creation of a National Operations division, and the Government's budget cuts, the MOE responded to the *Lough Report's* recommendation for downsizing, and reduced the number of MCs from eleven to six. The purpose was to focus the district offices away from the sector, and towards serving the MOE and the Minister instead. The restructuring was presented to MC staff in terms improving management, increasing their flexibility to meet Government's outputs, and achieving budget reductions (MOE internal memo, 7.8.91). Relatedly, a MOE press release (8.8.91) explained that the district offices had been established to help schools move towards full self-management and to ensure that institutions met charter, licensing and funding requirements. 'These processes are now well advanced and many of the original tasks of the district offices are largely complete' (ibid.). A MOE circular to schools explained that:

> The reduced district involvement is consistent with the idea of a policy Ministry. An important factor leading to this decision is that institutions are achieving increasing levels of self-management and need less direct contact at the local level. You will notice little change in your dealings on operational matters (MOE Circular, 1992/22).

In a draft letter for the Minister of Education to his Government colleagues, the Ministry explained how the restructuring would 'strengthen and more centrally focus the management of the Ministry's local presence' (MOE draft internal letter, 22.8.91). In a similar vein, the MOE management suggested to regional office managers that it

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7 The draft letter advised caucus colleagues that if they required further information for themselves or schools in their electorates, they should contact their nearest district office.
might be appropriate to discuss the regional changes with their Member of Parliament (National Office memo to regional office managers, 22.8.91)\(^8\).

For MC staff it was a fraught period, as joint working parties involving their union - the Public Service Association (PSA) - and MOE management debated their restructuring and their job descriptions. Regional managers were to reapply for positions in five locations, and for two-year contracts only. In a style which appeared to be prevalent in the private sector, there was a management training retreat for the eleven regional managers prior to the restructuring. At this retreat a consultant was employed to deliver the training and some of those who took part perceived that the ‘training’ was in part a selection process, allowing the management skills of participants to be observed (MC official, interview 20.10.96). The office closures took effect on 1 July 1992, at which point National Operations staffing had gone from 145 full time equivalents to 88 in the districts (MOE/PSA Review Report of the Joint Working Party on Restructuring: National Operations, 1991:9)\(^9\).

The down-sizing also stemmed from, and was coloured by, the pressure of the 1992 collective employment contract negotiations through which the Government required Departments to seek 'conditions which will enhance productivity' (Cabinet Subcommittee on State Wages, 4.5.92, in PSA Briefing, 29.7.92).

\textit{Savings which arise from externalities such as negotiated changes in the price of outputs purchased or fluctuations in the nature and scale of demand for services and generally favourable trends in costs would not count towards 'fiscal savings'...any settlement must be at least fiscally neutral and preferably fiscally positive (ibid.).}

The Government explicitly sought changes to reduce redundancy provisions and noted that because of resistance to this, the only way CEIs might secure their provision was by way of lockouts, and not negotiation (ibid.). Additionally, the Government viewed

\(^8\) The memo to district also managers noted that the initial amalgamation of two MCs had prompted schools to lobby their MPs, and that MPs could be reminded about the role and functions of a policy Ministry, and the 'output and Minister as client' focus of the MOE. The memo continued that the changes would not disadvantage schools but would enhance self-management.

\(^9\) There were approximately another 20 National Operations staff in the MOE National Office.
education as 'high risk', in that any award negotiations would have a major effect on other wage rounds (ibid.). The MOE had presented the restructuring in terms of a transition to self-management and reduced outputs purchased by the Government. A more complete explanation is that the MOE had had to consider restructuring options as early as mid 1990 following Lough's directive to downsize and it was forced to continue this under the National Government's public sector fiscal restraint in 1991 and 1992. These processes took place in the absence of clear ex ante outputs from the Minister. The MOE later reported estimated savings from downsizing its district operations activity in 1992/93 to be $4.474 million (Education and Science Select Committee, 1994:69). Following the 1992 restructuring the number of LOs in the MC grew by one, while another 158 schools, and 84 early childhood centres came within the parameters of their region. This created a situation of ten LOs in a region with 472 schools and 314 early childhood centres.

For the MC staff this period saw a shift to a more aggressive style of industrial relations, in sharp contrast to the OPA arrangements which generally secured progressive increments across the public service. At this time the claim that the state was just one 'output provider' among many others was invoked to explain the cuts to inputs, and this is seen in an internal MOE newsletter to staff.

Whatever we give on one hand we must take on the other. There can be no increase in the base salaries budget. The latest PSA update, while reflecting our positions, concerns me over the suggested action staff could take to achieve a positive outcome. What nonsense to suggest staff are indispensable. If the Ministry does not fulfil the functions required by the Minister, the Minister has the right to buy those outputs elsewhere. This is not a threat but a statement of fact (MOE Human Resources Newsletter to all staff, April, 1992).

The MOE's own documentation, however, suggests that it could not so simply buy elsewhere the bulk of services provided by the MCs (MOE internal draft report, 20.7.90). Any flexibility over resources was further constrained by the Government as employer, requiring 'productivity gains' which were later defined as 'producing more at the same cost, or producing the same at less cost' (MOE internal memo to staff, 29.3.94). In addition the Government could request that any savings be returned to the Crown (ibid.). The MC was producing more for less cost while they faced the prospect
of salary increases having to come from further productivity gains. In this difficult hands-off period the MC staff felt that their status as professionals with significant skills, experience and knowledge was threatened, and their salaries could remain static or lowered. Ironically, it was in part because of the elements of their professionalism that significant efficiencies could be achieved.

**Aligning the Management Centre with the Ministry of Education**

As noted earlier the 1992 National Operations' restructuring was presented not only as a way of strengthening management structures and improving their systems, plans and procedures but also to secure a stronger central focus of the MOE's outputs. MCs had to become more strongly orientated to the purpose of a policy Ministry. Three approaches were taken: linking the MCs' role with policy implementation; closer management of the way MCs communicated with the sector; and an emphasis on accountability tools such as performance agreements. Making this 'hands-off' approach happen was problematic; the CE noted that reducing the MOE's direct involvement in operational activities was 'always tricky and delicate work' (MOE, 1992a: 6). A regional manager at the time later reflected on the dilemma faced by LOs in the regions:

> Most of us had been helping caring educationalists. We had to be told National Operations provides information, we monitor compliance, we assist understanding, but we do not give them [principals] advice. We tell them: 'go back to your own Boards of Trustees, outline the problem to them and say let's sort this out ourselves'. Schools are self-managing. Respect this (1997 quoted in Boyd, 1997:38).

**Policy Implementation and the Role of the Management Centre**

Defining the precise role of the operationally-focused MC was a problem for the ostensibly policy-driven MOE. However, given the premise that schools and early childhood centres were either self-managing, or must be left alone to become self-managing, then defining and operationalising what the MCs would do was necessary. A tentative start had been made in the National Operations division's mission statement that the group:
Is responsible for implementing the Government’s education policies effectively, efficiently and equitably, and for promoting and maintaining education standards.

Contributes to the development of policy by providing an operational perspective and by communicating feedback from the systems’ users.

Also has an important function in promoting constructive relationships with the education agencies and the community (National Operations Strategic Plan, 1991-94, 1991:1).

In the 1991-1994 period, following the pressure from the Government and the central agencies, the MC's were aligned with the MOE's role of ‘assisting policy implementation’. The somewhat indeterminate phase between ‘policy’ and ‘operations’ was given legitimacy in 1992 with its own new output sub-class (Output 1.3).

Policy implementation is the planning phase that occurs following government approval of a new policy initiative. It forms the interface between policy advice (informed by research) and the full operation of a new policy. It refines the policy by giving substance to the policy framework, by seeking feedback from those affected by the changes, and on occasions by piloting and trialing the new initiative (MOE, 1992b: 24).

But constraining MCs this way could not be wholly effective, for ‘implementation’ covered everything which did not fall under the more clearly definable categories of policy, property and services. The Ministry risked ‘implementation’ becoming a catch-all to incorporate whatever the Ministry had to do in the regions as the state agency of 'last resort'. So policy implementation was configured as a series of finite tasks, and the MC's work defined more in terms of specific policy projects that the Government wished to implement and promote. The LO's position as being generic experts dealing with school clusters was no longer relevant and a 'delegations' mode was adopted so as to provide a quicker response to enquiries (minutes of regional managers’ meeting 11-12.11.91). A newsletter to schools listed the LO associated with some key areas such as annual accounts, special education or suspensions (MC newsletter to schools, early 1992). Some policy projects required reasonably small input from the districts; for example the LOs were expected to ‘promote’ policies such as the Achievement Initiative, the National Curriculum, and the bulk funding of teachers salaries through
information 'roadshows' given in the district\textsuperscript{10}. There was an expectation that the MCs would 'give policy its street clothes' (National Operations Conference Proceedings, November, 1992:52).

Many of the policy projects were explicitly managed and allocated from the National Office, and this provided a further means of managing the activities of MC staff in what could be long-term work. LOs felt their work shifted from a general to specialised knowledge. But for the MOE, this focus on nationally managed and packaged policies was a means of aligning the MCs with the direction of the Ministry.

*Policy Implementation - the Example of the Education Development Initiative*

Some policies, however, continued to require a more proactive role for MCs and necessarily compromised the 'hands-off' approach. The Education Development Initiative (EDI) was a strategy to rationalise the number of schools that was heralded by the Minister in 1991 (Smith, 1991). In an EDI, schools would be identified as possible candidates for reorganisation of 'curriculum, administration and resources' (MOE, 1991d: 20). EDI was, therefore, something of a euphemism for school closures - always an unpopular Government policy - and the MCs were instructed to implement this in a 'hands-off' manner\textsuperscript{11}. The LOs tried this for the first couple of years. 'Our job was to go out there and say "this is how it works, and it should be self-initiated. When you've done your consultation give us a call", but of course it never works' (MC official, interview 20.11.96). So while school boards who wished to be involved were 'encouraged to begin to discuss' options for change (MOE, 1991d: 20), BOTs were not, of course, inclined to pursue discussions about the possible closure of their school. So a more proactive stance often had to be taken by the MC and given further impetus by

\textsuperscript{10} Bulk funding was a high profile policy being driven by this Government; so LOs were also to be available 'to assist any board which would like information about scheme' (Smith in NZEG, 28.1.92) and were asked to inform the National Office of any principals or BOTs that had expressed an interest in bulk funding.

\textsuperscript{11} A 1991 review team (comprising SSC, Treasury and MOE officials) had noted that regional offices were well placed to identify within their districts, clusters of schools which could be scrutinised for possible reorganisation (MOE, 1991b:46), and recommended that 'rationalisation' guidelines be developed. The SSC and the Treasury, however, recorded in a separate appendix that 'the process should avoid creating an extended role for the Ministry, when the need to reduce the size of the bureaucracy has been identified' (ibid.). The central agencies were concerned at granting the MCs any further license to intervene.
demographic factors. In 1991 approximately 35 percent of the schools in the region were very small one- or two-teacher schools (MOE, 1991b:7) often with steadily declining rolls.

For liaison staff an EDI includes the sensitive tasks of initiating regular communications, working with unions and sector groups, attending many evening public meetings, as well as providing the secretarial work, and negotiating the final closure or merger agreements. Some staff felt this work could be done only by the MOE.

*It's about getting to the stage when you've got an [EDI] document to negotiate. It's all the trust and rapport you build as you're working through it. There's a huge number of skills involved. There might be the right people out there to contract it out to, but would they have the credibility? They'd need the Ministry credibility to go with it. If someone went out as a consultant to do this, what would happen if the community says "we don't want anything to do with this". At least we [the Ministry] can say we can recommend to the Minister that consideration be given to closing the school. A consultant couldn't do that* (MC official, interview 20.11.96).

The EDI work has proved to be not finite, but rather a long-term 'output'. The process is highly complex, not least because of the political sensitivities attached to school closures which, invariably, take place in areas where the community has already lost employment numbers and services. It was signalled from the National Office as a policy priority, but in the event required a significant and difficult 'hands-on' role. Significantly, EDI is a policy that relies on staff's institutional knowledge, networks and education credibility. These OPA-like qualities lent some legitimacy to the LOs having to undertake an unpopular task, one which often meant that they bore the brunt of community displeasure at the government's policy of school 'reorganisation'.

The Role of the Management Centre in Ministry Communications

in the 1991-1994 period both the rhetoric in MOE publications and the work of the National Operations division underscored the benefits of self-management, and the need to complete the transition to full self-management (MOE 1992b; 1993). To be in accordance with this, the MC had to give effect to this 'hands-off' approach. The belief
within the Ministry was that schools would be self-managing only if they were allowed to self-manage (National Office official, interview 18.9.97). An implicit assumption within this message was, however, that the Ministry's intervening in school matters was regarded as somehow harmful, because it would inhibit the process of self-management. In the hands-off period there was a significant withdrawal by the MC from 'day to day' contact, and a perception that schools needed to be told they were 'on their own'.

_We received memos from National Office instructing that we wouldn't attend meetings of this or that type, and outlining the way we were to operate (MC official, interview 12.11.96)._ 

The development of a national communications strategy around this new role began to emerge in 1991, which effectively delimited the communications autonomy of regional managers and staff. In October 1991 regional managers were instructed to direct all media inquiries (with the exception of bulk funding) to their National Office manager, who would redistribute them accordingly (minutes of regional managers' meeting 15.10.91). A month later it was suggested that the MC manager was to respond only with 'factual information' related to policies, and even then only after checking with their senior manager. In addition, only the more senior manager could provide 'any comment, interpretation or reaction' (minutes of regional managers' meeting 11-12.11.91). MC managers were, however, encouraged to prepare press releases on 'good news items' (ibid.). While these communications directives must be interpreted with caution, because the Ministry is often asked for clarification and would bear the consequences of providing poor information, such efforts to explicitly frame the way people acted were new.

At a National Operations conference in late 1992 it was explained that the core function of the Ministry and the ideal of self-management had to be more clearly communicated to the education community. A regional manager explained the problem to staff at that conference.

_Where [pre-Tomorrow's Schools] there was a neck, made up of inspectors, advisors, secondments, regular school visits, meetings, joint working parties and a generally coagulated sense of public servants and education professionals working together in the arteriosclerotic departmental system, there is now a communications_

National Operations staff were reminded of the Minister's view that, while the Ministry's capacity to consult and inform was good and its ability to communicate was improving, it was still too slow (ibid.). The Ministry was often being 'beaten into schools by other education groups', concerns were too often unresolved, and written communications were too bureaucratic (ibid.). To remedy this, Ministerials\(^ {12} \) were to be warm in tone - recognising the writer's concerns and thanking them for writing - free of bureaucratic language, providing key facts and referring the writer to a resource document or person (ibid.:32). In late November 1991, the frequency of LOs' interaction with other Crown entities was also suggested (minutes regional of meeting, 11/12.11.91)\(^ {13} \). Some of these contacts, and the way the communication was conducted the staff would have been doing anyway, indeed many LOs noted that they appreciated their long standing working relationships with staff in other agencies. The Ministry's approach, however, was to make people do what they had been doing anyway, but in a manner deemed more appropriate.

In contrast, regional staff were given autonomy to be proactive in communicating the MOE's four agreed key messages, prepared as part of a new communications strategy and presented in November 1992.

* A continuation of the reforms to achieve local decision-making and less bureaucratic interference; 

* Reallocation of resources in order to achieve fairness in distribution

\(^ {12} \) Ministerials are letters written by the MOE, but on behalf of the Minister who is responding to an external letter.

\(^ {13} \) For example: contact with the Early Childhood Development Unit was on hold except for routine day to day matters while other local Crown entities, such as Special Education Services, along with early childhood groups were to be contacted monthly. It was expected that contact would be made with local principals' associations, and staff were to offer to attend branch committee meetings of the primary teachers union. The PPTA is not mentioned in this list (minutes of regional managers' meeting, 11-12.11.91).
Resources are allocated increasingly on a formula basis, rather than by the grace and favour of the past which resulted in anomalous and unfair distribution

Getting the best use of the education dollar through local decision making and accountability (National Operations Conference Proceedings, 1992:37)

This disengagement, reinforced in communications, caused some confusion and frustration in the education community, and many schools certainly felt the effects of 'hands-off' (Gordon 1993:v; Jeffery 1995). The communications strategy appeared to ignore the fact that the education sector was unhappy with the increased workload and reduced budgets faced by schools, and even more unhappy to be dealing with an MC which stated that it could not help, and could give only information, not advice, and further pointed out to schools the benefits of self-management. The MC staff recognised the risks of such an approach:

In the 'hands-off' period what did you do all day? Answer ministerials, adjust staffing for schools, process charters and amendments and make sure discretionary funding was OK. But at a distance. We didn't contact schools unless we wanted a piece of information. It was ludicrous. Not only because schools thought 'they're not interested in us'. But also because we weren't picking up the political sensitivities, the reality, the feedback. If you change your mode of operation too frequently schools and Boards become suspicious (MC official, interview 14.11.96).

The Ministry wanted not only regional staff but also schools to take on board the self-management message. The CE told her National Operations staff that she wanted the education community to have psychological ownership of the changes and that this was 'best achieved at the local level in small face to face groups and clusters if we want ownership and a successful well run activity' (National Operations Conference Proceedings, 1992:24). In other words, LOs were to communicate to an unwilling audience that they were there to help people to help themselves. For many schools, bulk funding, EDIs and 'you are on your own now' were not messages they wanted to entertain, let alone own.

The unpopularity of such a position was exacerbated by the increasingly complex world in which schools functioned and which was acknowledged by the National Office.
Contextual pressures identified by the Ministry (MOE, 1992b: 29-32) were: the links required between education, industry and commerce; continuing national fiscal deficits; the need for international measures of educational assessment and certification; and patterns of international trade. The Ministry also noted domestic issues such as the Treaty of Waitangi, mainstreaming, increasing the proportion of Maori and Pacific Island students, increased retention rates, a stressed labour market with high levels of unemployment, and the decline in social structures associated with transmitting culture and values (ibid.). In other words, the MOE acknowledged the stresses of the schools’ environment, while underscoring its own role as that of 'hands-off'.

**NPM Accountability Mechanisms in the Management Centre**

A further means of aligning the MCs with the Ministry in the 1991-1994 period was a raft of reporting and planning documents designed to bring a central focus, consistency and planning. The key document was the *National Operations Strategic Plan 1991-1994* (1991), which outlined the vision, values, goals and the required outputs of the division, and from which other core documents were to follow. In reality the systems were looser than this.

**Principal-Agent Contracts**

As per the emphasis of NPM on a 'vertical cascade' of principal-agent contracts, this strategic plan was the basis for each MC's output plan, and the MC output plan was, in turn, to be the basis for each staff person's own personal work plan or performance agreement. Once the personal workplan had been confirmed by their manager, staff would benefit from coaching and counselling on the achievement of their work-plan at least every three months (ibid.). This 'vertical' orientation within an organisation is a reasonably standard approach to management.

In reality, the capacity of MC staff and managers to meet such timelines tended to vary. This too can be seen as standard and as reasonable, for in this period of office closures the MC took responsibility for a much larger region, while also losing some administrative support staff. LOs were sanguine about the use of performance management tools. Some found them useful, others considered them largely irrelevant as a planning tool; 'I suppose that at the end of the financial year when I've got my interview I might have to look at [my performance agreement]' (MC official, interview
Performance bonuses were introduced in a similarly 'loose' manner, and often influenced by how much of a budget was unspent at the end of a financial year - again a reasonably common practice in the public sector. While pecuniary bonuses were used at times, these tended to be minor amounts (in the low $100s), and given their uncertainty could not act as a financial incentive. A number of LOs commented that their motivation for work was intrinsic: 'I think collegial expectations, expectations of schools and my own expectation is that I'll do my job as quickly and as best as I can anyway' (MC official, interview 14.11.96).

The National Operations Strategic Plan 1991-1994 (1991) lists the many tasks to be carried out at the MC, and at least half of which were done 'as required'; that is in response to demand from the sector. These were impossible to predict entirely, but staff came to recognise the busy times of the year, as well as the information enquiries that came in cycles, for example 'the time immediately before and after BOTs elections and the peaks such as marijuana harvests, school camps, balls, exams and winter is a bad time for parents and schools in respect of wayward student behaviour' (MC official, interview 12.11.96). Interestingly, the Strategic Plan indicates the indirect and 'hands-off' nature of the role, for example, 'to manage the process of providing opportunities for institutions becoming fully self-managing'. But other goals were open-ended and virtually unattainable in such a mode: 'to identify and assess emerging and critical issues and implement the necessary actions and reactions to ensure the Government's educational outcomes are achieved' (National Operations Strategic Plan 1991-1994, 1991:3).

Given that the MOE was to be a policy Ministry the Strategic Plan notes that at least eight percent of the monthly activity would be to 'participate in policy development' (ibid.: 4). This concurs with the LO job description in late 1991 (MOE/PSA Joint Working Party Report on Updating Job Descriptions for National Operations 5.2.92) and its later 1994 form (MOE/PSA Joint Working Party Job Descriptions, 9.5.94) which both state that LOs were to work on special policy projects, assist in policy development in specific areas and provide feedback and advice to National Office on the implementation and effectiveness of policies. However, the artificial distinction between the functions of policy and operations meant that there was little room for LOs to instigate their involvement in policy.
The policy people, because they frequently did not know what was going on in the field, didn't know what questions to ask, and the implementation people wouldn't necessarily know what it was the policy people did not know (National Office official, interview 19.9.97).

As the point of contact in the community the LOs absorbed the anger and frustration when seemingly poor policy decisions were made.

I think one of the hardest things is to have to go to a school and provide a message that we know they're not going to like, because National Office has made a certain decision. It is particularly hard when I don't agree with the decision that has been made and I have advocated [with National Office] for something different... Obviously one doesn't want to be critical of one's National Office. I say to myself quite often 'I work for this organisation, they pay me'. I have to accept some of the decisions that are made and I have to go out and tell people 'I'm sorry, we can't do that this time' (MC official, interview 12.11.96).

In the event, LOs found that their contribution to this core policy role of the MOE did not increase in the 1991-1994 period and many noted that they wished more contact was made between their region and the National Office in this respect. For example:

There wasn't a debriefing after the implementation of [a particular] staffing funding policy. We should've gone to National Office and gone through the issues involved. Not just the implementation of that policy but what can we learn from one another. There was no debriefing, but there would've been in Wellington. We're the people who are on the ground, so you get the flak and the messages (MC official, interview 20.11.96).

Whether MC officials were regarded as 'captured' in being ex-teachers and ex-DOE, or as overly intervening in the education sector, either way, they were neither well placed, nor well resourced to contribute to policy development\(^14\). In the hands-off period the 'education capture thesis' was pronounced: the MOE reiterated the need to secure confidential documents and even drafted a list of its employees who had partners and

\(^{14}\) Indeed, the Minister at this time even sought policy advice from outside the MOE.
close relatives working in the education sector (MC official personal communication). The effect of this 'vertical' and central orientation was to undermine the activities the LOs had perceived to be a strength in the first year following Tomorrow's Schools. The final mechanism was a series of reporting regimes.

**Alignment via Reporting Regimes**

To further achieve a central focus, the MCs provided quarterly reports, monthly reports, and weekly reports and staff logged incoming calls, incoming and outgoing mail and recorded the time spent on activities.

In the hands-off period the weekly and quarterly reporting was organised in three general areas. First, information was to note the achievement of outputs (for example, how many licences or funding applications were processed), and tended to be measurable and quantifiable. Secondly, the National Office required information about critical issues in the region, with information regarding some context around these and what the MC was doing about them. Thirdly, information was required about topics nominated by National Office, such as policy projects important at the time, for instance enrolment schemes, bulk funding or special education. These issues were to be reported only in brief, with a paragraph per issue, and at one point the MCs were told to emphasise 'hard data', and use strong verbs such as 'acting' or 'doing', and so avoid any 'flabby comment' (minutes of regional managers' meeting, December 1992). These instructions have to be seen in the context of a new National Operations division, coping with eleven (and after June 1992, six) MCs, and developing systems which could record, gather and interpret information coming in from across regions. Nevertheless, the format restricted the perspective and information available to the National office.

Along with this more 'issues'-based reporting were the *Statements of Service Performance*, in which the 'non-financial' service performance of departments were recorded. For the MC this was a report of the quality and 'timeliness' of their responses to, for example, Ministerial requests, funding applications from schools, requests for registration or exemption, or license and charter approvals. The MC had to record the receipt of a request and note when the response was completed; and this information was compiled monthly and quarterly and finally presented in the annual *Statement*. In the 1990s these *Statements* became a requirement for the public sector and could be
audited by the Auditor General\textsuperscript{15}. Because of this, it was stressed to staff that a 'clear audit trail' was required so that auditors could locate 'source data' (MOE memo to MCs 18.12.91). More complicatedly, the information in these \textit{Statements} had to be reconciled against the information about outputs which went to the Manager of National Operations in the weekly, monthly and quarterly reports.

\textbf{The Problematic Nature of the Reporting Regime}

On paper, the linkages between the objectives stated in the MOE's Corporate Plans, the National Operations Plans, and managers' and staff's performance agreements appear to be strong and consistent. The difficulty lay in realising these in the context of the work of the MC from 1991 to 1994, and a number of factors militated against this.

First of all, the sheer logistics were a hurdle. In these years when Tomorrow's Schools was still being 'bedded in' - a point later acknowledged by the National Operations management (National Operations Strategic Planning, internal MOE document, 1995) - the work of a reactive and demand-driven MC was ill-suited to reporting against a wholly pro forma, highly detailed task schedule. This was especially so when time recording was required in six-minute blocks. The many output sub-classes on the time recording sheets meant these were up to six or seven pages long and staff had to total and sub-total units of time across dozens of categories across the working week (see Appendix Two for an example of a recording sheet in 1993/94, and see Appendix Three for an example of the detailed nature of one week's phone logs). MCs also had to accept the unexpected tasks imposed upon them - for example, the promotion of a new, but undeveloped government policy, or work resulting from a change to regulations, procedures or applications. This could require a new reporting form, or the re-interpretation of the previous form, and thus the formats changed over time and, as a result, areas of work were occasionally omitted.

Secondly, on their own these accountability tools could be viewed as benign, but in the period of restructuring and contract negotiations the accountability regime was viewed

\textsuperscript{15} These \textit{Statements} were also made a requirement for schools in 1992, who were to note outputs (for example, curriculum), output sub-classes (for example, subjects and year groups) and present a performance measure and cost of the output in terms of planned and actual result. After a number of attempts, the Government decided to exempt schools from including these \textit{Statements} in financial audits.
with some scepticism, if not cynicism. At the time of the down-sizing of the division, the staff of the MC had an interest in updating their job descriptions to recognise the diverse nature of their work and professional skill-base. But they, and the Ministry, were mindful of the cuts in the Government's budgets. In the event, the Ministry decided to defer reviewing job descriptions, for the process could just add to the anxiety among the National Operations division (MOE/PSA Review Report of the Joint Working Party on Restructuring: National Operations, 1991)\(^\text{16}\). MC staff wondered whether the output information was only being gathered to inform the restructuring process. This indeed was one use for the information, as a manager recalled from that period.

*We needed to know back in 1991 where our resources were going, as it was a basis for restructuring. We had whiteboards covered with numbers, where is the pressure, where is the excess? Let's not have 11 district offices, let's have a concentrated management structure (National Office official, interview 17.9.97).*

The third difficulty was that the years of lean budgets made *ex ante* specification of outputs problematic - yet this was precisely the period when management needed better information. For example, in the 1991/92 year regional managers knew that their National Office manager would be calling for 'reductions' (minutes of regional managers' meeting 15.10.91). Thus there was an incentive for reporting on inputs\(^\text{17}\) and not on results and information about expenditure was critical to the MC and the MOE coping with reduced budgets. Relatedly, the Ministry was required to operate by accruals-based accounting, which is reliant on information about expenditure at the time it was incurred. Regular information about inputs was needed for the MC to compile monthly variance forecasts that were then sent to National Office, which had to manage the National Operations and the Ministry budgets.

\(^{16}\) Unless staff were on individual contracts, however, managers were not able to tailor performance contracts beyond this generic template and any urgency to alter these was lost on the part of management.

\(^{17}\) The costs of inputs such as office systems, finances, personnel and training were referred to as 'internal outputs' (*National Operations Strategic Plan 1991-1994*, 1991:7; National Office memo to MC managers 23.9.91).
Reporting was also difficult when the recording sheets did not capture all of the work the LOs actually did; for example, many phone enquiries did not fit precisely under any output sub-class. And while the LOs could individually interpret their calls or tasks, the time recording system only works when everyone is doing the same thing. A National Office official commented that 'I thought the staff were always a bit cynical because they were aware, just from chatting to people in the tea-room that people were doing it differently' (interview 17.9.97). National Office managers, however, were reliant on the information, and while they recognised there could be some inconsistencies:

*It still gave a useful enough picture...for an input into making decisions on allocation of staffing, budget, reprioritising, seeing where the trends were, where the big work demands were' (ibid.).*

Fourth and finally, in a 'hands-off' mode, much of the LO's business had been delegitimated. Thus National Office wanted to know the 'issues', but in this mode staff were not able to communicate back to the centre an entirely comprehensive overview of problems. The weekly, monthly and quarterly reporting did seek information about critical issues. However, if the message from LOs to schools was to be 'here is the information, now don't ring us, sort it out for yourself' it is not clear just how the LOs were to identify systemic difficulties or nascent problems. For the LOs this was an extremely difficult work situation. Many recalled that in order to do their work they continued to maintain some communication with the sector, even though they knew this was not entirely legitimate.

*We were told to back off and not have the same sort of influence, although in this office it's fair to say that we never really stopped networking. In a sense we essentially didn't do what we were asked to do because we felt that being supportive and maintaining relationships were too important to ignore (MC official, interview 12.11.96).*

Thus LOs were in an invidious position. They felt relationships with other education agencies, with schools and principals, teacher union representatives were key means of doing their job. After all, one of the five purposes of the National Operations division in 1991 was to 'promote constructive relationships with educational communities'. Moreover, the sector, parents and the general public continued to ask for answers to
questions and, as the formal education agency, the Ministry continued to field problematic calls. A MC official noted the example of a parent calling about a violent incident in a school.

*Now it's got nothing to do with us, but the police didn't handle it well so we've got to listen. We've got to walk them through and receive the abuse – at times – hear the crying, the carrying on, and then we're required to say "well I am sorry, but the MOE hasn't got a role in this". Well that's absolute nonsense. You don't do that to people if you have the information or you know where they should go. People need to be respected and receive empathetic responses.*

*People still have and will always have the same understanding, "oh well, ring the Ministry, they'll tell us". After all, what is a government department but an agency for the people? A name change to 'Ministry' does not change perceptions. But you're not supposed to get those calls as people are meant to be independent or go to their own networks (MC official, interview 12.11.96).*

The 'liaison' element of the LOs' role required some activity that drew on the professional networks and skills of the staff, but was effectively rendered invisible and undervalued when it conflicted with the output sheets and the 'hands-off' edicts. The MC was, rather, to focus on providing the outputs required of a policy Ministry and assume a context of self-managing schools. The LOs experienced this as a loss of autonomy, while at the same time feeling that the central agencies, the Government and, to some extent, their own National Office was unhappy with their work. Perhaps the worst period experienced by the MC staff was the time in 1994 preceding the local by-election – a high profile contest in which an incumbent Member of Parliament was strongly challenged by Opposition candidates. The Member requested that the MC canvass schools in the electorate for their concerns, and when staff protested, they were instructed simply to proceed. When the situation became publicly known, there was an outcry, and an SSC investigation followed. The finding was equivocal; that the
Member had had a right to make the request; and that the staff might have exercised the choice to do otherwise\(^{18}\).

**Conclusion**

1992-1994 saw a difficult tension between the residual effects of the rule of OPA, and the emergent form of NPM in the MC. The MC was the public's point of contact with the state agency, the MOE, and as such they were the first to be contacted for a whole range of problems and concerns. However, staff were under strict instructions not to work proactively with the education sector, and their communications were to mirror the key messages of the MOE and its client, the Minister. LOs faced a number of contradictions. Where they had felt that the OPA-like nature of their work activities and relationships were a strength, the MOE and the Government felt these were now a weakness, and even a threat to the 'core business' of policy.

To some extent this edict was loosely interpreted in the MC, as staff felt the concerns and relationships in the education sector were too important to neglect. Yet information about developments in the sector were not easily reported in the new regime, which was organised around the outputs of a policy Ministry. The means of aligning the MC were accountability tools and edicts about 'appropriate' action, and these were prompted and given further impetus by budget cuts and downsizing. A more complete form of NPM was pursued, for the ideal model implied that *all* the elements had to be present in order for the accountability regime to be effective. Hence the Ministry's continued reliance and focus on implementing compliance measures such as charters, licences, reporting regimes and *Statements of Service Performance*.

It is important to note that the model was compromised in as much as the information driving the accountability form of NPM was inputs-based, with changes to personnel and other expenditure being a further means of directly or indirectly influencing the activities of the MC. The effect of these measures was an 'over-management' of the

\(^{18}\)Also during this period the local MP had allegedly sought to intervene in resource allocations in his/her electorate. He/she made an official complaint to the Secretary for Education about two LOs, who received censure notices on their files. In a bizarre response, a private detective arrived unannounced at the office and proceeded to photocopy selected files. While the staff complained to their management, no explanation was provided.
detail considered important in NPM terms. The National Operations management valued information about 'critical issues' from the region, but its structures did not fully facilitate its systematic collection of this information by staff. By 1995, however, the results of the hands-off relation with the wider education sector became more obvious, and prompted a new role of the MC.
CHAPTER EIGHT - ROLE OF THE MANAGEMENT CENTRE, 1995-1996

Throughout the 1991-1994 period the MOE had continued to talk of schools as self-managing institutions.

*But, at about the end of 1994, it was seen that we needed to move out a little bit more. There were issues that were beginning to arise in schools. There were suggestions that not all schools would be self-managing all the time, and we were having to develop some mechanism to provide a safety net (MC official, interview 30.10.96).*

The primarily reactive role of the MCs' contributed to public, political and even Ministry disquiet that something had to be done for schools struggling with devolution. The MC's were required to become more involved with schools in difficulties and by 1995-1996 the LOs were working 'hand in hand' with the sector. This more proactive involvement was valid, but it took place within prescribed parameters. The result, in this third phase, was a form of compromise between the interventionist approach of OPA and the NPM form of accountability so as to still align the MC with the Ministry, and with its client, the Minister. As a consequence the LOs regained some autonomy, although this discretion was less than that they exercised in 1989.

**The Consequences of the 'Self-management' in 1991-1994**

**The Consequences for Schools**

By late 1994 the consequences of 'letting' or 'making' schools become self-managing had become apparent. While many schools were able to cope under the regime of devolution, a significant number faced financial difficulties or problems in terms of the BOTs' governance, and the principals' management, or indeed tensions between these two parties. While these could be initially explained as 'teething problems' initially, five years into Tomorrow's Schools the difficulties were seen as more systemic, and this was
especially evident in schools serving low decile\textsuperscript{1} communities. In terms of finances, low decile primary schools had in 1994 the lowest operating budget surpluses, while low decile secondary schools had the highest operating deficits (MOE, 1995:39). More seriously, however, these schools faced a concentration of problems, for example, teacher recruitment and morale was problematic; BOT members tended to have less financial, legal, educational and management expertise; and students' educational and social needs were higher, as recognised by the Government's higher equity and special education funding to these schools. By definition, low decile schools had proportionately more students from Maori, Pacific Island and low-income families, and these schools not only experienced greater truancy and family mobility, but their rolls fluctuated more, so that teaching and learning programmes were more likely to be interrupted.

All of these difficulties were further exaggerated under the Tomorrow's Schools endorsement of 'school choice', by which parents and students were encouraged to 'vote with their feet'. This was meant to provide an incentive for the school to improve its results by better self-management. Such decisions by parents and students, however, were often based on their perception of what constituted 'good' schools (Lauder, Hughes, Watson, Waslander, Thrupp, Strathdee, Simiyu, Dupuis, McGlinn and Hamlin, 1999). Thus, struggling schools trying to retain their rolls tended to receive greater community, media and ERO scrutiny just when they were most vulnerable to further roll fluctuation. For some schools, therefore, the policy of self-management exaggerated the problem and rather than seeking help, they endeavoured to keep a low profile in the community.

\footnote{For funding purposes the MOE categorises state schools in 'deciles' from one to ten, i.e. ten bands with approximately 270 schools in each. This is effectively an index of relative socio-economic status that is calculated using census information about the school's parent community, such as its income, occupation and ethnicity status. The lowest decile schools (decile one) receive the most per-pupil funding for a particular grant, and the figure is adjusted progressively for higher decile schools in more advantaged communities. Because of this, low decile schools receive a higher total income than high decile schools, even when contributions from the parent community are factored in (MOE, 1995:39).}
Self-management produced a further consequence of quite a different nature. By 1994 BOTs had begun to find their feet, and some sought to have a greater influence on their schools - presenting challenges to principals who had been used to exercising their own leadership approach. These tensions were exposed in the fiscal restraint of the Government.

*To a large extent in the first three years that was masked by [BOTs] getting a whole lot of money, and a very conservative approach in not spending much of it, and focused on getting charters in place, developing relationships and so on. After a second set of elections [in 1992] there was a sense of confidence that in some cases led to clashes, and also mismanagement, especially financial mismanagement, became evident (National Office official, interview 18.9.97).*

The MOE was, in a way, also responsible for allowing a sub-group of 'struggling' schools to emerge, for the role of MCs had been to let schools self-manage largely on their own. The following analogy was used.

*There is a safety net role which the Ministry always had, but the Ministry was very minimalist about getting in there because of its 'hands-off' approach which was along the lines; as soon as your child cries you don't necessarily rush out and say "there there, let me fix it for you". [Rather] it's "OK, you've fallen over, get up and get on your way again" (National Office official, interview 18.9.97).*

The concept of self-managing schools was, in a sense, like the term 'the market' - an envisaged endpoint that cannot be reached within conditions which are unavoidably imperfect\(^2\). During the 1991-1994 period, many schools and institutions had got the message that the MOE was unavailable - either from not being able to make contact with their regional office, or from the MC's being able to offer only information, not help or advice. LOs in the MC became aware that the community's opinion of the

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\(^2\) The hypothetical existence of markets has been taken for granted to the point that the market *per se* is assumed away, and debate refocused on its effects. Arguments for the market have, like those in favour of fully self-management of schools, turned an idealised endpoint into a universal starting point.
Ministry as a whole was dropping, and endeavoured to be approachable and to listen, but essentially they were restricted to reacting to the issues that schools told them about. As a result the information available to the National Office was impoverished, and the Ministry was not sufficiently alerted to problems in the sector. At the time when intervention or support was most needed, the MC, as part of a 'policy Ministry', was unable legitimately to fully or openly provide this.

In the accountability model at this time, education provision in schools was to be self-regulating, and under the regulations the only formal mechanism available to the Minister and the Ministry was to abolish a BOT and appoint an external commissioner to run the school. In the first four years of Tomorrow's Schools a total of only 13 commissioners had been appointed (MOE, 1993:9). This low figure, however, simply illustrates the systemic nature of the problem. Under devolution, on the one hand, the MOE had no legal mandate to intervene in a school and effect any quick solution, while on the other hand the information provided by the school was limited to accountability reporting on items such as the number of schools with signed charters, property agreements and audited financial statements. At the same time, the pressures in an education 'market' made schools wary about making their difficulties known to the MC, and therefore possibly to the wider community. For schools often the only place to resolve extreme governance and management problems was the employment courts; and here the price was even higher, with both pecuniary and publicity costs. In short, under this model the MC could not approach schools pro-actively, while schools had little incentive to approach the Ministry.

**The Political Consequences of 'Hands-off'**

The impetus for change, however, came from the political pressures of some high profile and serious school problems that began to impact on the National Office of the MOE, and on the Government. Media attention to a long-running controversy involving the BOT and the Principal at Timaru Girls' High School was perhaps the turning point. Moreover, the tendency of some schools to persist in seeking help, and to see it as the state's role to provide this, meant that they started to go beyond their MC for help. Some schools deliberately went straight to the National Office, believing that their
problem was of a high priority or of national relevance (National Office official, interview 18.9.97). This is seen in Wylie's (1997) survey that found that if principals were unhappy with the responses from their MC they could then approach the National Office. Half the principals who went to the National Office of the MOE were more likely to go also to their local MP (ibid.:135). Furthermore, half of the principals who went to their MP, also went to the media (ibid.). The effect was that Ministers and the MOE National Office began to wonder what work the LOs were doing, and as a result of this, an approach to deal with 'schools at risk' began to emerge.

In 1994 a project was trialed in which the MOE created networks of relevant community representatives (from, for example, unions, BOTs' and principals' associations, and Maori and Pacific Island communities) under the aegis of 'supporting schools in self-management' as the project was then called. These networks were to be a resource for schools 'at risk'.

_The network was not to take responsibility for fixing things; it was a conduit for referring people [in schools] to sources of support and assistance. It was not a case of doing things to people or for people._

_It was going to be a long phase in so we set up a few 'low level' networks. They took off so quickly and by the end of that year there were projects covering the whole country (MC official, interview 11.11.96)._

In early 1994, the only legitimate role for the MC in 'supporting schools in self-management' was to give a 'helping hand' towards 'self-management'; and to create the environment in which a school could work with others to develop a plan to resolve its

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3 By December 1996 the project had involved 106 schools developing an 'informal' action plan, and another 69 schools developing 'formal' action plans (where more intensive solutions are required), along with three financial business cases. Additionally, six 'school improvement initiatives' had begun, sometimes involving multiple schools (Butterworth and Butterworth, 1998: 228).
issues. A later Government audit of the management of the MOE commented on the dilemma over whether the Ministry should have an intervention role or not.

...most observers believe that the system will have little credibility unless schools occasionally do fail to the point where there is enforced change in the management of the institution or it simply closes, but the costs of this failure for students and communities alike indicate that efforts to reduce this risk are cost-effective (SSC, 1996:84).

This view was, however, disingenuous, because intervention was not just cost-effective, but critical to managing the political risk that the Government was exposed to. The NPM distinction between political and managerial accountability is not clear-cut in education, rather, in the final instance education is seen as the Government's responsibility. Thus local MPs can be lobbied directly by schools and parents. The limits of the accountability model put the credibility of Tomorrow's Schools at stake. By 1994 the number of schools in difficulty, and the political consequences of the Government's 'failing' to support the education of children, were too great. The National Office, facing the political fall-out along with the increase in direct appeals from schools, recognised the need to extend the 'safety net' role. The mandate for this more interventionist role of the MCs eventually came from the CE of the Ministry.

**Mandate for a Liaison Role**

At the end of 1994 the CE announced that the direction of National Operations was to change once more. She noted that the ability to work with the community through EDIs and Supporting Schools in Self-Management was a strength, and stated:

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4 A later evaluation study found that schools involved in this project were 'keen to work alongside the MOE', wanted the Ministry to be more proactive and assertive, and valued the Ministry's expertise and collegial approach. Conversely, schools identified some problems with the workings of the network (Nolan and Wilson, 1998). Not only therefore do schools feel that the MOE should be involved in the final instance to ensure good education outcomes for children, but the Ministry is still considered the agency most appropriate to do so.
I need you to be communicating directly with groups, providing information and support, and implementing policy. They don't know what we're trying to achieve. What I want is more Liaison Officers out in the field, talking face to face with the trustees, managers, parents, teachers, who really need to know the big picture of education policy. You will have to refocus your work to create more time for project work, more time for ensuring that people who need help and information actually get it, more time for frequent communication (in Boyd, 1997:40).

The 'hands-off' edict was revised, and MCs were to work proactively with the community. The CE stated it was a change in focus, not role (ibid.), and she signalled that staff had demonstrated 'the ability to adapt, and they would have to adapt even more (extract from CE's address to National Operations Conference, November 1994). From the LOs' perspective, however, it was a case of pursuing more openly the kind of liaison role they had never totally abandoned. This was sanctioned in the National Operations Strategic Plan 1995-1998 (1995) which listed 14 new goals, starting with these three.

Develop a strong regional profile for the Ministry by increasing responsiveness, flexibility and visibility;

Proactively establish networks with key education sector groups, service providers and other agencies;

Improve the communication and understanding of the Government's vision and plans for education (ibid.:2).

This shift in direction coincided with the Government's new overarching Strategic Result Areas and these, along with the Ministry's key result areas, were listed in the Plan. These goals were as general as the previously used 'Relevant Government Outcomes'. As such the overarching goals continued to organise the recording sheets, more than act as a powerful means of re-focussing the behaviour in the MC. In 1995-96 the MC staff continued to fill in a range of reporting and recording sheets which were linked to these key result areas, but their relevance appeared to be limited.
If the manager doesn’t know how what I do fits in [with the key result areas] that’s his problem (MC official, interview 12.11.96).

Thus the reporting in terms of outputs and outcomes continued to represent something of an ex post hassle to LOs, more than an ex ante alignment tool. By early 1996 the MC staff were to be ‘the eyes, ears and mouth’ of the Ministry at the local level. For the LOs the important feature of this period was the fact that the goals were better aligned with the reality of their work, and that they lent recognition and support to their liaison role.

The Constraints Upon the Autonomy of the Management Centre, 1995-96

Under the principles of NPM people were ideally accountable for results, and if they were given the discretion over inputs, then this accountability could be enforced. For the public sector, this principle was to mean a relaxation of input controls, that is control over costs and expenditure, and a greater reliance on output controls, that is ex ante specified and measurable results. In the MC a more compromised form of NPM was implemented. By 1995-1996 the LOs came to work 'hand in hand' with the education community, but the nature of their role was constrained by both input and output controls. The effect on the MC was twofold: the ideal form of NPM was undermined; and for the LOs there was a relative loss of autonomy compared with that they had experienced at the inception of Tomorrow's Schools.

Careful Planning or Careful Spending?

The operating context of the MC was that it was primarily driven by its status as a 'subset' within the National Operations division, the MOE with the Minister as client, and the public sector. The impetus of any ex ante output specification in the MC was undermined by the fact that first of all the Ministry was effectively input-driven, and secondly, by the pressure on public sector departments to absorb cuts in budgets and additional tasks required by the Government.

The CE had highlighted the Ministry's success in coming within 1% of its forecasted operational budget (MOE, 1993: 7). However, there was a difference between this
being the result of careful planning and costing in advance, or, careful spending and redistribution of funds over the year. The Ministry had invested significant resources into monitoring its spending and the related systems which constrained the autonomy of the MC. This process started with the budget planning cycle which began in October, about nine months before the public sector financial year began on 1 July. All MCs' budget bids were scrutinised by National Operations division, and often rejected and subsequently renegotiated. Despite the long lead-in time, the complexity of the system as a whole meant that the MC might not have known its final allocation until August or September, that is, two or three months into the financial year (MC official, interview 25.11.96). In these cases, the MC relied on the forecasts they had submitted back in January. Such an approach is not unusual for the public sector, but it indicates that ex ante 'purchased' outputs are not the single driver of a MC's work.

In addition the MC compiled 'monthly variance reports' regarding their finances, which were also scrutinised by the National Operations division. These figures mean that the expenditure across the division could be monitored to ensure that managers adhered to their forecast spending. Careful management was expected so that budgets came in at 100 percent (MOE memo to MCs, 8.5.95). Brief explanations were sought where the figures varied from the amount forecast. For example, it was pointed out to the MC that 83 percent of the year had been completed but the MC had spent only 75 percent of its total budget (MOE memo to MCs, 3.5.95). These pressures were especially felt at the end of the financial year, as seen in this memo two months out from the year's close.

\[\text{Remember under-expenditure is not acceptable (nor is over-expenditure), your job is to manage your budget to come in on target (MOE memo to MCs, 5.5.95).}\]

In the 1995-96 period the inputs of staff activity continued to be monitored. To the relief of the LOs, the schedules for recording their activity had been streamlined by this time. (See Appendix Four for an example of the single sheet on which LOs recorded their time in 1995/96. Previous versions, such as that in Appendix Two, had been up to seven pages long). The nationally aligned reporting regime continued in this period. For example in the 1995/96 year, aside from financial variance reporting and weekly reports on significant issues, the MC was to provide monthly work plans, and report
against these, while weekly and quarterly work reports had to match performance agreements (MC Office Plan 1995/96, 1995). In addition, staff involved in national projects such as School Support or EDIs had to prepare monthly reports to the National Office. Much of this was simply monitoring and recording compliance measures and approvals or applications of many kinds. To the LOs such reporting was very labour intensive and procedurally-bound.

The MCs were also asked occasionally by its National Operations division to contribute 'savings' that could be redistributed elsewhere⁵. From the perspective of the National Office, which had to respond to fiscal pressure from the Government, it was the needs of the entire organisation which mattered the most and so infrequent or ad hoc requests for utilisation of under-expenditure could occur.

'It could happen that there's an abnormal cost that we just have to meet. We'll go out into the districts, essentially through the managers, and say "well if you've got any savings, please put up your hands" (National Office official, interview 18.9.97).

Not only was the MC asked to contribute 'savings', thereby risking the inference that they did not need those funds, or that their forecast figures were inaccurate, but as with any government department, the MOE might also be asked to complete unanticipated work for example in when a shortage in teachers occurred.

'Now there is an identified challenge in relation to teacher supply and an imperative that this be centrally managed. Resourcing for this new initiative had to come from within the existing [budget] baselines. The Ministry has had to adjust and reprioritise work to ensure funding to establish this project and the additional work it generated (MC official, interview 30.10.96).

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⁵ For example, an unexpected pressure on the whole MOE meant that 'savings' of $3 million were required and the MC contributed approximately $25,000 to this (MC official interview, 25.11.96).
The cumulative effect of any variance in inputs was that the NPM system of *ex ante* specification of results was undermined. Clearly, in such circumstances, the 'vertical chain' of performance agreements from senior managers, to managers and then to staff needed to be amended accordingly. But in reality this does not always happen. Staying within budget is a very important factor in a manager's performance assessment - but appears less powerful as a key means of in planning in advance. Moreover, it was the needs of the organisation as a whole which drove the system in the final instance and this, combined with the difficulty of accurately costing outputs, meant it was problematic to identify, let alone reward gains in efficiency or effectiveness. Despite the ostensible focus on outputs, 'it is difficult to identify how a surplus arose, whether through improved efficiency, or just under-delivery of outputs' (National Office official, interview 18.9.97).

The effect of these input controls, the need to contribute 'voluntary' savings and the requirement that salary increases be funded from existing 'baseline' budgets, reduced the autonomy and the activities of the MC\(^6\). A manager of the MC expressed to the National Office his concern that staff continued to do 'more for less' and he also pointed out that the budget bid assumed 'reasonable levels of activity' in relation to 3-5 schools support projects which were 'limited in scope and relatively straightforward'. The manager noted that such 'measures' are open to interpretation (MC memo to National Office, 23.11.95). So while the MC manager does have budget discretion, the office has to absorb the changes in the tasks and budgets it is accorded. One LO, reflecting on the 1995-96 period, stated:

*I think in the end though, that tough government times of fiscal accountability have meant that things are so tight that probably the best ability to renegotiate [outputs] hasn't always been able to be followed through (MC official, interview 11.11.96).*

\(^6\) One MC staffperson recalled that at the office's inception the accountability was much looser, and they could simply spend their allocated amount. If more was needed it could be justified in terms of
The devolution of responsibility for budgets to divisions and to offices has seen some of the MC staff take their budget constraints very seriously. 'As a staff we've got terrific budget problems and as a staff we all own that, and all feel really responsible. It's a terrible feeling' (MC official, interview 12.11.96). The last months of the 1995/96 year were financially tight, and some travel, such as EDI meetings was carefully reviewed (MC internal memo 24.6.96). Somewhat ironically, as part of an industrial relations protest the PSA union had instigated a period of 'work to rule' at this time, which saw some LOs cut down on the number of evenings worked and the amount of travel away from the office, which meant that expenditure was reduced that way.

**The Appropriate Role of the Management Centre**

The most obvious role played by the MC in the 'hand in hand' period of 1995-1996 was to perform the approximately 93 output sub-classes identified in its 1995/96 Office Plan (1995) as set out in Appendix Five. These tasks were often desk-bound and 'reactive', with staff simply ensuring that education providers met their various accountability requirements.

As well as exercising 'statutory delegations' the MC had a core job of providing information to the community and to the MOE, for instance, explaining regulations and policies to the public, to schools, and to other education providers and agencies. Sometimes people had received, but not read, or not understood the distributed information. With the turnover in both policies, as well as school teachers, administrators and principals, the constant need for a wide range of information remained high. This is seen in Appendix Three, which is a one week telephone log of a LO in this period, and notes the variety and quantity of enquiries received by one person. For many schools these are both reasonably infrequent but difficult problems, and because the Government's policy and programmes in this area often changed, schools needed a source of information in order to cope with these changes.

> 'operations', and 'generally if things were within five percent, over or under, you didn't have to worry' (MC official, interview 25.11.96).
An emphasis was placed on the LOs providing information, and not advice: 'Advice can't be given as it could lead to litigation. If the call was taped, well...' (MC official, interview 14.11.96). Finally, the LOs also provided information via the reporting regime back to the National Office. The MC was relied upon to keep National Office appraised on critical or problem areas, as well as ongoing issues and emerging trends in its region.

A more general public relations role was also played by the MC; a role which is difficult to detect in the highly disaggregated output sub-classes, but which was critical if the LOs were to perform both their statutory delegations and their information roles. In order to identify current or potential 'hot spots', the LOs had to be familiar with the infrastructure around the provision of education. This was done through the 'hands-on' approach relied on in the 1989-90 period and finally given some legitimation in 1995-96. LOs maintained networks with schools, education institutions and communities, and other agencies associated with education, for they felt these networks improved their capacity to do their job. It was stressed that visits to people could be critical because these provided a platform for any subsequent contact. One LO referred to their work with a Crown entity this way:

_We've got a really good relationship going. It's almost like I'm part of their staff because we work so much and so well together. I think many of the people who deal with us appreciate this as well (MC official, interview 12.11.96)._  

The unions were also important, as the MC's involvement in school mergers or closures, reorganisation of special education teaching and units, and BOTs and governance problems all entailed industrial relations issues. LOs were able to draw on personal contacts to pre-empt, ease or resolve sometimes difficult situations.

_I have worked with the PPTA for a number of years in this [subject] area. So I've got a working relationship with the two field officers here. And that certainly helps with working through the issues and getting things through (MC official, interview 20.11.96)._
A related role performed by the LOs was lending 'education credibility' to the MOE. One LO noted the importance of using professional development, not only to keep up, but to be seen to be doing so. She continued:

*The image of the MOE is very important and you have to be known as people who know what it's like 'out there'...Because of the detail of curriculum and the responsibility for licences the Ministry has to have a credible knowledge of education matters. You can't separate the education and non-education issues, as they're intertwined (MC official, interview 27.11.96).*

'Public relations' saw the LOs absorbing the anger felt in the education sector. As many schools did actually manage to operate within Tomorrow's Schools, the MC was often only contacted when the problem or the need for help was very serious, and when schools felt especially aggrieved over their position. The MC staff also had to respond to and manage dissatisfaction with new policies, as well as more generalised criticisms that might otherwise have been directed at the MOE or the Government.

*Some people are just hell bent on being anti-Ministry no matter what. There are some schools you never hear from who get on and do a jolly good job. ...I think they get an excellent service overall. Those who have a problem with us have sometimes got to look at themselves and realise we're not just there to answer their call and give the answer they seek because we have to respond in accordance with policy and legislation. It is not like 'the customer's always right'. We don't have the power to change the rules, although we'll bend over backwards to ensure they fully understand the reason for the response (MC official, interview 12.11.96).*

**The Relationship Between the Management Centre and National Office**

*What's the role of the MC? There's a part of me says it's to prevent schools from ringing our National Office! (MC official interview 12.11.96).*

There was inevitably something of a tension between the MC and the National Office, which partly reflected the enduring influence of the distinction between policy and
operations functions first instigated in the 1989 restructuring. Since the legitimation of
the MC's more proactive role in 1995-96, the LOs had noticed their relationship with the
National Office improving. Additionally, they reported positive one-to-one
relationships with many individuals in the National Office, and it was felt that these
were helped by visits from Wellington staff to the MC.

There was however some tension with the National Office, as the formal accountability
mechanisms detailing the MC's work tended not to indicate the depth of knowledge and
relationships that LOs viewed as critical. In addition, where National Office was reliant
on the skills, information and networks of the MC, the LOs did not have in return
explicit or legitimate means of influencing policy decisions. A number of LOs reflected
that since 1989 they had travelled a lot less to the National Office for work purposes,
and while it was recognised that the flow of information between the two offices had to
be managed, the MC staff also felt, to some extent, that their work was not fully
appreciated by their Wellington counterparts.

_Implementation and National Operations are nice people. They think they work
very hard, but they don't acknowledge what actually happens out here. I could go
out for a day and there could be 20 or 30 yellow [message] slips waiting to be
answered. Each one could be relating to a different aspect of the system; a wide
range often with no pro forma responses. That'd never happen there. They have
a much narrower area of responsibility that is not enlivened by what's happening
on the ground (MC official, interview 12.11.96)._}

**Conclusion**

In sum, the influences which shaped the role of the LOs in 1995-96 were a modified
version of those that had influenced the 'hands-off' period. There continued to be a
strong emphasis on measuring, recording and reporting activities, particularly the details
over statutory compliance with accountability mechanisms. These measures were
persevered with, under the assumption that a focus on such outputs would lead to the
production of the Government's outcomes. Such an assumption was false. In 1994 the
Education and Science Select Committee asked the MOE to identify how its outputs
contributed to the Government’s outcomes. The MOE responded that all outputs (except the provision of teacher housing) contributed to the majority of the outcomes (Education and Science Select Committee, 1994:3). The use of the NPM accountability regime assumed more than demonstrated a link between outputs and outcomes.

By this third phase, the accountability systems had become somewhat more streamlined, but staff still had to comply with these compulsory requirements, while continuing to react to the needs generated by the sector. In addition, budgetary and personnel constraints meant that staff were simply not able to offer extensive help to the education community, and nor were they out of the office as much as they used to be. The MC had become more efficient, in that it had developed and increasingly relied upon desk files, databases and other support systems to make their work smoother. But time and resources did not afford the 'luxury' of providing the kind of substantial help that a school might become completely dependent upon.

Many LOs continued to work in accordance with their knowledge and orientation as education professionals. For them, this was a fundamental motivator in their work; and it was regretted their perspective of ‘the real world of education’ was not more often drawn upon or sought out by policy staff in the National Office.

*We’ll do our level best for [schools], and sometimes in the full knowledge we may not be successful but we’ll have a jolly good try. We’ll try and twist arms within the Ministry to get what we want for these people in order to assist the students, because that’s where we’re all coming from in here. We’ve all been teachers, we know we’re talking about children. That’s what we’re here for (MC official, interview 12.11.96).*

The loss of autonomy is the result of two factors. The first of these was the heavy reliance on an accountability-driven system of monitoring and reporting, applied to the activities both of education providers, and of the liaison officers. The Ministry’s constant focus on inputs saw the MC less able to develop 'innovative' approaches to work, but instead striving simply to become increasingly efficient. Secondly, there was
a relative lack of emphasis, particularly by the National Office, on the LOs’ familiarity with the infrastructure of education on the ground.

*There's almost a loss in one's ability as a professional to make objective decisions now, and I feel in some respects, career-wise, I've been disempowered by being a member of the MOE staff. Perhaps the ultimate decision for something will rest with National Office; but what I with my creative powers can put into a particular problem before it goes to National Office, as well as the manner of my approach, can make or break the ultimate decision (MC official, interview 12.11.96).*

Given these factors, the LOs endeavoured to carry out their liaison role with whatever discretion events permitted.
CHAPTER NINE - CONCLUSION

The objective of this thesis has been to open up the 'black box' of the state through an investigation of the implementation of NPM in one area of the apparatus of the state, a MOE regional office. The research has employed an institutional perspective within a state theoretical framework in order to explain how and why the implementation of NPM was uneven over time in this particular MC. From this research perspective the introduction of NPM in New Zealand is viewed as more than a programme of managerial reform that can be considered in terms of its managerial or organisational effectiveness. Rather, the focus of this study has been to analyse NPM as a logic of administrative action, or a means of aligning the apparatus of the state with the neo-liberal objectives of the Labour Government between 1984 and 1990, and the National Government between 1990 and 1996.

The objective of the state has been not to divest itself entirely of responsibility for education, but to shift from the Keynesian Welfare State (KWS) mode of guaranteeing a maximum, to the neo-liberal goal of 'realising a minimum'. The mode or the logic of the apparatus of the state has had to be consistent with this shift in state form. Unpacking the dynamic nature of the relationship between OPA and NPM in this regional office reveals that the transition to neo-liberalism has in fact been reliant on the KWS's structures, such as the regional presence of the MOE, as well as on the principles of its associated logic, OPA. For all that the education reforms putatively represented a new departure in the state's involvement in education, they were largely dependent on the existence of earlier structures and practices. The MC exemplifies the problematic nature of this shift, and the compromise that was reached as regards the form of NPM that prevailed in New Zealand. This shift from OPA to NPM can be understood in two ways.

First of all, the process of the implementation of NPM reflects the extent to which the conditions for a successful change in rules were present. In New Zealand the logic of NPM found its legitimacy more as a general organising principle than as a mode of operating that secured the support of the state actors in the MC. An institutional

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perspective within a state theoretical framework reveals the 'constellation of factors' which proved to be critical to the form of NPM at the micro-level of the MC, the meso-level of the public sector and finally, the macro-level of the state's role in education. Locating the events of the MC within the 'big picture' of the nature of the state and of education reveals that the ideal form of NPM was suited to government management, but not to the state's governance of education. Thus, a compromise in NPM was inevitable.

**NPM as a Logic of Administrative Action**

For the capitalist state to maintain its capacity to operate, it is a fundamental requirement that its apparatus be aligned with its particular political form; and the means of doing this is through a logic of administrative action. This apparatus unity is critical for the state to introduce and reproduce the structures and principles of neoliberalism. The 'success' of a logic of administrative action reflects the extent to which it secures two forms of alignment within the state apparatus. The first is an internal coherence in the state's organisational form, while the second is derived from securing the support of internal state actors for the political form of the state.

**NPM Aligning the Apparatus of the State**

NPM did enable the organisational structure of the state to become broadly consistent with its political objectives at a time when the Government was intent on major change to the state apparatus. The education reforms, unlike previous attempts to reshape the education bureaucracy, were influenced by the momentum and ideas already prevalent elsewhere in the state sector, and so the education changes dovetailed with the wider intentions of the Government. The size of the MOE was reduced to approximately 550 employees, responsible primarily for the single function of policy advice. As Figure 2 (in Chapter Five) indicates, other agencies, also given responsibility for single functions, were relocated from the 'core' to the 'periphery' of the state. The relations between the Minister and the Ministry and Crown entities were captured in explicit principal-agent contracts which specified the services to be provided in output terms. In broad terms the changes to the education apparatus mirrored the NPM model.
The degree of alignment at the overall level of the public sector was a function of the way in which NPM met the criteria for the successful introduction of a rule. In New Zealand NPM was presented as a solution which was already emerging successfully elsewhere. In addition, the ostensibly apolitical nature of NPM was critical, for it implied change only in government management, and not governance. To some degree this masked the political orientation of NPM. This 'value-free' quality stemmed from two sources. First of all, once NPM had been linked with shifts in public management that were happening globally, it became accepted as an apolitical theory capable of taking on the political flavour of different states and governments. Relatedly, these changes in public management represented the 'fictive notion' (Offe, 1996a: 213) that 'everybody is doing it'. Secondly, NPM in New Zealand drew heavily and openly on the 'sciences' of both economics and private sector management and was portrayed as a non-partisan theory that could be applied to all activities of the state. The fact that NPM did not discriminate different organisational functions and structures was regarded as a strength.

The accountability-focused variant of NPM promulgated in New Zealand generated its own momentum by its very simplicity. Public sector officials had to know what they were accountable for and who they were accountable to, and there had to be ways to enforce this accountability. If this approach appeared to be failing, then the answer, by definition, was to require more NPM-style accountability, not less. The concepts of outputs and outcomes, for example, once they had been enshrined in the official documentation of the MOE, were invested with a degree of authority that made them difficult to change, except by further developing and refining procedures to monitor, record and report these output 'measures'. Similarly, requiring principal-agent contracts, reinforcing the split between policy and operations, and applying ex ante specification and ex post reporting, were all coupled together to assist the ongoing development of NPM in education.

These expressions of NPM not only possessed an 'air of authenticity', but they became legal requirements through tools such as the Chief Executive's performance agreement and the Crown entities' Documents of Accountability. Out in the schools, likewise,
their charters and *Statements of Service Performance* fulfilled the same purpose, although their development and monitoring was largely left to the LOs who were required to manage the many accountability mechanisms between the state and education providers.

The 'perpetual motion' of the process of implementing NPM was further generated by its promotion as both an ideal endpoint and as a universal starting point. NPM offered both an identification of the problem, and the methods of its solution, and its implementation alone became the objective. As a result, the Ministry until 1994 operated on the assumption that it would be only a matter of time before schools became fully self-managing. Combining the legitimacy of this envisaged endpoint and the tools specified for achieving it meant that future activities of the state in education could then be shaped or rejected according to the parameters laid out by NPM. This met the requirement that a logic of administrative action should pre-empt any future threats to the alignment of the state. Hence MOE restructuring and budget cuts could be used to shore up the implementation of NPM. Prior to 1994 the strength of the legitimacy of this idealised form of NPM resulted in its subsequent wholesale reproduction. This logic was not 'redesigned' until the politically untenable consequences began to be felt, but by this point, NPM was already firmly entrenched in the state's education apparatus.

In hindsight, the faith that the central agency advocates of NPM placed in a purely theoretical model appears astounding, and in part this reflects the impetus and buoyancy of the processes of state reform in the 1980s. Their ardour was also made possible because the 'success' of a logic of administrative action can be detached from its effectiveness (Offe, 1996a). It is simply impossible to know if education outcomes have improved as a result of NPM; and even if this were calculable, the very notion that the government's selection or rejection of policies or political projects is an evidence-based process is explicitly rejected here. The divorce between NPM's means and changes in outcomes was exaggerated in the New Zealand model. One of the most powerful aspects of the new logic was to distinguish between the administration's accountability for outputs and the politicians' accountability for outcomes. In short, as
long as departments provided the specific tasks they were contracted for, they were not to be held responsible or accountable for the outcomes. Because NPM was based on the assumption of the link between outputs and outcomes, rather than on any evidence that such a link existed, then the connection between the means (government departments) and the ends was effectively severed. In New Zealand, outcomes were explicitly the government's responsibility, and were not to be used as a means to evaluate the 'success' of NPM as applied to the state's apparatus. However, as discussed below, NPM did shape the state's fundamental relationships in the area of education, and this belied its claims of a clear split between political and administrative accountability.

The NPM variant of public sector accountability is only one way of representing relationships in the public service, but the arbitrariness of this approach was masked by appeal to fictive norms, and to the split between policy and administration which is an enduring public service tenet. Critics did not question the bases of NPM; rather, the logic was debated in isolation by questions about which mechanism to use, or whether the pace of reform was too great. At the introduction of NPM into education, the focus instead was on discrediting the former logic – which is another key criterion for a successful change of rules. NPM was introduced in the New Zealand state as an antidote to the ills of the OPA and thus it was difficult for alternative views within education to be presented. In particular, the National Government relied on the views of those in central agencies to offset the possible risk of 'capture' by education professionals and ex-DOE people, who were readily portrayed as something of a 'generalised cohort'. When education sector groups subsequently expressed their concerns, this was taken as proof of the 'capture' thesis, and the detection of OPA used to justify an even greater need for and emphasis on NPM.

Up to 1994, the legitimacy of NPM in education was seen as having no connection with its effectiveness; indeed, NPM enjoyed its greatest legitimacy in the period when its effects in the education sector were the worst. Rather, the relative success of NPM stemmed from its capacity to influence the reorganisation of the education bureaucracy. It provided a template for restructuring which delineated 'core' activities, that is, the policy-driven MOE, and those at the periphery, undertaken by Crown entities that were
meant to compete with other providers. Following this definition, *state* provision was simply a technicality, and in theory the MOE's role was to merely to broker the provision of anything other than policy, as operational activities were steadily hived off. This 'road map' was significant, because it allowed the state to scrutinise not only its current activity in education, but also to delimit future options and choices between these. Because NPM was self-evidently good, and because its weaknesses could not be demonstrated, any implementation problems were explained, not by NPM, but by its incomplete application. It is interesting to observe that NPM in New Zealand resembled OPA in that it offered a similarly uniform approach to managing the public sector. Clearly the rejection of OPA was not a just a response to its apparent ineffectiveness, nor a rejection of its uniformity; rather, the logic of OPA was incongruous with the neo-liberal orientation of the state.

**NPM and the Alignment of State Actors**

The second criterion of a logic of administrative action is that it must secure the support, or at least minimise the resistance, of actors internal to the state apparatus. It is fundamental that the 'right' state activities be carried out in the 'right' way, to ensure that the policies of neo-liberalism are constantly maintained and reproduced. Again, the state has to pre-empt any threats to its capacity to define the appropriate mode of operating. This is a stringent criterion for alignment, but a highly problematic one given the size and the diversity of the state's education apparatus.

Clearly, the central agencies that promoted and shaped NPM supported its implementation throughout the public sector. That NPM was generated outside of the education bureaucracy was unavoidable. It is, of course, unlikely that a logic that rejected the tenets of OPA would be initiated within those structures whose dominant mode of operation was OPA\(^1\). It is also significant that the agencies advocating for the

\(^1\) While not the focus of this study, it is interesting to speculate about the possible legitimacy attached to NPM within other areas of the MOE. For example, it is likely to have been engendered in areas such as policy, where work was more directly influenced by the involvement of the Minister as the client, and where the core function was sanctioned, not undermined.

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idealised endpoint of a reduced state and full self-management were those who were neither exposed to direct public contact and queries, nor responsible for social policy. For those in the MC, at the periphery of the state in education, the ideological and theoretical nature of NPM undermined the new logic's legitimacy. NPM's weaker legitimacy in the MCs is nicely explained by the institutional characteristics of the process of change in rules.

First of all, the particular ideological orientation of NPM undermined its legitimacy in the context of the MC. To be successful, a rule has to be associated with experts, or reference points that are relevant to and valued by those charged with its implementation. In New Zealand, high-profile economists were identified as contributing authors and the architects of state sector and education sector reforms\(^2\). Their conservative economic orthodoxy was transparent, and so could be associated with the economic liberalism that underpinned neo-liberalism. In Offe's (1996a) terms, where rules are 'overly' designed, their man-made and partisan nature is too readily identified, and this was the case in education, producing inevitable conflict. On the one hand, to replace OPA the new rule had to come from outside the education apparatus; but on the other, its external origins exposed its poor fit with education. This conflict was played out in the MC where, while NPM was steadily being introduced, the LOs continued to operate in the context of the education sector and relied on their experience, knowledge and relationships derived from their former experience in education. The values underpinning NPM became even more transparent under the National Government which abolished the more democratically oriented structure of the Parents' Advocacy Council and the Community Education Forums, and removed the equity elements of the charter and the wide inclusion of interest groups in reviewing education policy.

\(^2\) This contrasts with Offe's (1996a: 214) suggestion that those responsible for the authorship of new rules tend to be reluctant to confess this role. In New Zealand the extensive and rapid nature of the reform programme fully backed by the Government, created a heady context that elevated the status of NPM, and that of its architects accordingly.
Secondly, the theoretical and ideal nature of NPM meant that it offered very few means by which it could be implemented, especially as regards mapping the actual role of an operational part of the state's education apparatus. The starting point of NPM in education was a small core state, linked via robust principal-agent contracts to entities at the periphery. The Operations division of the Ministry in the regions was not an integral part of this new structure because it was not policy focussed, its existence contradicted the ideal model, and it was even suggested that the MCs might be impeding the implementation of NPM. Whether the MC's activities were 'assumed away' or questioned by the advocates of NPM, the model did not attract credibility at the level of this regional office.

The central agencies' criticisms, and the hands-off orientation required by the MOE, indicated to the MC that the centre either knew little about or simply undervalued the nature and scope of their work in the 'messy' world of the education sector. The legitimacy of NPM in the MC was further attenuated when the only solution offered by the new logic to any operational problems was to continue to bed-in the same accountability principles and mechanisms. In the hands-off period any non-policy activity, particularly that undertaken by the MC, had to be repeatedly justified, because the NPM model implied a steady progression towards greater contracting out, the use of help-desks and the completion of schools' self-management. For the MC, the legitimacy of NPM was especially questioned when it was perceived as denigrating the OPA principles, values and approaches employed by staff in their liaison role. The 'rightness' of NPM was derived solely from its clear opposition to the 'wrongness' of OPA. This tension threatened the requirement for 'internal' legitimacy and aligning the MC with the state apparatus.

**Implementing New Public Management as a 'Duty'**

Given these threats to internal legitimacy the question is, how were the LOs compelled to introduce and reproduce the logic of NPM? To ensure that the 'right' activities were done in the 'right' way at the level of the MC, NPM had to be presented as a duty that obliged the LOs to operate in an appropriate way. For the LOs, meeting this obligation was the result of their accommodating a convergence of the two logics. As
professionals they were obliged to be loyal to their employer and present a unified front on behalf of the Ministry and the Minister. Publicly supporting the general and specific elements of the government's policies is an accepted part of being a public servant. At the same time, the LOs were also able to operate in accordance with their OPA orientation through continuing to provide low level support, not just information, or through using the system to secure funding or arrangements that they felt to be important to the work of schools. Thus their liaison mode reflected their identification both with the values of OPA, and with the NPM-type activity required by the employer.

This balance proved harder to manage in the 'hands-off' period, with the strengthened accountability regime of the National Operations division and the MOE's fiscal cuts. After the downsizing, scaling down the nature of the liaison role became a practical imperative. The combination of the discrediting of OPA, and the opportunities to enhance the mechanisms of NPM, saw the new rule prevail in 1991-1994. Any resistance or 'distortion' of the dominant logic by staff could only be partial, and had to be kept out of the gaze of the public, so as to be consistent with their standing as professionals. They sometimes experienced a conflict of interest, particularly when promoting or explaining new policies to institutions at community meetings, but at the same time demonstrating their loyalty as MOE employees. Moreover, while the LOs could assist schools, this was generally meant to help them take on board a policy that was going to happen anyway.

Many of the LOs stressed that they endeavoured to remain approachable and to keep in contact with the sector. From the community's perspective, however, the MC simply represented the face of the Ministry, and therefore of the Government. As the Government continued to pursue the neo-liberal project and redraw the lines of the state's intervention in education, the MC was seen to be representing this approach.

For the LOs many of their activities did not actually change, but as the legitimacy of OPA and NPM ebbed and flowed, the legitimacy of their actions was also fluid. The implications of this study are that changing the logics of the state requires a very careful balancing act in shifting conditions, if support of its internal actors is to be secured by the state; and also that change may have to be built on the existing strengths of both
actors and institutions. This study demonstrates the important but difficult requirement that a new logic has to exploit the 'long arm of the past' (Offe, 1996a:219).

If anything, the success and the survival capacity of the newly built institutions is likely to depend more on people's trust than on the quality of the designs of these new institutions themselves (ibid.: 215).

The central agencies overestimated the relevance of the ideal accountability model of NPM, and underestimated the strength and importance of OPA. What might have happened if the restructuring process had explicitly played to this strength, rather than implicitly relying on it, is a moot point. Moreover, the LOs occupied multiple positions and contexts, so that appealing to any single identity or belief would not necessarily have been successful across many settings. LOs perceived themselves to be both public and government servants, as well as people who knew what was happening in the real context of education provision. Coercion, by definition, does not engender meaningful legitimacy; and a logic is more likely to shift actions than to change fundamental beliefs. Thus the LOs were put in a position where they were obliged to incorporate the model of NPM in a manner consistent with the residual OPA, making these state actors strategic actors who were also subject to the rules imposed upon them. In the MC, aligning the agents may therefore have been more apparent than real.

Explaining the Compromised Form of NPM

As noted in Chapter One, NPM is often seen more as a cause than as an effect of events in relation to education. One objective of this study was to identify how and why the shape of NPM was itself modified by the contexts in which it was applied. This is important to demonstrate the way in which NPM was a determinant of, as well as determined by, events in relation to education. The eventual distorted form of NPM is explained by way of an institutional perspective within a state theoretical framework, in which the dynamics of NPM in the MC are seen in three contexts: at the micro-level of the MC; the meso-level of the public sector and the macro-level of the role of the state in education. Because the alignment of the state is reliant on the presence of a logic of administrative action, there can be no tabula rasa, and any new logic must co-exist with
its predecessor. The dynamics and nature of the relationship between two logics are a function of the constellation of variables that are important in particular contexts at given times. This provides a further 'big picture' for NPM in the MC.

The Micro-level Context of the Management Centre

An institutional perspective suggests that the tensions between OPA and NPM in the regional office were unavoidable because of the rule-based characteristics of these two logics. For obvious reasons, rules - that is the stable and recurring arrangements that enable and constrain individuals and organisations - are not readily removed or redesigned. Because of this, and because of the requirement that state apparatuses operate according to a logic of administrative action, NPM was introduced 'on top of' an already dominant logic. In this MC the LOs' shared experience as teachers and ex-DOE officials and their reliance on collegial support to manage the hectic first year, meant that OPA was an important influence on the work of these LOs. In short, the nature of this collective of state actors in the MC was crucial to seeing in the first year of Tomorrow's Schools.

As noted above, NPM was essentially an ideological shift, and in the absence of clear roles and limits to this, staff in the MC had to fall back on those practices which were not only familiar but also valued and important, and therefore most resistant to change. This was not the result of bureaucratic inertia; rather, the 'stickiness' of OPA was, in effect, exploited by the new logic. For the LOs, the period following 1 October 1989, was one of huge change, and people do not change their actions, let alone their values and identities, overnight.

Institutional theory suggests that too much change can jeopardise the introduction of a rule. Attempts to bed-in NPM while simultaneously expunging OPA were clearly problematic, and even threatened the legitimacy of NPM when staff perceived that the nature of their liaison work was not sufficiently recognised. The realities of the complexity and rapidity of change precluded first- and second-order change - it was enough to change the tasks people did, let alone influence the way that they were undertaken. The hard-pressed MOE relied on and effectively sanctioned the presence of
the knowledge of education, the relationships and networks, and the public service ethos, that the LOs in the MC continued to value. The enduring influence of OPA was also reinforced as the public and the education sector continued to turn to the state for advice and support.

It is a significant paradox that the presence of OPA in the MC actually facilitated the transition to NPM, and thus also the implementation of the neo-liberal form of the state. The LOs worked to develop and implement principal-agent contracts, and their initial intensive liaison role supported the huge devolution of activities to education institutions. NPM relied on the active continuation of OPA³, and not just in the first few years of Tomorrow’s Schools; nor did the knowledge, relations and perspective of the LOs lend credibility and authority to the MOE only in the districts. On the contrary, the nature of the state’s role in education meant that it was expected that many of the MC’s tasks - such as their work in relation to schools or students ‘at risk’, and to EDIs - were the natural territory and responsibility of the state agency. The education sector continued to believe that the MOE was a core part of the state, and therefore called upon the Ministry in the first and the final instance. The MC acted as an institutional buffer to the centre of the state, the MOE, since it had both to manage minimal disruptions, as well as defusing and, when allowed, responding to more significant problems in the community. In this micro-level context, a strict hands-off mode could not be enforced.

**Meso-level Context of the Public Sector**

Pitting the education reforms to the extant momentum of NPM already being rolled out in the public sector was a powerful means of instigating the alignment of the MOE with the Government. NPM became further entrenched through subsequent changes to the Public Finance Act, the introduction of more accountability tools, and the

³ The 1989 Director General of Education later reflected that the introduction of Tomorrow’s Schools would have been a ‘far worse shambles’ without the regional offices (quoted in Harper, 1992:111) and the Minister of Education noted that in hindsight reforming the school sector and the MOE at the same time was probably a mistake (in ibid.: 113).
opportunities presented by the *Lough Report* along with the new National Government's reviews of the education bureaucracy, its budget cuts, and its continuing state retrenchment. However, the meso-level context of the institution that is the public sector meant that the actualised form of NPM was a distortion of the ideal model proposed by the central agencies. The compromise realised in the MC is, therefore, also explained by its location in the *public* sector.

The case study of the MC, constrained within the contexts of National Operations, the MOE and the public sector, suggests that a 'pure' NPM is not possible as long as the public sector and governments continue to rely on input controls. Somewhat perversely, under NPM the MOE, National Operations and the MC became more accountable for their spending of inputs. Through the emphasis on reducing expenditure through budget cuts, fiscal pressures on the collective employment contract within the MOE, and downsizing, the Ministry was compelled to carefully monitor and manage its spending. Over 1989-1996 the Ministry created sophisticated input-management systems so as to cope with fiscal cuts and to manage unexpected costs along with unanticipated tasks which were generated in the education sector, elsewhere in the MOE, or by the Minister. The MC's discretion and autonomy idealised within NPM was unavoidably constrained within this context of an input-driven public sector. Thus NPM in the MOE resulted in very careful spending over a financial year; rather than careful specification and costing of its outputs prior to a financial year.

This element of public sector financial management is one area that commentators have agreed represents a significant gain from NPM in New Zealand (Boston, 1995; Boston et al. 1996; Pallot and Ball, 1996). Particularly significant is what is called the 'whole of government' accounts, which are based on accrual accounting and provide the government with regular and transparent financial information. In the MOE and the MC spending is regularly monitored via tools such as quarterly reporting, which have gone some way to counter the tendency towards 'creative' end of year spending.4 While

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4 'Creative accounting' is the term used to refer to the efforts that a government department may make to ensure that all of its budget is spent by the end of the financial year.
the rhetoric of discretion over inputs and accountability for results was not realised, the MC manager and staff did have somewhat more autonomy than had been the case under the pre-1989 OPA approach to financial management.

Budgets have long been a mundane but powerful means of organising the activity of the state\(^5\); and the idealised form of NPM was not sufficiently relevant or useful enough to supersede the historically institutionalised input-driven approach. The Ministry's continued reliance on inputs suggests that the OPA's uniformity and its reliance on input controls were not rejected. Rather, input controls were pragmatically reconstituted under NPM in a manner that was consistent across the public sector. It is ironic that NPM - a regime ostensibly driven by output controls - actually resulted in the MOE creating more sophisticated information systems and better management of its input controls.

The final meso-level context that impacted on the MC is the 'tiered' structure introduced by NPM into the public sector. This undermined the capacity of the 'core' to compel more centrifugal elements, such as the MC, become aligned with the NPM model. The MC was situated in a more peripheral area of the state apparatus, and a relatively weaker form of NPM was seen here. By its nature NPM was intended to circumscribe the core of the state, while assuming more of an arm's length relationship with other parts of the state. Given that NPM is all about disengaging and paring down interactions and relationships to utilitarian principal-agent relations, it was always likely that it would be less influential at the 'edges'. Additionally, linking the Crown entities directly with the Minister left a void where what was needed was an agency with the legitimacy to co-ordinate the operational relationships between these structures (Butterworth and Butterworth, 1998). Similarly, the new model provided little guidance as to how the public and education sectors were to engage with the second tier of Crown

\(^5\) It has been recognised elsewhere in studies of government that 'money steals the stage … it is the only tool with a natural unit of measurement' (Sutherland, 1990 in Peters and Savoie, (1996: 284). Dunsire (1995: 28) phrases the shift from public policy to public management as a move 'from covering your back to covering your costs'.

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entities. Such voids are unsustainable within the state, and this meant that the MC had to build links at this meso-level context.

That NPM was less powerful in the more centrifugal areas of the state was also seen in the weak form of NPM as applied to schools. The state had no means of forcing over 2,700 schools to adopt the ex ante and ex post accountability regime of NPM. The coercion associated with the introduction of the school charter reduced the legitimacy of the education reforms in the schools' eyes. The state had even less means of making over 2,700 schools achieve the shift to self-management. The MOE and the Audit Office both continued to pursue accountability tools such as the Statements of Service Performance in schools, when it was a challenge for most schools to just complete and submit their financial statements for auditing. Similarly, the MOE had no means of making the education sector and the public stop consulting the MC about their problems - and since the LOs in the MC were schools' point of contact with the Ministry, they had to respond appropriately with the necessary information.

Any compromises in the form of NPM in the MC were not just temporary, and could not simply be explained away as teething problems. The cumulative effect of the meso-level factors in the wider public sector meant that it remained out of the question for the MC to implement the idealised principles and practices of NPM.

The Macro-level of the State's Governance Role in Education

Finally, the macro-level context is that of the role of the state in the governance of education. Offe's theory is useful here as the shift in the state's apparatus to NPM can be seen in terms of a broader shift from a KWS form to that of a neo-liberal form. Following Offe (1996b), the growth in state functions and infrastructure had threatened its authority, and the logic of administrative action of NPM was the means by which an ordered withdrawal of the state could be realised. However, the role of the state in education is influenced by the context of the problems faced by states in capitalist societies. The state has to maintain its capacity to support the conditions of accumulation, and an unadulterated form of NPM threatened this capacity. There are
three key elements to this explanation of NPM in the New Zealand state's education apparatus.

First of all, under NPM the state was only to undertake that for which it could be made accountable, and its implementation in education was intended to reduce the overarching governance role of the state in education into *ex ante* output 'boxes'. By their nature, however, the funding, regulation, provision and delivery of education (Dale, 1997) are not susceptible to this very narrow form of accountability, which means that the state, in the final instance, must control the governance of education. The new non-interventionist logic driven by economists undermined the political economy of the state. By 1994 it became apparent that for many schools the difficulties of coping with Tomorrow's Schools were not just teething problems, but systemic weaknesses in education governance. Schools and communities were poorly placed to respond to their problems, and NPM was ill-conceived in having no internal mechanisms with which to address such problems. Indeed, the only response consistent with the ideal type of NPM was for more and more precise accountability mechanisms. An ideal form of NPM was therefore not only limited to government management while being poorly equipped for governance functions, but threatened the state's role in these areas.

Secondly, for the state, the nature of *education* crises is highly significant, for education is a core legitimisation tool of the state in a capitalist society. The fundamental importance of education in society is precisely the reason that schools and the public had long appealed directly to politicians and to the state. Because the MC managed to absorb many of the more minimalist problems, when the crises did appear in the public arena, they were both major and entrenched. The choice-based model of Tomorrow's Schools simply exacerbated the profile and the extent of crises in schools. The long-running and costly dispute between the Principal and the BOT at Timaru Girls' High School was a turning point in this respect. As the MC case study demonstrated, poor education outcomes were politically untenable and required a response, as reality could be subjugated by the theory only for so long. By 1994 both the Ministry and the Government recognised the risks in pursuing an unadulterated form of NPM, and

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adapted the role of the MC accordingly. It is paradoxical that the credibility of the NPM model relied on this compromised form of intervention, so that the state could respond to the crises in which NPM itself was implicated. Thus, in broad terms, the pursuit of the withdrawal of the state from directly intervening in education was reliant on the hand-in-hand mode endorsed by the MOE.

The difficulty in delimiting the role of the MC is also reflected in the MOE's difficulty in defining its own role in education. The inability to define and stick to a precise role was criticised by a Government-commissioned management audit of the MOE in early 1996.

*Like the Duke of York's troops the Ministry has been marched up to the top of the hill and now appear to be - if not on their way back down again - perhaps neither up nor down (SSC, 1996:83).*

However, the point missed by this SSC audit is that since the Ministry is the formal education apparatus of the state, it is compelled to respond to the emergent and the inevitable needs of the state. The contradictory nature of the state's role in education meant that no point of stasis, what Jessop (1990:9) refers to as 'autopilot', could ever be reached. Aligning the structure and the functions of the state meant that a reduced form or withdrawal of the state was needed, but one which also had to satisfy the political economy needs of the state. Just as one cannot stand in the same river twice, there can be no categorical role of the state in education, and attempts to capture it in observable and measurable 'outputs' were doomed to fail. While the state’s activities in education may be difficult to price, the political cost of getting them wrong is immeasurable.

Thus the formal education apparatus by its nature is not only perceived to be, but has to be the agency of last resort. At one level, this is seen very simply in the education sector's and the public's continued reliance on the MOE to advise, inform and support them. Additionally, the rigid application of NPM to other Crown entities meant that the MOE was left with everything else by default, and the MCs were, in their turn, left with many tasks that were inconsistent with a policy-only function for the Ministry.
However, at a more abstracted level, the crises in education did not threaten just the credibility of the model of Tomorrow's Schools, or of the more generalised neo-liberal policies in education. They threatened the political authority of the state. The objective of NPM was to effect an orderly withdrawal of state activities so that the state was better able to co-ordinate its core infrastructure (Offe, 1996b). The hands-off model of NPM procured a withdrawal in functions, but jeopardised the state's mandate in education, and only the state could respond to this. Other structures, principally the economy and civil society, may benefit from the neo-liberal state's 'shedding' its activities; but the state is unique in having both the capacity and the incentive to ensure that this withdrawal is successful. The 'solution' of NPM, therefore, was promoted and implemented and subsequently modified by the state, so that it could maintain its political authority. The eventual hand-in-hand mode allowed the state to maintain some reduction in functions, consistent with its neo-liberal form and, at the same time, secured the state's legitimacy to act in education. This latter is critical, because the state has to retain the capacity to shape its future involvement in education, and pre-empt any threats to its authority to do so.

Crises in education strike at the heart of the state's relationship with a core part of the Welfare State. Education provides the resources and conditions required for the process of capital production, that is, a labour force both educated and oriented towards supporting this project. Moreover, the provision of education is critical to the capacity of the state to mitigate the negative effects of capitalism, and, as Offe notes, education legitimates the state '...as an organisation of power that pursues common and general interests of society as a whole' (Offe, 1975: 127). Given that the Welfare State is required to mitigate the negative effects of capitalism, compromising the education outcomes of the children in these schools was an unpopular outcome, and one that was untenable to electorate-conscious politicians. NPM could not threaten the requirement to realising a minimum in education, and nor could it threaten the political authority of the Government and its apparatus, the MOE, to undertake this role. This study demonstrates how and why the state's actions reflect the contradictory nature of its own problems, while also reflecting the result of its own 'solution'.
To summarise then, when NPM was extended so that its idealised and politically impoverished form was applied to the state's governance in education, the state's mandate to act in education was correspondingly undermined. Locating the MC within this bigger picture explains the shift from OPA to NPM in terms of the tension between the KWS and the neo-liberal state – each with its associated logics. The former structures, and especially the logic of OPA, presented some difficulties for the new regime. However, the neo-liberal form of the state's apparatus in education was largely guaranteed by the existence of the KWS structures – especially in the form of the MOE's regional offices – and by the practices of OPA that were associated with the Keynesian state form. The 'sticky' nature of OPA was not only unavoidable, but served to buffer the central state from the full force of opposition to the changes in the education sector, and thus minimised the conflict that might have impeded the transition in state forms. Finally, the nature of the problems on the state's agenda meant that a distorted form of NPM was inevitable, since the neo-liberal model could not have been implemented on such a scale without the KWS structures and their associated logic.

**Reflections on Researching Education 'Within' the State**

Three main weaknesses within extant political sociology of education were raised in Chapter One, and these are revisited briefly so as to consider the contribution of this study to this area. First of all, through its use of macro theory the political sociology of education researcher reveals a wider agenda, but this insight may be at the expense of revelations into the mechanisms or devices through which this agenda was actually achieved. Secondly, and relatedly, dissimilarities and processes within the state may be assumed away. Finally, in political sociology of education research the macro theoretical analysis tends not to be balanced by investigation into what I describe here as the 'real world'. Others have exhorted researchers to attend to these weaknesses (Dale, 1994; Ball, 1997), but fewer meet these exhortations. The paucity of theoretically informed empirical research into the state is explained by the immature status of the field of political sociology of education. This meant that for this study
there were few studies to build on, and little by way of method to emulate. The dearth was felt more keenly because the subject of this study intersected a range of disciplinary knowledge such as public administration, management and education administration.

Given this starting point, the research was designed to develop meso-level theory and concepts with which the concrete example of a Ministry MC could be investigated. The latter is critical to link states with actors and to look at different levels of focus within the state. This is not quite the same as what Ball describes as ‘peopling policy’ (1997:270) for in this study it is not the people per se, but the relationship between the people and a particular kind of policy making which is under investigation. By exploring this terrain of the state via this level of analysis the tradition of political sociology of education has been modestly extended, and the work reveals intra-state workings relevant to researchers exploring their own aspects of education ‘policy’ such as education programmes, reform, legislation, and key individuals or ‘elites’.

The major and initial task was to create a framework of enquiry and the simple hierarchical approach, and indeed the organisation of Chapters One to Eight, resemble Dale’s model (1991). There is an obvious risk here in implying a rigid hierarchy comprised of three simple binaries: macro/state, meso/public sector, micro/MC. This risk was noted in Chapter One with the cautions of Cox (1980) and Alford and Friedlander (1985) that theoretical concepts are just a ‘convenience of mind’. This does not mean a researcher should not apply them to the real world – but simply that the concepts’ development and usage should be explicit.

This thesis concludes that there is a high degree of ‘goodness of fit’ between these analytical gradations and the gradation of contexts in which the MC functioned. First of all, developing the macro level state theoretical framework brought into the foreground the shift in state form to neo-liberalism. And through this the possibility of design and

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6 The closest example is Seddon and Angus (1999) recent institutional analysis of the processes through which Australian Governments have redesigned education. They investigate how Government has intervened in ‘newer’ practices in educational organisations and focused on a process of restructuring in one school and one post-compulsory education institution. In contrast, this thesis’s subject is an organisation that cannot be separated from the state, and is both educational and bureaucratic.
order in state form was raised and the imperative on the state to act was highlighted. More importantly, these very global explanations facilitated a meso level of analysis through generating the explanatory concepts of alignment and logic of administrative action. These concepts were constructed through refining the recognised middle range theoretical framework of ‘new’ institutionalism. Chapter One cautioned against a cavalier use of theory so the relevant elements was explicitly synthesised from the dominant strands of institutionalism. Thus the starting point was a state theoretical framework so that NPM could be explored across different terrain of the state in more than the politically naïve terms of public administration literature. The already noted weaknesses in a state theoretical framework were supplemented with an institutional perspective so as to develop a framework or enquiry relevant to the subject at hand. That is, a meso analysis of NPM as a rule in different settings. The result was a synthesis that combined the relevant strengths both of Offe's approach and institutionalism.

NPM was next explored in an international setting so that the qualitative investigation into the MC could be seen in a local as well as an international context (Ball, 1997; Dale, 1991). Clearly, it is impossible to draw a direct or deterministic relationship between events in a Ministry regional office and changes in the state forms or public sectors of western democracies. However, this step in the research was vital for it ‘made strange’ the particular form of NPM that was developed and implemented in the NZ setting. Framing NPM as a logic of administrative action in Chapters Four and Five represented a unique approach to this aspect of NZ public management. At the same time this approach allowed a novel discussion of OPA in NZ ‘s public sector and education agencies, and a critique of NPM in the more macro terms of the role of the state.

The result of Chapters One to Five was not just theoretical and contextual ground clearing, but represented both research method and findings. This half of the thesis provided a ‘thick’ case study that the empirical study of the MC would build on and extend. More significantly, the exploration of the MC continued what had become a ‘purposeful’ case study, as noted in the start of the thesis, because events in the MC
were located in contexts of time and place. The empirical work was purposeful in that many of the key issues were already identified via the preceding and ‘nested’ contexts in which the MC was embedded. The term case study is not used here in the sense promoted by Hammersley (1992); where case study research is the in depth investigation of a small number of naturally occurring cases. Rather, each context has been richly described and explicitly linked through an analysis of NPM as a mechanism of alignment and as a logic of administrative action that is subject to the nature of rules. This method met the criteria of developing meso theory and concepts, and applying these to a continuum of state foci.

The rich and multi-levelled case study also allowed a number of comparative analyses as method. There were not points of contrast as clear cut and obvious as markets versus state planning; nor could ‘the old’ be compared with ‘the new’, as elements of both were identified as present in the MC. Instead, the intention of this method was to draw more subtle comparisons. For example, the international use of NPM brought into scrutiny the particular variant developed in the NZ public sector. Within-state contrasts were drawn through looking at NPM as in contrast to OPA, its promulgation by the Central Agencies, and its actual form in the public sector, the Ministry and in the MC. Moreover, while 1989 to 1996 is a short timeframe in the life history of the Department of Education, this six-year period nevertheless allowed NPM to be looked at in three unexpected distinct phases in the MC. To reiterate the point made at the outset of this thesis, a single but highly contextualised and descriptive case study was sought to reveal dissimilarities and shades of grey operating within the state.

The third weakness of political sociology of education raised in Chapter One is that without empirical study our theories remain overly general, our concepts relatively untested and the research too prone to abstraction. The result is research without a sense of ‘place’ (Ball, 1997:267) and ‘rampant ahistoricism’ (ibid.:266) and the methodological implications are a failure to generate new concepts, new working definitions and the language with which we can describe and interrogate actual events. What then was the contribution in using the above frame of enquiry to undertake the empirical investigation of the ‘real world’ of the MC? The specific tasks involved in
this approach are described in Appendix One. However, it is apposite here to reflect on the most salient issues that emerged in researching the MC as a state organisation or site.

The operational role of the MC was chosen because it was a within-state site that was something of a research gap, compared with the more obvious policy-makers generally associated with education policy research. That the Ministry was ostensibly policy-driven yet continued to employ far more operational staff than it did policy seemed to be a contradiction worth unpacking. The preceding thick case study indicated the continuity or legacy of rules within the state’s education apparatus and so qualitative research was necessary to uncover how NPM was implemented in the continuing operational arm of the Ministry. Also, what little research there was on the Ministry (Pearce, 1996; Boyd, 1997) had suggested that the policy process is subject to the volatility of Ministerial and party-political imperatives. This subject seemed less congruent with meso-theory or concepts and more amenable to a micro-analysis of key elite actors (rational or otherwise).

While the focus was on the ‘mundane’ stuff of the bureaucracy, this study suggests a number of implications for a researcher who is ‘researching up’ – a power imbalance which is more generally associated with researching the high level policy makers or policy ‘elites’ (Walford, 1994; Ozga and Gewirtz, 1994). The first research implication is that the power imbalance between the researcher and the researched is relative. The MC did not present a case of policy elites, but a part of the Ministry that was disempowered. However, I only appreciated and understood the reasons for this after the one interview with MC participants was conducted. The descriptive features of the MC meant that its complete anonymity is impossible to secure particular from those familiar with Ministry who may have an interest in the empirical part of this thesis. These facts underlined the research imperative to ensure confidentiality of all participants and little information that distinguishes which MC was involved.

While this operational arm of the Ministry was relatively disempowered, there were also implications from my own position in ‘researching up’. I was a student and an outsider to the bureaucracy without any contacts or inside knowledge. Such was my relative
lack of power that I gratefully accepted all offers of an interview, and whatever files or paperwork offered that I could use. My relative lack of power meant that I did not have the luxury of selecting which material I might 'analyse' and which I might ignore.

The empirical study was explicitly based on the institutional and state theoretical frameworks in Chapter Two. The interviews were semi-structured and focussed on the issues already identified in the process of the case study work. In addition, for the purely pragmatic reason that just one interview was possible, the interviews involved a list of directed questions for which there was no other means of finding the answers. In this sense the participants were key informants, not 'subjects' whose attributes, such as position or background characteristics, were important to the significance of their information.

In qualitative research the analysis of interviews and documents remains something of an unspoken and unrecorded process and to redress this sometimes researchers have chosen to record the location of interviews (Gewirtz and Ozga, 1994), their literal cutting, pasting and highlighting of interview transcripts (Ball, 1991). Others have chosen to describe a method that is oitentimes no more technical than thinking long and hard and writing things down. The key is making as transparent as possible how the thinking was framed. In this study the analysis of the interviews and the documents in the empirical research was, like the case study, purposeful in that possible themes had already been identified. All material was read and interpreted in light of the imperative upon the state to achieve alignment, the nature of changing rules, and logic of administrative action.

In this way this study's method is akin to the Australian study of institutional design where the researchers applied meso theory to interview data (Seddon and Angus, 1999). Their analysis of qualitative data is presented in a simple and concise manner. They note that what was said was first analysed to build a descriptive picture or story; and secondly the way interviewees spoke was considered to highlight their preferences and reference points. Thirdly:
Accounts were examined to identify silences and, as far as possible, to identify evidence that might explain why some things were, and others were not said. These analyses, liberally illustrated with direct quotes from interviews, have been woven together in the light of relevant theoretical literatures in order to generate the following account of continuity and change at Streeton (Seddon and Angus, 1999: 492-493).

In short, Seddon and Angus’s method involved ‘weaving together’ the data in light of the theory and this was the manner in which the empirical study of the MC was undertaken and understood.

The material became meaningful within the institutional and state theoretical framework. For example, in no Ministry interviews or documents were the terms ‘OPA’ or ‘NPM’ referred to and nor could I ask interviewees to reflect on either a logic of administrative action, nor even ‘NPM’. Rather, these meso-concepts influenced the design of the interview questions, and had to be read off the data gathered via the semi-structured interviews, and the available published and unpublished material. As with Seddon and Angus, this data was ‘thought about’, analysed and interpreted in terms of the way they reflected the shift or otherwise, in the rule of OPA to that of NPM. The resulting story was both an extension and a reflection of the earlier case study findings in the NZ public sector and the education state.

So to summarise, it is implied from this study that a number of methodological approaches were necessary but not sufficient on their own and together they represent a method that illuminates within-state dimensions. The methodological starting point was developing and articulating a relevant theoretical framework and the concomitant generation of novel concepts. Also important were the description of a case study within a historical context and the application of this framework and case study two to interrogate and analyse the qualitatively derived MC-data in a purposeful and directed
fashion. This approach produced the desired marriage between the state, meso analysis and the real world.

The approach taken in this research has generated a number of findings that are relevant to future studies by education policy researchers, or more broadly, the political sociology of education. This analysis of the operationally-focused MC highlights the important within-state infrastructure that underpins the more high-profile policy-making activities of the state that more often attract the scrutiny of education researchers. The MC is neither powerful nor elite, but nonetheless has been revealed as a critical part of the state's apparatus. An implication of this study is that the MC is, along with other parts of the state's education apparatus, influenced by profoundly normal yet powerful bureaucratic processes within the state. Even at an intuitive level, this implies that education policy researchers should exercise caution in referring to radical state change or transformation. Rather, the findings suggest the tendency for continuity in the state and the tensions and importance of organisation-specific cultures within the state.

A further significant implication is that the non-linear and dynamic nature of intra-state processes is not necessarily explained by resistance or counter-practices. Rules do not exist outside of the actions of people, and at the same time people operating within the Ministry do not exist outside those rules. Thus, the continuities and the changes in intra-state processes are explained by the institutional nature of the state. Explaining both continuity as well as change is important, as both are present.

This study suggests that what has been characterised as 'rebuiding the ship at sea', as revealed in this sphere of education, is not unusual; as Offe notes, things change so that everything can stay the same. Close inspection of the MC within its more general context reveals that there was no steady implementation of NPM, or of its concomitant, neo-liberalism. Even though the period October 1989 to early 1996 is short in terms of

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7 A very modest contribution of this study where the subject matter cannot be seen in an empirically observable sense has been to define terms which often resist clear and consistent usage. Terms used here - such as NPM, institution, the state, the education apparatus, meso-theory and meso-concepts - are too readily left undefined. If subsequent research is to be informed then a researcher is obliged to defining and use these terms so that they are meaningful across multiple contexts, and in both theoretical and the concrete examples.
the national education bureaucracy’s existence since 1878, this study identifies an unevenness over about six years that illustrates the problems and counter-problems needing to be addressed by the state and its actors therein.

The co-existence and the reciprocal nature of the two logics also imply that researchers exploring the mode of the state require more than a snap shot case study to capture this state of flux. There was no period of stasis identified between 1989-1996, but rather a waxing and waning where the presence of one logic impacted on the influence of the other. All of these factors indicate that any outward stability of the state is more apparent than real, and that the internal alignment of its organisations and actors has to be analysed as a constant process. The SSC was right in employing the metaphor of the Grand Old Duke of York, but omitted to see that reshaping within the state is a constant modus operandi.

Given the hybridised or compromised form of NPM in the New Zealand state, it is interesting to conclude by speculating on the possible direction of future changes. Pertinent here is a recent series of review articles by individuals from agencies such as the Treasury, the Audit Office and the SSC8. Noticeable in their reflections is the case that is made for New Zealand to 'raise its game, not change its game' (Kibblewhite, 2000: 15). In short, the model of NPM is beyond question, and it is the details that need reviewing. For example, Neale and Anderson (2000) recommend better reporting of non-financial output performance, Gill (2000) stresses the need for better government strategy and outcomes; while Scott (2000) considers how to broaden the base of contractualism.

The one contrary voice is from the university academic who questions why, if the public sector had got better, was it feeling worse? (Gregory, 2000). From this review series, which largely fails to question any of the tenets of NPM, it seems that the implicit infrastructure and rules and the hybridised nature of NPM in New Zealand have to be

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8 It is important to note that each article concludes with the caveat that the views of the author’s employing organisation are not being represented; and also that the first article is by Scott, formerly head of the New Zealand Treasury.
further explicated and revealed. These intangible elements make up the very recent but very influential legacy wrought in the public sector. In New Zealand the governance of education is powerfully influenced by the combination of the nature of the state, and the fact that public sector management is, in a sense, 'a race without a finish line' (Gill, 2000:11). Following Elster et al. (1998) 'rebuilding the ship at sea' is constantly on the agenda of the state. Political sociology of education research has to further empirically research the within-state processes that may be implicit and even mundane, but are nonetheless influential. With this information the role of the state in education can be further unpacked, and not simply invoked.
APPENDIX ONE

Gathering data

For this study I sought data relating to the period 1 October 1989, to approximately March 1996. As noted in Chapter One, a number of events made this a 'natural' break in the chronology of the MC. In February 1996 the Government completed a major audit of the management of the MOE, and in March 1996 a new Minister took on the Education portfolio. Following this, a new CE was announced who took up the position in July 1996.

The major sources of data were interviews and documentation in relation to the MC. Both presented challenges to a student wanting to 'unpack' the apparatus of the state.

Interviews

There were 25 interviewees, all of whom were spoken to in their professional and public capacity about their work in, or their work in relation to, the MC. No one was interviewed as a private individual.

Management Centre Interviews

The most important interviews were those within the MC. Following the decision to conclude the case study in early 1996, I talked briefly with one contact within the MC, before approaching the manager more formally in June 1996. While the Ministry is not a rigidly hierarchical organisation, the MC manager first had to clear my request with his manager in the National Office before I could talk to any of his staff. If he had been advised against his office's participating, then there would have been no point in continuing with this approach. Once National Office approval was granted I talked further with the manager about what would be involved, and negotiated a process that recognised his concerns about ethics and staff workload; the latter meant that we agreed on one interview, plus possible phone calls to clarify details.
Unfortunately, by approaching the manager directly I had risked undermining the autonomy of the MC staff, and it was made clear to me when I first met them as a group that I ought to have first found out how much they knew about my request and my project. I realised then that I had to adopt a more inclusive approach, lest the research appear to have been a fait accompli. The feelings of one interviewee were expressed in this way.

*I was absolutely astounded you'd written to [the manager] in July and the first we knew was when you turned up...[the manager implied] "oh I thought I'd told you that". I guess I'm being critical of an individual. So there need to be better systems. It really got to me that [your project] had been approved by our National Office before the people actually involved who were going to be talking to you had knowledge of it. Internal communication leaves a lot to be desired and that is very disappointing. It would have been politic to ask professional staff whether or not they wished to be involved (MC official, interview 12.11.96).*

This represents the dilemma of 'researching up' where the researcher is vulnerable to processes beyond their control. It would, of course, have been inappropriate to approach staff without their manager's knowledge; while the manager felt it was important to gain higher approval before they could take any steps. In hindsight, I ought to have gained the manager's approval to arrange my own, more explicit, direct communication process with the MC staff.

Everyone in the MC was given a consent form explaining the purpose and focus of the research, and offered the opportunity to withdraw from the project at any time and to amend or delete any direct quotes I selected from their interview. Without preliminary access to the staff it was difficult to generate questions about the means by which the activities of the MC were selected and shaped. As an outsider to the bureaucracy I was not privy to the unstated and 'obvious' nature of their work, which was so natural to the interviewees they took it for granted. However, written questions were needed to secure the interviewee's confidence in the process and to make my intentions and interest
transparent. This dilemma reflects the problem of researching the bureaucracy which typically masks its internal processes; and this situation was exaggerated under the aegis of a Ministry which reported publicly only in terms of 'outputs'. To manage this difficulty I asked for an interview first with the manager, and so was better prepared to formulate questions which might be relevant to the staff and would generate the necessary information. Importantly this facilitated standardised questions so that I could compare answers from staff and reach a balance in perspectives and information. In addition I also sought beforehand as much information from the MC as was reasonable, and staggered the interviews so that I could use the time to take stock of the data being gathered.

Interviews were conducted in November 1996 with nine people working in the MC. At this time there were one operations manager, eight LOs, two administration officers who handled the finance and the reporting and recording schedules, and an institution support officer. There was also a receptionist for the operations and property aspects of this MOE office. The manager gave the aforementioned initial interview plus a more substantial interview, and then one follow-up discussion to clarify issues. I interviewed six LOs. Two LOs declined to be interviewed as did the institution support officer. Both administration officers were interviewed and their participation was critical, as they handled the areas of finance and the reporting schedules respectively, two areas which were very important but completely foreign to me. Through them I gained an insight into the complicated and evolving finance and recording systems, and also obtained copies of the various templates and organisational records that were so influential in shaping the MC's activities.

The management structures of the MC have been complex and changing since 1989. Prior to 1992 this office, like the other ten regional offices, had both a property and an operations manager. For this study I interviewed three of the four people who had

1 A similar dilemma exists in relation to the Official Information Act through which the public can request from government departments any identified papers. However, the public first has to know specifically what it is they are looking for.

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managed the operations area of this regional office. For reasons beyond my control I
could not meet the person who had been the manager for a few months in the 1994/95
financial year.

The MC interviewees naturally recalled the recent events most clearly. However, it was
noticeable that all of the LOs recalled remarkably similar versions of events in their
office, and the nature of their work, since 1989. For example, the hands-on, hands-off;
and hand-in-hand phrase was spontaneously suggested by five of the MC staff I
interviewed.

All interviews except two were taped, and they tended to be between one and two hours
long. As interviewees were comfortable with just one interview, a total of about 15
follow-up talks or written communications were made to clarify details. Full transcripts
were not sent to the interviewees, but those statements I wished to quote were returned
to interviewees for their review and for any changes they wished to make. For ethical
and logistical reasons the identity of all interviewees, MOE and otherwise, is
confidential. Given the tense period covered in this thesis, I felt that the assurance of
anonymity might remove a barrier to MOE staff participating, particularly as the large
majority are still in the MOE at the time of completion of this thesis.

*Non-Management Centre Interviews*

Seven other MOE interviews were conducted with people who had been or were then in
the MOE's National Office. These interviews were conducted in September 1997.
Three of these were senior officials in the National Operations division, one was a very
senior policy manager, two interviewees were in the MOE's finance division, and one
person was selected from the MOE's communications section. An especially useful
perspective came from two of these people who had worked for the MOE as managers
in a regional office as well as the National Office.

The point of the study was to explore the way in which the MC operated, and a further
perspective was gained by interviewing five principals of low decile primary schools in
the city where the MC is. These schools were selected as they would have been the
most likely to require the information, intervention and support from the MC\textsuperscript{2}. No principal approached declined, and all of these interviews were conducted immediately prior to the MC interviews, between 23 October and 9 November 1996. These interviews were taped and took approximately one hour. All five interviewees identified the broad shifts in the role of the regional office and echoed the perspective of schools that had been found in other surveys (Wylie, 1990, 1991, 1994, 1997; Gordon, 1993 and Jeffery, 1995). While these schools had had a range of reasons for interacting with the MOE, two of them had done so because of the very difficult circumstances they experienced after Tomorrow's Schools. For instance, at the time of the interview one school was possibly being subject to an EDI, and another was experiencing serious difficulties between the principal and the BOT. The perspective of these schools was relevant because of the problems they faced, although they in turn were concerned not to paint too grim a picture of their own dilemmas.

Finally, I also talked to one representative from each of the local primary and secondary school union offices. I was mindful that their views reflected something of the official opposition to a government agency, and that the unions tended to be involved when schools struck difficulties in the industrial relations areas. Very little was learnt from these interviews.

A number of other interviewees declined my request. In the MOE this involved the manager of the property office which adjoined the operations office in the MC. For reasons beyond my control I was unable to talk to one senior manager of National Operations in the National Office; a further senior manager offered me a 10 minute phone call which I declined. Further, a senior manager with experience in the DOE, and in MOE and school finances wrote back to me explaining it would be 'unprofessional' for him to talk with me.

\textsuperscript{2} I also talked to two secondary principals in the city of this MC, but it quickly became apparent that they rarely dealt with the MC, and when they did it was concerned with for property issues.
Documentation

The other important source of data was the reports, paperwork and general files from which I sought to compile an ongoing record of the regional office's mode of operations.

Management Centre Documentation

The staff's goodwill in helping me was very high, especially at the start of my search process. Unfortunately my own naivety and ignorance about the MC's role was greatest just when staff were most willing to help. Early on it was difficult to identify critical issues and to read between the lines of much of the indirect and jargonistic language typical of a bureaucracy. There were also some more serious constraints in accessing documentation.

I faced a dilemma in gathering the kind of data I was interested in. For this thesis I was interested in how NPM had influenced the shape of the work of a regional office. I was interested in the way activities were selected, regulated and considered, rather than the details about the actual activities of MC; but under NPM it was the latter which tended to be collected. Quite reasonably I could not have access to any files which would identify any office individuals, and this ruled out the recording sheets and much of the reporting regime. The MC also wished to protect the privacy of staff who had worked in this office since 1989, and might not wish to contribute, as well as the many institutions, schools and early childhood centres whose details would also be embedded throughout the MC files.

The solution was to let me look at a limited number of files which were not 'live'. I relied on those which were approved by an administrative officer as containing nothing which might encompass any information about previous or current staff, and any details about schools or other members of the public. As I was interested in office processes and Ministry management strategies as borne out in the MC, I could work with this material. The amount of material available was further limited in that they only included the files set aside for the MOE's archives. Their archival status turned out to be a blessing as they were made available to me for a couple of days, so I could digest
and make notes where needed. The 'older' material from the first few years was useful as it included some minutes from an era in which the minutes of meetings tended to be somewhat more expansive and verbatim.

This early material was reasonably sparse, reflecting the lack of system-wide information gathering and reporting in the first hectic years of Tomorrow's Schools. As highlighted in Chapter Six in the hands-on period many decisions were made 'on the hoof' while everyone worked out national procedures. Moreover, there was no email at this time, which as a cheap and accessible medium, was later to be used more. 'Files' are not always the orderly accounts of processes that their title implies. For instance, I found that the titles were often misleading and held little of interest, or the files were sometimes even empty. Nor did the files contain everything that is important. For instance, sometimes I was given some personally stored reports and papers on the proviso they were not directly cited nor traceable back to the person. Finally, I was also able to look at blank versions of the output sheets staff were required to fill in (of which there were at least five versions).

Other Documentation

There were two other primary sources of information. In contrast to internal files, the publicly available information was an orderly well-signposted set of records. However, this only indirectly revealed insights about district offices, and about the regional office I was studying. Through MOE Annual Reports, Corporate Plans, Departmental Forecast Reports, and Briefings to Incoming Ministers, I could see what the MOE and regional offices were doing nationally. I also examined all the MOE circulars sent to schools in the 1989 to 1996 period; as well as the New Zealand Education Gazette, and the newsletters from the primary and secondary schools’ unions over this period. All of these sources were looked at least twice, while MOE Annual Reports were constantly referred to as I became alerted to issues in a cumulative fashion.
There was also a rich vein of what I call 'grey' 'unpublished' material\(^3\) which came from a range of sources. This information included copies and drafts of the Annual Purchase Agreements between the Minister of Education and the Ministry of Education, MOE newsletters to its staff, PSA reports and information to regional staff. This was a rich vein of information for it revealed the constraints under which the MC operated. Accessing this was often the result of happenstance, as staff might refer to a document in passing, and I would ask if it could be seen or make judicious use of the Official Information Act. I had to recognise that my attempts at a systematic data gathering process might not be undermined but rather enhanced by more serendipitous methods.

However, I was aware of the temptation to accord the publicly available information, or the 'grey reports', as somehow more 'true' than that the more messy internal files and the interviews. The aggregated picture presented by the MOE, or divisions therein, masked the high level of internal variance, and the variance across time, in its activities. More seriously, the reporting in terms of outputs created an illusion of order and rationality which was not always there. Three examples are given here to illustrate. At about the time I began dealing with the MC the manager had responded favourably to a request from his senior manager to surrender savings if possible. The result was that MC staff faced extremely tight budget constraints, and travel costs were carefully trimmed. But in the Annual Financial Reports there is no indication that the divisional budget was stretched, or that regional offices might have had to trade off some of their own tasks as a result, because a report to Parliament requires a more circumspect story\(^4\), and indeed the NPM model sanctions this absence of information about inputs.

Similarly, the reporting method used appears a self-evident success. For example, the Purchase Agreements were ostensibly an \textit{ex ante} contract requiring the MOE to provide

\(^3\) This term is taken from the reference to 'grey' work in academia. This material is unpublished but has an influence, nevertheless, through being circulated and read widely within the MOE.

\(^4\) Often, the most frankly expressed pictures of the MOE over the 1989-1994 period were the reflections in the MOE's Annual Reports by the former CE. Given the public nature of this medium the CE reflected very honestly about the processes and capability of the MOE at this time; and this provided some of the colourful background for the MOE district office I looked at.
certain goods and services. However, this has to be recognised as a document written and re-written by the MOE well into the relevant financial year. In a similar vein, since 1989 the MOE has reported to Parliament on the outputs it has provided, even though it is widely recognised that it is impossible accurately to cost 'outputs' in education; rather, the cost simply reflects the expenditure on inputs, that is, the relative time across outputs spent by personnel, and therefore the related but 'guesstimated' share of fixed costs. It should also be noted here that the MOE's Annual Reports are a rich source of information, and clearly presented; moreover they have never been 'tagged' by the Audit Office as requiring further work, and some have won awards for the clarity of their presentation. Nevertheless, without some contextual information, the meaningfulness of this information is limited and presents only the 'official' interpretation.

The final caveat on the information is that proving the truth of a single fact is extremely difficult. Accurate records are not always available, especially from the first few years of the MOE's existence; and even the term 'accurate' is not entirely helpful. For example, I asked staff the exact number of employees in the district office over time. The answers varied, and people could not always account for staff contracted in for busy times of the year (for example, the start of the first school term). Moreover, changes to the structure of the MOE meant that comparisons between different years were not always straightforward. In a Parliamentary Question I asked (via my local MP) what the staffing and funding levels of this regional office had been. The answer about staffing levels differed, albeit slightly, from that given in some other documents (such as the NZEG which is published by the MOE; PSA data; and internal memos within the National Operations division), and answers about funding levels could not be given beyond 1992 when the National Operations division had been restructured. The point is simply that in this thesis I have had to explore general trends and patterns, and statements have to be made balancing a range of information sources and contextual factors. Hence, the focus has not been on the precise number of MC tasks, but rather, the way in which tasks were prioritised and accepted by staff; nor about precise staffing numbers, but the way in which restructuring processes came about and were realised.
In sum, the various data sources have worked in a cumulative fashion, each contributing to the relevance and context of others, and, seen as a whole, highlighting the universal and the particular in relation to this MC. I was able to return repeatedly to these various sources, often with a clearer and keener idea of the sensitising concepts or the theory I wished to use, and through this cyclic analysis I could glean new information and perspectives from each source. These multiple and diverse sources of information - interviewees in a range of professional capacities, follow-up queries, archived, published and internal documents of the MOE - allowed the compilation and verification of MC and Ministry events and processes over time. This broad approach revealed consistent analyses of the three phases of the implementation of NPM in the MC.
| Week ending: | | | | | TOTAL |
|-------------|-------------|-------------|-------------|-------------|

| I01 | PERFORMANCE ACHIEVEMENT | | | | |
| I0.1 | Performance agreement | | | | |
| I0.2 | Professional development | | | | |
| I0.3 | Performance appraisal | | | | |
| I0.4 | Coaching and counselling | | | | |
| I0.5 | Other | | | | |

| I02 | CORPORATE AND PERSONAL DEVELOPMENT | | | | |
| I02.1 | EEO | | | | |
| I02.2 | Corporate planning | | | | |
| I02.3 | Other | | | | |

| I03 | MANAGEMENT OF RESOURCES | | | | |
| I03.1 | Budget | | | | |
| I03.2 | Staff | | | | |
| I03.3 | Assets | | | | |
| I03.4 | Other | | | | |

| TOTAL: I0 | | | | | |

| External | | | | | |
| I.3 | POLICY IMPLEMENTATION | | | | |
| I.3.1 | Monthly statistics | | | | |
| 1.3.2 | Quarterly reports |
| 1.3.3 | Statements of service performance |
| 1.3.4 | TSG/SGM |
| 1.3.5 | SEPIT |
| 1.3.6 | NEG |
| 1.3.7 | 10 Point Plan |
| 1.3.8 | Transport |
| 1.3.9 | EDI, including district property consultative committee meeting |
| 1.3.10 | Curriculum framework |
| 1.3.11 | Maori language resourcing |
| 1.3.12 | Technology education |
| 1.3.13 | Senior secondary school |
| 1.3.14 | Supplementary resourcing of schools |
| 1.3.15 | ECF funding review |
| 1.3.16 | Other |

**TOTAL: 1.3**

**MANAGEMENT OF CONTRACTS AND ADMINISTRATION OF PAYMENTS**

| 2.1 | CHARTERS AND LICENSING |
| 2.1.1 | New licences ECE centres |
| 2.1.2 | Amend licences |
| 2.1.3 | Register private schools |
| 2.1.4 | Integrate private schools and negotiate integration amendment |
| 2.1.5 | Amend school/ECE charters |
| 2.1.6 | Negotiate new charters EC/schools |
### Week ending:

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<tr>
<th>2.1.7</th>
<th>Process ERO reports</th>
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<td>Establish KKM</td>
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<td>Authorise reimbursement for relief teachers</td>
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<td>Check ECE funding forms</td>
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<td>Amend operational grant entitlements</td>
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<td>Allocate special education resources</td>
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<td>Out of hours classes</td>
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<td>Equity and LAA (primary and secondary)</td>
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<td>Process staff incentive allowance and isolation allowance</td>
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<td>Community education</td>
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<td>Support on visits and support for visitors</td>
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<td>Ombudsman replies</td>
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**TOTAL: 6.8**
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<td>Media</td>
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<td>General public/telephone duties/reception</td>
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### Appendix Three - Management Centre Example of a Weekly Phone Log, October 1995

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<th>No</th>
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<th>Context (key words if possible)</th>
<th>Return Call (YN)</th>
<th>Outcome</th>
<th>Output</th>
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</thead>
<tbody>
<tr>
<td>1</td>
<td>Principal School</td>
<td>Emergency Closure</td>
<td>N</td>
<td>Legislation requirements discussed</td>
<td>2.112</td>
</tr>
<tr>
<td>2</td>
<td>Public</td>
<td>Home Schooling</td>
<td>Y</td>
<td>Info pack sent out</td>
<td></td>
</tr>
<tr>
<td>3</td>
<td>DOT Chairperson</td>
<td>Annual Report</td>
<td>N</td>
<td>Annual Report to be sent in</td>
<td></td>
</tr>
<tr>
<td>4</td>
<td>Hospital Tutor</td>
<td>Student</td>
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<td>Packed and sent</td>
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<td>Fire</td>
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<td>Sacked, requires signed proposals</td>
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<td>7</td>
<td>SES</td>
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<td>N</td>
<td>Sacked, requires signed proposals</td>
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<td>Clearing Student</td>
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<td>Address given</td>
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**Telephone Log**

- Imp. School 11.3
- At Risk 11.5
- Edu 13.1
- Ref. Info 2.1.12
- Susp 11.4
- Exemp 5.3.8
- Staff 1.1.4
- Week Ending 1.1.4

**Management Centre**

- Name: [redacted]
- Date: 13 Oct

---

<table>
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<th>Source</th>
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<th>Outcome</th>
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<td>1</td>
<td>Principal School</td>
<td>Emergency Closure</td>
<td>N</td>
<td>Legislation requirements discussed</td>
<td>2.112</td>
</tr>
<tr>
<td>2</td>
<td>Public</td>
<td>Home Schooling</td>
<td>Y</td>
<td>Info pack sent out</td>
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<tr>
<td>3</td>
<td>DOT Chairperson</td>
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**Subtotal 2** 0.0 3.0 0.0 0.0 0.0 3.0

**TOTAL HOURS FOR MONTH** 0.0 0.0 0.0 0.0 0.0 0.0
APPENDIX FIVE – MANAGEMENT CENTRE TASKS
LISTED IN MC OFFICE PLAN, 1995/96

TASKS

1 Policy Advice
   1.1 Learning and Achievement
      1.1  1  Curriculum Framework & Qualifications/Time Frames -
      1.1  2  10 Point Plan for Maori Education -
      1.1  3  Improving School Attendance -
      1.1  4  Truancy Project -

   1.2 Governance and Accountability
      1.2  1  Supporting Schools in Self Management -

   1.3 Resourcing of Education
      1.3  1  EDI including proactive initiatives with schools -
      1.3  2  School Transport assistance -
      1.3  3  Schools resourcing (MRG) -
      1.3  4  SERT -
      1.3  5  Outcomes of ECE funding review -
      1.3  6  Education for E21C -
      1.3  7  Schooling for the future -

2 Management of Agreements with Education Services providers

   2.1 Charters and Licensing
      2.1  1  New licences EC Centres -
      2.1  2  Licence amendments -
      2.1  3  Private school registration -
      2.1  4  Integrate private schools and negotiate -
      2.1  5  School/EC charter amendments -
      2.1  6  Negotiate new charters EC/schools -
      2.1  7  KKM -
      2.1  8  Compliance - ERO Reports
      2.1  9  Terms and holidays -
      2.1 10  Emergency Closure -
      2.1 11  ECE Licence/Suspension cancellation -
      2.1 12  Suspensions, expulsions -

   2.4 School Transport
      2.4  1  Special needs transport -
      2.4  2  Daily services -
      2.4  3  Manual services -
      2.4  4  School transport contracts -
2.6 Determination & Delivery of Early Childhood & Schools Resourcing

2.6 1  EC funding forms -
2.6 3  Special Education resources -
2.6 4  Out of hours classes -
2.6 6  Reading recovery -
2.6 7  ESOL -
2.6 8  Staffing incentive allowance -
2.6 9  EC centre discretionary grants and loans -
2.6 10 Community education -
2.6 11 MLFF -
2.6 12 Change of class -
2.6 13 School closure -
2.6 14 BoT elections and by-elections -
2.6 15 Statutory appointments -
2.6 16 Enrolment schemes -
2.6 17 Attachments - move, close, establish -
2.6 18 School staffing -
2.6 21 Positions in attached units -
2.6 22 Foreign fee paying students -
2.6 23 Correspondence School enrolments -

2.8 School & Crown Entity Ownership Monitoring

2.8 1  Annual reports/financial reports -
2.8 2  Commissioners -
2.8 3  EC/school financial statements -

4 Ministerials

4.1 Ministerial Servicing

4.1 1  Ministerials and referred correspondence - All staff
4.1 2  Submissions to the Minister - All staff
4.1 3  Briefing notes - All staff
4.1 4  Responses to information requests - All staff
4.1 5  Speech notes - All staff
4.1 6  Cabinet papers - All staff
4.1 7  Current issues papers - All staff
4.1 8  Visits and visitor support - All staff
4.1 9  PQ's - All staff
5 Payment of Salaries, Allowances & Entitlements

5.3 Entitlement Assessment & Payment

5.3 3 Personnel issues -
5.3 4 Discretionary issues -
5.3 5 Reimbursement as per the collective -
5.3 6 Special education - S9 agreements -
5.3 7 Boarding bursaries -
5.3 8 Early leaving exemptions -
5.3 9 Home schooling approvals -
5.3 10 ECE Regulation 9 approvals -

6 Provision of Information

6.1 Provision of Information

6.1 1 EEO - Education Services -
6.1 2 Seminars and meetings - All staff
6.1 3 Early Childhood sector -
6.1 4 Schools sector -
6.1 5 Tertiary sector -
6.1 6 Te/iwi/Maori community -
6.1 7 Media - MNO
6.1 8 General public/telephone duties/reception - All staff
6.1 10 Ombudsman enquiries - All staff
PRIMARY SOURCES

Ministry of Education

Chief Executive letter to schools (16.10.89).

Circular to Schools, No. 22 (28.4.92).


Draft Report (20.6.90).

Draft letter from Minister of Education to National Party caucus (22.8.91).

Extract from Chief Executive Address to National Operations Conference (24.11.94).

Group Manager's Funding Seminar, internal memo (12.10.89).

Human Resources Newsletter to all Staff (April 1992).

Memo to MCs (7.8.91), (22.8.91), (23.9.91), (18.12.91), (29.11.93), (3.5.95), (5.5.95), (8.5.95).


MOE/PSA Joint Working Party on Job Descriptions (9.5.94).


Press Release 8.8.91.

PSA Briefing to Members in the MOE (29.7.92).

Management Centre

MC Internal Memo (27.9.91), (6.3.92), (29.11.93), (24.6.96).

MC Memo to National Office (29.11.93), (23.11.95).

MC District Newsletter to Schools (January 1990), (July 1991), (early 1992).


Minutes of Regional Managers' Meetings (5.7.90), (7.11.90), (15.10.91), (11/12 November 1991), (28.1.92), (December 1992).

Miscellaneous

Letters from SSC Assistant Commissioner to Minister of State Services (1.2.91a), (1.2.91b).

Letters from SSC Assistant Commissioner to Minister of State Services (12.7.91).

Parliamentary Question to the Minister of Education (12.9.97).
SECONDARY SOURCES


264


Department of Education (1978) 100 Years of the New Zealand Department of Education, Wellington: Department of Education.


267


Education Act 1989

Education Amendment Act 1990


Ministry of Education (1991c) Bulk Funding of Teachers Salaries, Wellington.


**Newspapers and Newsletters**

*Dominion Sunday Times*, (12.10.89), (18.2.90), (3.1.95.)
New Zealand Education Gazette (17.10.88), (1.9.89), (2.12.89), (2.12.91), (1.3.93), (15.3.91), (30.4.93).

NZEI RouRou, (20.8.91), (5.2.92), (20.9.93).


Supplement to the Education Gazette, (14.4.89), (1.8.89).