

THE STATE SERVICES  
IN NEW ZEALAND

REPORT OF THE  
ROYAL COMMISSION OF INQUIRY

WELLINGTON, JUNE 1962

THE ROYAL COMMISSION ON THE NEW ZEALAND  
STATE SERVICES

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The Honourable Mr Justice McCARTHY

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*Royal Commission to Inquire into and Report upon State Services in  
New Zealand*

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ELIZABETH THE SECOND, by the Grace of God of the United Kingdom,  
New Zealand and Her Other Realms and Territories Queen,  
Head of the Commonwealth, Defender of the Faith:

To Our Trusty and Well-beloved the Honourable THADDEUS  
PEARCEY MCCARTHY, a Judge of the Supreme Court of New  
Zealand; MATTHEW OLIVER BARNETT, Esquire, of Wellington,  
Solicitor and Company Director; CLIFFORD ULRIC PLIMMER,  
Esquire, of Wellington, Company Director; KENNETH JOHN  
SCOTT, of Wellington, University Professor; and JOHN  
TURNBULL, Esquire, of Wellington, Retired Secretary:

GREETING:

KNOW Ye that We, reposing trust and confidence in your integrity,  
knowledge, and ability, do hereby nominate, constitute, and appoint  
you, the said

The Honourable THADDEUS PEARCEY MCCARTHY,  
MATTHEW OLIVER BARNETT,  
CLIFFORD ULRIC PLIMMER,  
KENNETH JOHN SCOTT, and  
JOHN TURNBULL

to be a Commission to receive representations upon, inquire into,  
investigate, and report upon the organisation, staffing, and methods  
of control and operation of Departments of State and, to the extent  
that you may consider necessary or desirable, of agencies of the  
Executive Government of New Zealand, and to recommend such  
changes therein as will best promote efficiency, economy, and im-  
proved service in the discharge of public business, having regard  
to the desirability of ensuring that the Government service is  
adequately staffed, trained, and equipped to carry out its functions;  
and in particular to receive representations upon, inquire into, investi-  
gate, and report upon the following matters:

I. Any improvements that should be made in the machinery of  
Government, in relation to the organisation, coordination and control  
of Departments of State and Government agencies.

II. Any major functions that should be redistributed among Depart-  
ments and Government agencies, or that should be transferred to or  
from any new or existing agency or body.

III. Any methods by which efficiency is ensured, and any methods by which the quality or quantity of work might be improved.

IV. Any changes in policies relating to personnel that would promote an improved standard of public administration, especially in relation to—

- (a) The recruitment of staff :
- (b) The retention of staff :
- (c) The promotion of staff :
- (d) Rights of appeal :
- (e) The retirement of staff :
- (f) Classification and grading :
- (g) Training :
- (h) Discipline :
- (i) Relations between employer and employee :
- (j) Superannuation, so far as it affects the recruitment, retention, and retirement of staff :
- (k) Physical working conditions.

V. The machinery for wage and salary determination, and the principles on which wages and salaries should be based.

VI. Any amendments that should be made in existing legislation to promote improvements in any of the aforesaid matters.

VII. Any associated matters that may be deemed by you to be relevant to the general objects of the inquiry.

And we hereby appoint you, the said

The Honourable THADDEUS PEARCEY McCARTHY to be the Chairman of the said Commission :

And for the better enabling you to carry these presents into effect you are hereby authorised and empowered to make and conduct any inquiry or investigation under these presents in such manner and at such time and place as you deem expedient, with power to adjourn from time to time and place to place as you think fit, and so that these presents shall continue in force, and any such inquiry may at any time and place be resumed although not regularly adjourned from time to time or from place to place :

And you are hereby strictly charged and directed that you shall not at any time publish or otherwise disclose save to His Excellency the Governor-General, in pursuance of these presents or by His Excellency's direction, the contents of any report so made or to be made by you, or any evidence or information obtained by you in the exercise of the powers hereby conferred upon you, except such evidence or information as is received in the course of a sitting open to the public :

And it is hereby declared that the powers hereby conferred shall be exercisable notwithstanding the absence at any time of any one or any two of the members hereby appointed so long as the Chairman, or a member deputed by the Chairman to act in his stead, and two other members are present and concur in the exercise of the powers :

And We do further ordain that you have liberty to report your proceedings and findings under this Our Commission from time to time if you shall judge it expedient so to do :

And, using all due diligence, you are required to report to His Excellency the Governor-General in writing under your hands, not later than the 31st day of March 1962, your findings and opinions on the matters aforesaid, together with such recommendations as you think fit to make in respect thereof :

And lastly, it is hereby declared that these presents are issued under the authority of the Letters Patent of His late Majesty King George the Fifth, dated the 11th day of May 1917, and under the authority of and subject to the provisions of the Commissions of Inquiry Act 1908, and with the advice and consent of the Executive Council of New Zealand.

In witness whereof We have caused this Our Commission to be issued and the Seal of New Zealand to be hereunto affixed at Wellington this 6th day of July 1961.

Witness Our Right Trusty and Well-beloved Cousin, Charles John, Viscount Cobham, Knight Grand Cross of the Most Distinguished Order of Saint Michael and Saint George, upon whom has been conferred the Territorial Decoration, Governor-General and Commander-in-Chief in and over New Zealand; acting by and with the advice and consent of the Executive Council of New Zealand.

COBHAM, Governor-General.

By His Excellency's Command—

KEITH HOLYOAKE, Prime Minister.

Approved in Council—

T. J. SHERRARD, Clerk of the Executive Council.

*Substitution of a Commissioner on the Royal Commission to Inquire into and Report upon State Services in New Zealand*

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ELIZABETH THE SECOND, by the Grace of God of the United Kingdom, New Zealand and Her Other Realms and Territories Queen, Head of the Commonwealth, Defender of the Faith:

To Our Trusty and Well-beloved the Honourable THADDEUS PEARCEY MCCARTHY, a Judge of the Supreme Court of New Zealand; MATTHEW OLIVER BARNETT, Esquire, of Wellington, Solicitor and Company Director; CLIFFORD ULRIC PLIMMER, Esquire, of Wellington, Company Director; JOHN TURNBULL, Esquire, of Wellington, Retired Secretary; and RALPH HERBERT BROOKES, Esquire, of Wellington, University Senior Lecturer:

GREETING:

WHEREAS by Our Commission issued on the 6th day of July 1961, We constituted and appointed you, the said the Honourable THADDEUS PEARCEY MCCARTHY, MATTHEW OLIVER BARNETT, CLIFFORD ULRIC PLIMMER, and JOHN TURNBULL, and also KENNETH JOHN SCOTT, Esquire, of Wellington, University Professor, to be a Commission to receive representations upon, inquire into, investigate, and report upon State Services in New Zealand:

And whereas the said KENNETH JOHN SCOTT died on the 19th day of July 1961, and it is desirable to appoint in his stead a member of the Commission so constituted:

Now, Know Ye, that We, reposing trust and confidence in your integrity, knowledge, and ability, do hereby appoint you, the said

RALPH HERBERT BROOKES

to be a member of the said Commission in the stead of the said KENNETH JOHN SCOTT:

And it is hereby declared that all acts and things done and decisions made by the said Commission or any of its members, in the exercise of its powers, before the issuing of these presents, shall be deemed to have been made and done by the said Commission as reconstituted by these presents, and as if you, the said RALPH HERBERT BROOKES, had originally been appointed to be a member in the place and stead of the said KENNETH JOHN SCOTT:

And We hereby confirm Our Commission issued on the 6th day of July 1961 save as modified by these presents:

And lastly, it is hereby declared that these presents are issued under the authority of the Letters Patent of His late Majesty King George the Fifth, dated the 11th day of May 1917, and under the authority of and subject to the provisions of the Commissions of Inquiry Act 1908, and with the advice and consent of the Executive Council of New Zealand.

In witness whereof We have caused this Our Commission to be issued and the Seal of New Zealand to be hereunto affixed at Wellington this 2nd day of August 1961.

Witness Our Right Trusty and Well-beloved Cousin, Charles John, Viscount Cobham, Knight Grand Cross of the Most Distinguished Order of Saint Michael and Saint George, upon whom has been conferred the Territorial Decoration, Governor-General and Commander-in-Chief in and over New Zealand; acting by and with the advice and consent of the Executive Council of New Zealand.

COBHAM, Governor-General.  
By his Deputy,  
H. E. BARROWCLOUGH.

By His Excellency's Command—

KEITH HOLYOAKE, Prime Minister.

Approved in Council—

T. J. SHERRARD, Clerk of the Executive Council.



*Extending the Time Within Which the Royal Commission to Inquire into and Report upon State Services in New Zealand may Report*

---

ELIZABETH THE SECOND, by the Grace of God of the United Kingdom, New Zealand and Her Other Realms and Territories Queen, Head of the Commonwealth, Defender of the Faith:

To Our Trusty and Well-beloved the Honourable THADDEUS PEARCEY MCCARTHY, a Judge of the Supreme Court of New Zealand; MATTHEW OLIVER BARNETT, Esquire, of Wellington, Solicitor and Company Director; CLIFFORD ULRIC PLIMMER, Esquire, of Wellington, Company Director; JOHN TURNBULL, Esquire, of Wellington, Retired Secretary; and RALPH HERBERT BROOKES, Esquire, of Wellington, University Professor:

GREETING:

WHEREAS by Our Warrant dated the 6th day of July 1961, We constituted and appointed you, the said the Honourable THADDEUS PEARCEY MCCARTHY, MATTHEW OLIVER BARNETT, CLIFFORD ULRIC PLIMMER, and JOHN TURNBULL, and also KENNETH JOHN SCOTT, Esquire, of Wellington, University Professor, to be a Commission to receive representations upon, inquire into, investigate, and report upon State Services in New Zealand:

And whereas the said KENNETH JOHN SCOTT died on the 19th day of July 1961, and by Our Warrant dated the 2nd day of August 1961, you the said RALPH HERBERT BROOKES were appointed to be a member of the said Commission in the stead of the said KENNETH JOHN SCOTT and We thereby confirmed Our first-mentioned Warrant save as modified by Our said Warrant dated the 2nd day of August 1961:

And whereas by Our said first-mentioned Warrant the said Commission was required to report to His Excellency the Governor-General not later than the 31st day of March 1962 its findings and opinions on the matters aforesaid, together with such recommendations as it might think fit to make in respect thereof:

And whereas it is expedient that the time for so reporting should be extended as hereinafter provided:

Now, therefore, We do hereby extend until the 30th day of June 1962 the time within which the said Commission is so required to report without prejudice to the continuation of the liberty conferred upon it by Our said first-mentioned Warrant to report its proceedings and findings from time to time if it should judge it expedient to do so:

And We do hereby confirm Our said Warrants and the Commission thereby constituted save as modified by these presents:

And it is hereby declared that these presents are issued under the authority of the Letters Patent of His late Majesty King George the Fifth, dated the 11th day of May 1917, and under the authority of and subject to the Commissions of Inquiry Act 1908, and with the advice and consent of the Executive Council of New Zealand.

In witness whereof We have caused these presents to be issued and the Seal of New Zealand to be hereunto affixed at Wellington this 26th day of March 1962.

Witness Our Right Trusty and Well-beloved Cousin, Charles John, Viscount Cobham, Knight Grand Cross of Our Most Distinguished Order of Saint Michael and Saint George, upon whom has been conferred the Territorial Decoration, Governor-General and Commander-in-Chief in and over New Zealand; acting by and with the advice and consent of the Executive Council of New Zealand.

COBHAM, Governor-General.

By His Excellency's Command—

KEITH HOLYOAKE, Prime Minister.

Approved in Council—

T. J. SHERRARD, Clerk of the Executive Council.

*Letter of Transmittal*

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To His Excellency Charles John, Viscount Cobham, Knight Grand Cross of the Most Distinguished Order of Saint Michael and Saint George, upon whom has been conferred the Territorial Decoration, Governor-General and Commander-in-Chief in and over New Zealand.

## MAY IT PLEASE YOUR EXCELLENCY

Your Excellency by Warrant dated 6 July 1961 appointed us the undersigned THADDEUS PEARCEY McCARTHY, MATTHEW OLIVER BARNETT, CLIFFORD ULRIC PLIMMER and JOHN TURNBULL, and KENNETH JOHN SCOTT, to report under the terms of reference stated in that Warrant. KENNETH JOHN SCOTT died on 19 July 1961 before our sittings commenced, and so by further Warrant dated 2 August 1961, Your Excellency appointed the undersigned RALPH HERBERT BROOKES in his place and stead.

We were originally required to present our report by 31 March 1962, but this date was later extended by Your Excellency to 30 June 1962.

We now humbly submit our report for Your Excellency's consideration.

We have the honour to be

Your Excellency's most obedient Servants

T. P. McCARTHY, Chairman.

M. O. BARNETT, Member.

C. U. PLIMMER, Member.

J. TURNBULL, Member.

RALPH H. BROOKES, Member.

Dated at Wellington this 28th day of June 1962.

## Chapter 1. PREFACE

1. Your Excellency's instructions, in the Warrant appointing this Commission, are both wide and specific. We are generally to investigate the executive branch of Government in New Zealand, and to examine in particular a number of related matters of extreme importance, recommending such changes as will, in our view, promote efficiency, economy, and improved service in the discharge of public business. In succeeding chapters we set out in full our analysis and our conclusions. In this preface we shall explain in outline the nature of our approach, and of our findings.

2. It has been our purpose, in writing this report, to make practical recommendations for dealing with practical difficulties. We have not sought to compile a textbook on public administration in New Zealand, nor have we attempted to work out an administrative theory by reference to which each individual problem might be solved. We recognise, however, that in selecting and dealing with these practical problems we have necessarily been influenced by certain assumptions. To call such beliefs the "philosophy" behind our approach would be to give them undue dignity; but our conclusions may be better understood if at the outset we try briefly to make some of them explicit.

3. We are conscious, first of all, of the inevitability and rapidity of change. In the past half-century many aspects of life in New Zealand have been transformed by social, educational, economic, and political developments. Population has increased in size and diversity. Transport and communications have done away with the outback, and have brought the outside world to our doorstep, for good and for ill. An age of electronics, jet propulsion, polymers, and atomic energy will need State Services which are not only efficient but flexible enough to adjust to changes at present unforeseen. For this reason we have rejected the view that we, as a Royal Commission, can draw up a blueprint for the machinery of government which, unchanged, will serve adequately until the next Royal Commission on State Services may be appointed.

4. "Machinery of government" is indeed a misnomer. An administrative structure resembles rather an *organism*, in that it contains within itself the capacity for growth and change. Our purpose has been to develop this capacity within the State Services, so that their growth (in a growing society) and change (in a changing environment) may be intelligently directed. Administrative organisms

are creatures of habit. They are not unique in this respect: all institutions tend to suffer from inertia – to respond but slowly to changed circumstances. It is our aim that, under imaginative leadership, the State Services may not merely keep up to date, but may foresee the problems that lie ahead, and prepare to meet them.

5. The phrase “machinery of government” is misleading for another reason: the administrative structure does not consist of a mass of inert components. Organisations are people – their effectiveness depends on the morale, the expectations, and the aspirations of the individuals who serve in them. While their formal structure may be represented in an organisation chart, their actual structure is never as simple and two-dimensional as the diagram. There are two reasons for this. First, the significance of each position in the hierarchy will partly depend on the personal characteristics of the individual who fills it; and second, among those individuals there will develop a complex web of understandings – and misunderstandings – a full description of which would call for the skill and subtlety of a novelist.

6. It follows that the efficiency of an organisation depends on these two factors: on the qualities of individuals, and on the relationships between them. These factors correspond to the two main branches of our inquiry, respectively, the staffing and the organisation of the State Services. Though it proved convenient to distinguish between these aspects for the purpose of hearing evidence, it is clear that they are closely related. It might indeed be argued that if one could but get the right people, they could be relied on to develop an appropriate form of organisation; or it might be argued that in order to get the right people one must first set up an organisation which presents opportunities sufficiently attractive to talent. The truth, as in all such chicken-and-egg arguments, lies between the extreme positions. As Lord Reith has put it: “For the efficient conduct of public affairs the right men must be rightly circumstanced. Things go wrong if either element is lacking”. We have accordingly concerned ourselves both with staffing and with organisation, trying always to bear in mind their inter-relationships.

7. Because of the inevitability and rapidity of change, we have concluded that there should be an organ of Government constantly reviewing the efficiency of the State Services, and furnishing the imaginative leadership needed to overcome inertia. Because that efficiency is affected by the qualities of officers, as well as by the structure which relates those officers one to another, and because these factors are so closely inter-related, we consider that the organ for reviewing efficiency should concern itself both with personnel policy and with questions of organisation. We consider central to this report our proposal for a State Services Commission to perform

these tasks. The nature and scope of the Commission are fully described in later chapters. Here it is only necessary to resolve three paradoxes.

8. Ultimate responsibility for the efficiency of the State Services rests inescapably with the Government. Moreover, the Government itself makes most of the key decisions affecting personnel policy and administrative organisation. The Public Service Commission has a statutory responsibility to ensure efficiency and economy in the departments "under its control" and it is commonly but mistakenly supposed to be independent. In fact it has had to depend on the willingness of Governments to make these key decisions. We dislike this state of affairs, as it conflicts with assumptions to which we are deeply committed, namely, that responsibility should be clear, and should be matched by power. Two alternatives present themselves: either the Government must delegate to the proposed State Services Commission (which is to replace the existing Public Service Commission) power to act in these matters – for example, to amalgamate departments of State, and to determine the conditions of employment of State servants – without having to seek Cabinet approval; or the State Services Commission must fill an advisory role, the decision-making power (and hence the responsibility) remaining clearly with the Government. The former alternative, while not impossible, is so alien to the spirit of New Zealand politics that we doubt whether it would work successfully for long, even if it were at first acceptable. We conclude therefore that in matters of personnel policy and administrative organisation, the State Services Commission should be subject to Ministerial control. However, in matters of personnel administration, such as the appointment, promotion, and dismissal of individual officers (other than Permanent Heads), it should, like the present Public Service Commission, be independent of such control.

9. This is merely to recognise the realities of the Public Service Commission's position. But though we do this, we intend that the State Services Commission should accomplish more than the Public Service Commission has been able to do. Paradoxical though this may seem, we believe it can do so if (a) the Government is held to account in Parliament for the overall efficiency of the State Services; and, to enable the Government to answer properly to Parliament, if (b) an individual Minister is made responsible for personnel policy and administrative organisation (and in Chapter 3 we maintain that the Prime Minister should assume this responsibility); and, to give this Minister adequate means of discharging his responsibility, if (c) he is advised by a State Services Commissioner in the same way as a departmental Minister is advised by his Permanent Head; and if (d) the Commissioner has the personal qualities, and in particular the capacity for imaginative leadership, needed for what is in effect

the permanent headship of the State Services as a whole. To sum up: we believe that the illusion of independence (in policy matters only) should be abandoned in exchange for the authority derived from dependence on a senior Minister – an authority evident in the case of Treasury. This is not to sanction present weakness: it is rather to lay the basis for future strength.

10. The second paradox is this: that while strengthening the central review agency of Government, we intend at the same time to strengthen the Permanent Heads whom it reviews. The inconsistency here is apparent, but not real. We consider that many of the present responsibilities of the Public Service Commission in matters of detail (for example, many appointments and promotions of officers) should be progressively delegated to departments, whose powers would thus be increased. However, the State Services Commission would in consequence be free to devote its attention to the broader and longer-range problems of personnel policy, administrative organisation and efficiency, and thereby to exercise a greater influence. Both the Commission and the departments would be better placed to respond flexibly to future challenges.

11. The final paradox is that we should recommend the creation of a State Services Commission to advise the Government on these matters, and at the same time ourselves proffer advice on a number of specific issues. There is however no inconsistency between specifying changes which are needed now, and suggesting that a Commission be created to urge further changes whenever they may be needed. Furthermore, it is made clear in Chapter 4 that we have chosen to investigate fully, and to make specific recommendations on, some only of the more important problems. Many other matters of present significance have been left for the proposed Commission to examine, either because we thought them less urgent or because they required a longer and more detailed inquiry than we could give them. Moreover, where we have made a specific recommendation we have in most cases been concerned not with detail but with questions of principle, and with the broad outlines of a proposed solution. Whenever such recommendations are accepted, further study will be needed to settle the details of their implementation. The proposed State Services Commission would be the appropriate body to undertake this.

12. But underlying these practical considerations, there is a fundamental principle which has guided us in deciding how far we should go, and how much we should leave to the proposed Commission. We believe that administrative structure must be conceived as the sum of the relationships – the understandings and misunderstandings – among individuals. Therefore we have deliberately been cautious in proposing changes. It is easier to rupture existing

relationships (perhaps unwittingly) than to develop new and better ones. Some people may feel disappointed that we have not suggested an immediate and dramatic reduction in the number of State departments. We think it likely that New Zealand could do with fewer departments than we have recommended; we are sure however that drastic administrative surgery is not the best means of attaining this end. Surgery will always have its place, and we have indeed recommended it in a few cases; but in the long run, more can be accomplished by encouraging a satisfactory pattern of growth than by relying on periodic operations to remedy the defects of haphazard development. To promote satisfactory growth demands constant oversight and steady pressure. A permanent State Services Commission such as we have recommended can provide these; a short-lived Royal Commission cannot.

13. Though problems of organisation have been treated in broad outline and in terms of principle, we have found it necessary to deal in more detail with personnel matters. Practices in this field are still considerably influenced by the Public Service Act of 1912, hence by the thinking of those concerned with Public Service reform half a century ago, including the Royal Commission which last investigated our subject (the Hunt Commission of 1912). We believe that a new Public Service Act is needed.

14. The Hunt Commission wanted a non-political, unified, career Public Service. It was to be made non-political by entrusting the powers of appointment, promotion, and dismissal to an independent body. By conferring those powers on a single authority, and by providing uniform salary scales and other conditions of service in all departments, the Service would be unified – that is, an officer could make his career in the Service as a whole, without being confined to a single department. And this opportunity would be safeguarded by recruiting normally from those leaving school, and by protecting the careers of officers thus recruited against competitors from outside the Service.

15. Thanks to the reformers of 1912, and to those who have implemented their proposals since that time, New Zealand now has a non-political, and largely unified, career Public Service. We do not undervalue these achievements. Certainly we do not wish to jeopardise them. Our belief that the State Services should be non-political, that they should (within limits) be unified, and that they should provide a career, is apparent in this report. But these aims must be pursued in changed circumstances. Moreover, they are not the only important aims of personnel policy. The key problems of 1962 are not those faced in 1912, and since then so largely overcome: they are new problems of adjustment to a different world – the world of the welfare state and full employment.



16. The welfare state means larger State Services, with wider responsibilities. This increase in size and diversity has important consequences. As the Services grow, the burden of paper work grows even faster, since proportionately less business can be transacted informally and face to face. It is necessary therefore to delegate more power, and to train subordinates to accept more responsibility, if the men at the top are to have time to think. Otherwise, by attempting to handle too much detail, they are prevented by pressure of work from exercising effective control in important matters. Growth in size tends also to make administration more remote. The increasing volume of paper can insulate the official from the realities with which he is dealing. It is accordingly one of our guiding assumptions that there should be closer contact between the State Services and outside organisations, and we have suggested ways of improving such contact.

17. Again, the welfare state has removed many of the fears that used to be associated with old age; but in so doing, it has reduced the significance of the State Service superannuation scheme as an attraction for recruits. Similarly, 20 years of full employment have made the security of State employment relatively less significant. They have also affected attitudes to work and to discipline (and by no means only within the State Services); but as fear of dismissal declines in importance, so the need increases for self-discipline based on high morale, good training, and effective leadership.

18. Full employment has usually been accompanied by some degree of inflation, and inflation in turn presents problems to the State Services. Some means must be found of keeping State pay fairly aligned with rising wages and salaries in outside employment. Furthermore, shortages of labour will cause pay to rise faster in some occupations, particularly in times of inflation and overfull employment. If the State merely gives its officers a uniform increase based on the average rise in outside employment, it will be unable to attract (and possibly to retain) staff in these particular occupations; and if they are key occupations, the work of government may be seriously hampered. In the past the practice has been to maintain a common salary scale covering many different occupations in the professional and clerical fields, and it has been difficult to alter the pay of any particular occupation.

19. We believe that the State Services must be classified into occupational groups, each with a salary scale aligned with equivalent outside employment. This proposal is at the heart of our discussion of staffing policies and of pay fixing. It represents such a substantial change that we have felt obliged to explain carefully what it entails, and to show its practicability. It is primarily for these reasons that the chapters on those topics are more detailed than the rest of our report.

20. In concluding this preface it is appropriate to comment on the general condition of the State Services. First, 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. Second, we have been favourably impressed by the quality of many of the officers who appeared before us. A large number of them, naturally, held high controlling positions, and it became clear that the State Services have been generally successful in identifying men of ability and promoting them to such positions. Third, we have found that much of the most cogent criticism, and many of the most useful suggestions for improvement, have come from within the State Services. We expected State servants to be better placed to help our inquiry than are most members of the general public, but it did not necessarily follow that they would be keen to do so. Some witnesses, certainly, seemed excessively anxious to protest that everything was for the best in the best of all possible worlds; but generally we were struck by the freedom from complacency, the willingness to adopt a critical approach and to apply new methods – traits which are not generally thought to be typical of official thinking.

21. In spite of these favourable symptoms, the State Services face a serious situation. They appear to us to have been living for years on their human capital. For reasons discussed in Chapter 6 they have since the last war been unable to recruit and retain a sufficient proportion of the most talented young people adequately to fill certain key positions, both of a specialised professional and of a general managerial character. This shortage has not yet been felt at the very top levels; but in a few years' time, as the remaining pre-war recruits approach retirement, the already serious situation will become worse. However admirable New Zealand's political leadership in the years ahead, the quality of its government must depend in large measure on the quality of the advice tendered by senior permanent officials, and on the ability of State servants in managerial positions to carry out Government policy. The difficulty of maintaining (let alone of improving) the quality of administrative leadership and of professional skill is the main problem facing the State Services today.

## Chapter 2. GENERAL INTRODUCTION

### ENVIRONMENT FOR REVIEW

1. It is now 50 years since the last Royal Commission on the Public Service (the Hunt Commission) made its investigation, and since the Public Service Act was passed. That Act is still current with its main features intact, despite various amendments. Thirty-eight departments of State still operate under it; and the main departments which are not subject to that Act, the Post Office and the Railways Department, are in some degree affected by its administrative and other consequences. It is therefore not surprising that there should have been some demand for changes in Government administration, and specifically for a further Royal Commission. Suggestions to that end have come from two directions: from groups in the community at large, concerned at the size and growth of the State Services and the rising cost of government; and from groups within the State Services seeking administrative reforms of various kinds.

2. There seem indeed to have been two main phases in this movement for reform. The first began perhaps with the establishment of the Institute of Public Administration in the 1930s. A stimulus to rethinking may well have been provided by the rapid expansion of the State Services in the later years of that decade, and by the disturbances to established routine resulting from the Second World War. A number of interesting proposals appeared in articles in the *New Zealand Journal of Public Administration* (published by the institute) during and just after the war, culminating in Professor Lipson's scheme for a radical reorganisation of the administrative structure in his book *The Politics of Equality* (1948). The changes made at that time were relatively modest, and for a few years the protagonists of change seem to have been discouraged.

3. However, in 1957 the Institute of Public Administration declared itself in favour of a Committee of Inquiry to investigate the State Services. The suggestion evoked considerable interest from the press and the general public, and the Government of the day promised in its election programme that if re-elected it would consider appointing a Commission for this purpose. Despite the Government's defeat, the proposal received renewed publicity the following year with the publication of R. J. Polaschek's book, *Government Administration in New Zealand*, and, in the months before the general election of 1960, further support was expressed (though not by State servants) for such an inquiry. The National Party, then in Opposition, pledged itself to appoint a Royal Commission if returned to power.

4. Shortly after taking office following the 1960 election, the Government invited Sir William Dunk, formerly Chairman of the Public Service Board in the Commonwealth of Australia, to advise on matters related to organisation and procedures in the New Zealand State Services which might be referred to a Commission of Inquiry. Sir William visited New Zealand in March 1961 and submitted his report on 4 April. The report, which was published, formed in an important sense the starting point of our inquiry, since so many witnesses in their submissions commented on the recommendations which Sir William had made. We, too, have done so in a number of places in this report. We have not always found ourselves in agreement with those recommendations. Sir William's preliminary survey of the field was necessarily brief (he was in New Zealand for about three weeks), and we have had the advantage of hearing many more witnesses, at much greater length. We wish, however, to place on record our debt of gratitude to him for directing our attention, and that of so many witnesses, to a large number of matters which merited investigation.

5. It will be apparent from the preceding paragraphs that the demand for the establishment of this Royal Commission was expressed by certain groups within and outside the State Services in New Zealand, who in giving their support to such a proposal were no doubt influenced solely by local circumstances. We think it significant, however, that in recent years there have been Commissions or Committees of Inquiry, similar in some respects to our own, in a number of other countries, among them the United Kingdom, the United States, Canada, and Australia. While these, too, were doubtless established in response to local demand stimulated by local circumstances in the countries concerned, there are grounds for believing that this recent intensification of interest in such matters is more than coincidence—that behind the local circumstances there are certain common factors at work.

6. Fifty years ago the vital problem of public service reform, in other countries as in New Zealand, was the replacement of political patronage by the principle of a career service. As we have noted in our preface, that battle was won, and—elsewhere as here—other problems have come to the forefront. Among the common factors which have given rise to these problems, four seem to us to warrant special mention in considering the environment for review.

7. One such factor is the growth in size and the increase in diversity of the State Services, largely but not entirely associated with the emergence of the welfare state. The growth in the size and cost of the administrative structure has naturally created public concern. The consequent demand for more business-like methods in Government administration has been paralleled by a growing awareness of the

importance of management in efficiency. The increase in diversity has also created problems. The rules and procedures which may well have suited a service composed largely of clerks may no longer be apt when extended to engineers and architects, doctors and lawyers, scientists and statisticians, foresters and field advisory officers, and the numerous other occupations now found in State service.

8. The second factor is the change in the educational pattern. Educational opportunities are now immeasurably improved. More children stay longer at school, and more of the brightest young men and women now proceed to university. An increasing proportion are full-time students. These changes call into question the traditional policy of recruiting State servants as cadets at the age when they leave school.

9. The third factor is full employment. While we have no wish to question this as a desirable aim of Government policy, the experience of the past 15 years (overseas as well as in New Zealand) suggests that Governments have not yet discovered how to staff the State Services adequately in conditions of full employment.

10. Finally there is the accelerated rate of social and other changes. We make no apology for calling attention once again to this factor, which is noted elsewhere in our report. The State Services must not only take account of changes since patronage was abolished and the career service principle established; they must also be sufficiently flexible to respond to the even more rapid changes that the revolution in technology, for instance, will bring about. That is to say, they must cope not merely with a changed but with a constantly changing environment; and a constantly changing environment calls for a continual process of review.

## INTERPRETATION OF WARRANT AND RANGE OF INQUIRY

11. When the Prime Minister, the Right Honourable Keith Holyoake, P.C., announced in 1961 the setting up of this Commission, he stressed two related reasons for its appointment: the passing of almost 50 years since the Public Service was last reviewed by a Royal Commission; and the need to review New Zealand's extended and more complex State Services against a background of vast social, economic, and political change.

12. We do not interpret our Warrant as confining our attention and our recommendations to the needs of the present. We feel compelled to look forward as far and as well as we are able, knowing that the State Services must in the future face many more and even greater changes than they have in the past, and must bear increased responsibilities. With this in mind, we have endeavoured so to

shape our recommendations as to build a vital organisation which can adapt itself to the demands of the future.

13. Our Warrant directs our attention to the executive branch of Government, and not to the legislative or judicial branches. But we could on one interpretation be expected to investigate in detail the whole organisation and operation of the executive Government – from the work of Cabinet and Ministers to that of the humblest State servant, and from departments of State to the most peripheral Government agency. Such an inquiry is obviously not intended. We read the words of the Warrant as allowing us to judge for ourselves how widely or how deeply we should investigate any particular aspect of organisation or operation, our judgment to be controlled by the general purposes of our inquiry (that is, the need to report on broad issues), and the realities of our situation.

14. The last is especially important. We were originally to report by 31 March 1962. A request for an extension to 30 June 1962 was granted. We do not find it necessary to seek a longer extension, for our interpretation of the nature of the task, and the procedures we adopted, allowed us to complete our report within that time. It should be acknowledged and clearly stated however that any Commission comprised (as this one is) of men with other diverse responsibilities and commitments cannot sit indefinitely. It must inevitably exercise a discretion when selecting its fields of inquiry. We believe, too, that it is generally not for a Royal Commission such as this to concern itself with detail. It should rather indicate broad trends and deficiencies, state principles, and recommend basic changes in machinery. Our experiences in this inquiry have led us to believe that the State Services have many men adequately equipped to complete any necessary detail.

15. We therefore conclude:

- (a) That our general aim is to investigate the chief organs of the executive Government and to recommend changes which will promote efficiency, economy, and improved service in the discharge of public business.
- (b) That the width of our inquiry and its depth in particular sections should be controlled by its general purposes and the practical need to complete the work in a reasonable time.
- (c) That the departments of State form the primary field of our inquiry and that other agencies of Government concern us only so far as they influence the operations and staffing of State departments.
- (d) That our recommendations should take into account not only present social, political, and economic circumstances but also the need for the State Services to adapt themselves to, and cope with, wide future changes in the New Zealand community.

## PROCEDURE

16. Our terms of reference were first advertised in mid-July 1961 in metropolitan and provincial newspapers. All persons or organisations wishing to make submissions were invited to do so. The Public Service Commission, the Post Office, and the Railways Department included at our request a similar invitation in the official circulars issued to their staff. In December 1961, after we had been sitting for some five months, we advertised in the press and the official circulars a warning that we were approaching the end of our public hearings, and again invited submissions.

17. Following the issue of Your Excellency's Warrant on 7 July 1961, Mr A. J. Quill of the Crown Law Office was appointed counsel to assist this Royal Commission. His broad instructions were to advise and aid persons wishing to make submissions, to be present at all public sittings, to lead witnesses and to cross-examine them when he thought fit or when asked by any person or organisation desiring a cross-examination on a particular matter, and, generally, to assist the Commission as it might wish.

18. Our first public sitting took place on 20 July 1961 and was limited to hearing submissions from interested parties about the procedures to be adopted during the inquiry. We were addressed by counsel assisting the Commission and by counsel and representatives for various organisations. Our attention was drawn particularly to section 4 (a) of the Commissions of Inquiry Act 1908 (added by the Commissions of Inquiry Amendment Act 1958). Counsel for the Post Office Association submitted that, as the Association had a special interest in the inquiry, it was entitled by virtue of section 4 (a) to all rights of a "party", and thus its counsel should be allowed full right of audience and cross-examination. He was supported in this submission by the General Secretary of the New Zealand Public Service Association who claimed a similar status for counsel, or the representative of his association.

19. We heard these submissions and made a statement of the procedures which we would follow (Appendix 1). In brief, we ruled that the nature and purpose of this inquiry is such that parties, in the sense used in connection with litigation in a Court of justice, could not be recognised and that no person or body could claim as of right to be continuously represented by counsel exercising a full range of cross-examination. When the circumstances justified it, we would permit the use of counsel. Moreover, any organisation or department which wished to have a representative present throughout the public hearings had leave to do so. Finally, cross-examination by counsel or by a representative of an organisation would be by leave of the Commission, but would not be unreasonably restricted.

20. At our second public sitting held on 25 July, after leave had been given for counsel to appear on behalf of the Combined State Service Organisations, the Public Service Association and the Post Office Association, we were asked by those counsel to reconsider the procedures which we had laid down on 20 July. If we were unwilling to do that, we were asked to state a case for the opinion of the Court of Appeal pursuant to section 10 of the Commissions of Inquiry Act 1908 so that the validity of our ruling on procedure would be tested. As it appeared to us that there was some confusion in the minds of counsel about the true import of our statement of 20 July, we made a further clarificatory statement on 27 July (Appendix 1). In it we said that we would keep to the procedures we had already laid down, and expressed our willingness to state a case for the opinion of the Court of Appeal.

21. The case, drawn to raise the issues contended before us, came on for hearing in the Court of Appeal on 8 and 9 August. Judgment was delivered on 8 September 1961. The Court upheld the procedures we had laid down, and stated that they did not deprive any persons or organisations of any rights of appearance or hearing to which they were entitled. The judgments of the Members of the Court can be found in the official law reports ([1962] N.Z.L.R. 96) ; but, for the convenience of the general reader, they have been included as Appendix 2 to this report.

22. Our public sittings lasted from 20 July 1961 to 23 February 1962. It was obvious in the early days of the sittings that the employee associations were somewhat apprehensive of the procedures we had laid down; but as far as we are aware the procedures proved entirely satisfactory. They worked smoothly and, we think, justly. No request for counsel or for the right to cross-examine was ever declined. It became our practice at the end of a witness's statement to invite counsel assisting the Commission to cross-examine, and then to extend a similar invitation to all persons present who might have an interest in the matter being considered. These invitations were accepted freely, and permission to cross-examine was never abused. Indeed, we are obliged to all who attended our hearings for their cooperative attitude. This made our inquiry much more pleasant than it might otherwise have been.

## EVIDENCE

23. We have already said that our public sittings stretched from 20 July 1961 to 23 February 1962. Over this period we sat in public on 62 days. Altogether 260 different papers were presented. Appendix 3 gives a list of the organisations and individuals who made public submissions.



24. Not all the evidence was taken in public. In defining (at our first sitting) the procedures we intended to follow, we said (Appendix 1) that we should take evidence in private when, in our view, that course was justified, but that we intended, as a general practice, to take evidence in public. We also said that, if evidence taken in private raised significant matters which were prejudicial to the interests or reputation of any person, body, or department, we would wherever possible give those affected an opportunity to reply.

25. We heard a number of witnesses in private, but only 15 per cent of our total sitting time was thus occupied. The balance, 85 per cent, was devoted to public hearings. Although most of the evidence which we heard in private was of a confidential nature, whenever it was controversial we sought other points of view.

26. We ourselves conducted a number of investigations to supplement the evidence given us or to probe matters not covered by the evidence. Here again, when matter which might be prejudicial was brought to light, we made sure that it was brought to the attention of the persons affected and that they were given an opportunity of submitting their views.

27. We sat mainly in Wellington. We also held some sittings in Auckland and in Christchurch. In March last, the Chairman, two Members, and the Secretary visited Australia to discuss various topics with leading Australian administrators and businessmen and to examine for themselves certain Australian institutions. This visit was most rewarding. It enabled us to weigh some New Zealand organisations and practices against their Australian counterparts, and to check certain tentative conclusions.

28. Members of this Royal Commission also inspected a number of premises (in Wellington, Auckland, and Christchurch) where State servants work. The main object of this was to see for ourselves something of the physical working conditions on which we are required to report. The establishments visited were selected after discussion with the three employing authorities and the staff associations. In this way an attempt was made to cover a fair selection of both good and bad accommodation.

29. Before we heard any submissions on the matters specifically raised in our Warrant, we asked Permanent Heads, staff associations, and a number of agencies to provide a short background paper on their organisations and functions, and on the legislation (if any) for which they were responsible. After these background papers were heard, we dealt with Warrant Items I, II, IV, V, III, and VII in that order. Again, Permanent Heads, staff associations, and some agencies were invited to give evidence on the various items as they arose.

30. We also extended individual invitations to a large number of persons known to have expressed views from time to time on the

State Services or whose experience enabled them to assist us on particular topics. A number of these accepted our invitations; others did not. Some gave evidence in public; others satisfied us that their preference for speaking privately was justified. The Institute of Public Administration was given a particular invitation and it agreed to sponsor a number of papers and did so. When, from time to time after we began our sittings, it became apparent to us that yet other people might be able to help us, we issued further invitations. It is not intended to publish a list of such invitations and acceptances.

31. The Public Service Commission accepted the role of giving the first evidence on each item. It was followed by other witnesses as their submissions became available. The Commission then had a right of reply, after the other evidence had been heard.

#### *Publication of Evidence*

32. Copies of public submissions were received in advance and distributed to departments, staff associations, the press, and other interested bodies at the public hearings when those submissions were presented. A verbatim record of the evidence (submissions and cross-examination totalling 5,524 pages) was kept, and copies distributed usually a day later. Copies of all submissions and cross-examination were sent to the Auckland and Christchurch Public Libraries, and a copy was maintained for public inspection in our Wellington office. This copy will be deposited in the General Assembly Library at Wellington.

#### *Comment on the Evidence*

33. In general, the evidence submitted to us was reasonably adequate. Where it was not, we supplemented it by research, by inviting further witnesses, or by personal investigation.

34. We wish to express our thanks to all organisations and individuals who presented submissions to us, not only those whom we specifically mention, but also the many others whom we heard publicly and privately. We recognise that the preparation of papers took considerable time and trouble, and we are grateful.

35. The Public Service Commission and its staff deserve special credit for the thoroughness and the dispatch with which they prepared and presented their submissions. The Commission accepted, as we have said, the burden of being first to give evidence on each item; and it made sure that we received its papers in good time. Its willingness to meet our convenience entailed many hours of overtime for its staff, yet these papers were comprehensive and well presented. We thought their quality outstanding.

36. There was one unsatisfactory absence concerning which we feel obliged to make some observations: we were disappointed that many

of the people and organisations who over past years have been strongly critical of the State Services declined the opportunity to appear before us, either in public or in private, to support their criticisms or to offer suggestions for reform. In order to obtain a greater variety of opinions on the State Services we supplemented our public notices with personal invitations to a number of such people, and in particular to the editors of the metropolitan daily newspapers. Only two editors accepted our invitation, and only one of them addressed himself to matters of general organisation, efficiency, and economy. We are grateful to both for their valuable evidence and suggestions. The defects of the State Services are a proper matter for public concern, and to bring them to light is one duty of a free and forthright press; but such newspaper criticism should be responsible, and based on fact. We find it difficult to reconcile positive editorial assertions of inefficiency and waste, particularly those made during the sittings of a Royal Commission established to investigate such matters, with the rejection of invitations to give evidence in support of them. We are forced to conclude, therefore, that some newspaper allegations have not been based on evidence which would stand examination.

## DEFINITIONS OF TERMS

### MACHINERY OF GOVERNMENT

37. Our Warrant directs us specifically to consider "improvements that should be made in the machinery of Government in relation to the organisation, coordination, and control of Departments of State and Government agencies". The term, "machinery of government", in its widest sense, embraces all the institutions and organisations engaged in the business of government. It includes the Crown with its Executive Council of Ministers; Parliament; Cabinet and its committees; the Courts of Law; and finally the departments of State and the agencies of Government together with the organisations for their coordination and control. It directs attention to the inter-relationships of these various organisations rather than to the people who serve in them. The machinery of government in New Zealand is not established by written constitution. It was copied originally from British institutions, but has over the years been modified sufficiently to give it a New Zealand character.

38. We now discuss the several parts of the machinery of government indicating whether, and to what extent, we are concerned with each.

39. There are three important parts which do not concern our inquiry: the *Crown*, the *Executive Council* (its executive powers are

somewhat intangible), and the *Courts of Law* (which have judicial, but few, if any, executive functions).

40. The functions of *Parliament* are almost wholly legislative. But it has at least one important quasi-executive function. It approves the amounts of public moneys to be spent and it must satisfy itself that they have been properly spent. We shall concern ourselves with the activities of Parliament only in relation to such controls.

#### *Cabinet*

41. Cabinet, on the other hand, is a vitally important part of the structure of the executive Government. For this reason we feel obliged to consider its work, and also the work of its committees, so far as they coordinate and control the activities of State departments and agencies. We wish to stress that this is the limit of our concern. The political functions of Cabinet and its committees do not fall within our inquiry.

#### *Ministers of the Crown*

42. Ministers of the Crown have political and executive functions. Here again, we are concerned only with their executive functions since these bear on the organisation, coordination, and control of State departments and agencies. A Minister is constitutionally responsible for the executive acts of departments and agencies under his control and it is plain that his role in the machinery of government is one which we must especially consider.

#### *Departments of State and Government Agencies*

43. "Departments of State" and "Government agencies" could be read to include all those bodies whose staff are paid directly or indirectly from State funds, or which are subject to Ministerial direction. We had first to decide which of these warranted examination in the light of the general purposes of our inquiry. To do this we had to come to some broad working definitions of the terms "department" and "agency"; to delimit by enumeration those organisations which we chose to deal with; and to find suitable terms to describe them in their several groupings.

44. It is convenient to discuss first the term "Government agencies" (or "agencies of the executive Government", a phrase also used in our Warrant). This covers a wide range of different organisations, such as State corporations, administrative tribunals, education and hospital boards. But our Warrant requires us to consider them only to the extent that we think necessary or desirable. Early in our proceedings we called for some basic information about many of them. We then decided to adopt the empirical test of hearing and considering evidence on each part of our Warrant before deciding whether, on that topic, it seemed necessary to include any particular

agency. In the event, few of the agencies presented submissions to us, and other witnesses did not urge us to include the agencies in our deliberations except on matters of wage determination. (It should be noted that education boards and their teaching staff are covered by another inquiry sitting contemporaneously.) Proposed changes in the machinery of government or the allocation of functions rarely led us to consider the agencies; and in reviewing personnel policies we did not feel it necessary to examine the conditions of service of the police, the armed forces, teachers, hospital staff, or the employees of State corporations. Thus, with few exceptions, we have not chosen to consider the agencies in the course of this inquiry.

45. A department, in terms of constitutional law, is an organisation which assists a Minister to carry out his official functions. In New Zealand, some departments are constituted by Act of Parliament; others, including some of the oldest, exist only as administrative arrangements. Some have a statutory entity and are able to sue and be sued in their own names; in others, the Permanent Head has been created a corporation sole. But these are not essential characteristics.

46. For the purposes of this inquiry, we propose to define the departments of State by enumeration. In New Zealand there are 41 such departments generally accepted. They fall into two groups; (a) those 38 which come under the jurisdiction of the Public Service Act 1912; (b) those three which do not.

- |                           |                               |
|---------------------------|-------------------------------|
| (a) Agriculture.          | Maori Affairs.                |
| Air.                      | Marine.                       |
| Army.                     | Mines.                        |
| Audit.                    | Navy.                         |
| Crown Law Office.         | Police.                       |
| Customs.                  | Prime Minister's.             |
| Education.                | Printing and Stationery.      |
| External Affairs.         | Public Service Commission.    |
| Electricity.              | Public Trust Office.          |
| Forest Service.           | Scientific and Industrial Re- |
| Government Life Insurance | search.                       |
| Office.                   | Social Security.              |
| Health.                   | State Advances Corporation.   |
| Industries and Commerce.  | State Fire Insurance Office.  |
| Inland Revenue.           | Statistics.                   |
| Internal Affairs.         | Tourist and Publicity.        |
| Island Territories.       | Transport.                    |
| Justice.                  | Treasury.                     |
| Labour.                   | Valuation.                    |
| Lands and Survey.         | Ministry of Works.            |
- (b) The Post Office, the Railways, and the Legislative Departments.

We have included the Public Service Commission and the State Advances Corporation in this list of departments. The Commission is a statutory body and is not responsible to any Minister. However, its staff are public servants and, apart from the point of Ministerial responsibility, it displays the usual characteristics of a department of State. The State Advances Corporation is engaged in trading under a Board of Management, but its staff are public servants and the degree of Ministerial responsibility exercised seems to justify the usual practice of classifying it as a department rather than as a State corporation. Finally, we have not included in this list the Law Drafting Office which contains a small specialised staff responsible, under the Law Draftsman, to the Attorney-General. It is serviced in some respects by the Legislative Department. Throughout our report, references to that department cover the Law Drafting Office.

*State Services, State Servant; Public Service, Public Servant*

47. The 41 departments listed above have become for all intents and purposes the "State Services" mentioned in our title, and this is the sense in which we use that term. However, although we include the Air, Army, Navy, and Police Departments in the term *State Services*, we exclude members of the armed forces and the police force from the term *State servants*. For clarity and convenience we distinguish a large subgroup within the State Services, the point of distinction (as shown in the previous paragraph) being whether or not some or all of the staff of any department come under the provisions of the Public Service Act 1912. With few exceptions, other than the police and armed forces, staff in the larger group of 38 departments come under the provisions of the Public Service Act. We term these departments collectively the *Public Service*, and their staff, with the exceptions noted, *public servants*.

## THE NUMBER OF STATE SERVANTS

48. We have defined State servants as staff employed in the Public Service, the Post Office, the Railways, and Legislative Departments. At 1 April 1961 they numbered approximately 111,000 – 62,000 in the Public Service, 25,000 in the Post Office, 24,000 in the Railways Department, and 143\* in the Legislative Department. (The figures for the larger groups are approximations, and include *all* staff – permanent, temporary, and casual workers. Though we have

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\*Excludes temporary sessional staff of approximately 100.

included 1,500 New Zealand Broadcasting Service staff in the above figures, we have excluded that Service from further consideration because of its change to Corporation status on 1 April 1962.)

49. There are other large groups of staff who are engaged on business which is accepted as a function of Central Government in New Zealand, and who are paid directly or indirectly from State funds. These groups are the State education service (29,000), the permanent staff of the armed forces (12,500), and police (2,500), and hospital board employees (23,000).

50. Table 1 shows, as far as records are available, the five-yearly numbers of State servants and the other groups mentioned since 1912. The totals are analysed into separate figures for each of the employing authorities and into categories – permanent, temporary, casual.

51. The table shows the following significant changes :

- (a) The steady growth of the Public Service group until the mid 1930s when a programme of recovery from the depression, and social legislation, caused some sudden expansion in the numbers of both permanent and temporary staff; a further expansion mainly of temporary staff during the 1939–45 War, and the transfer in 1947 of many of these to the permanent staff; the post-war increase in public servants to operate social and development programmes enlarged (among other reasons) to meet the needs of a rapidly increasing population. Over the last five years the number of public servants has grown by an annual average of 1,400.
- (b) A steady increase of Post Office staff.
- (c) A rise in the number of Railways staff (except in the depression) until about 1947, followed by a slight fall, although rail traffic has grown substantially.
- (d) An apparent increase in numbers of teachers following population growth and the extension of higher education; a marked rise in the strength of the armed forces after the Second World War reflecting a world-wide trend from part-time auxiliary to permanent forces in times of peace; a steady increase in the police force, but less than that in other groups.

### *The Growth of the Public Service*

52. Complete figures are not available back to 1912 for the total staff in the Public Service because early records do not show the number of temporary and casual employees. However, the growth in permanent staff from approximately 4,700 to 39,500 in 1961 is proportionally much greater than the population growth since 1912.

Table 1  
NUMBER OF STATE SERVANTS AND OTHER EMPLOYEES

Agency	Status	1912	1917	1922	1927	1932	1937	1942	1947	1952	1957	1961 <sup>1</sup>	
												Average Staff	Estimated Total Wage Bill
Public Service .. ..	Perm. ..	4,641	6,217	6,789	7,358	7,513	9,246	12,829	23,104	31,226	35,120	39,428	..
	Temp. ..			355	1,335	1,858	4,576	12,858	4,494	2,185	2,211	2,137	..
	Casual ..									20,026 <sup>3</sup>	19,856	20,428	..
Total Public Servants ..	..	..	..	..	..	..	..	..	..	53,437	57,187	61,993	£54m.
Post Office .. ..	Perm. ..	4,917	7,694	7,657	8,540	8,585	10,212	11,860	11,531	12,811	15,325	17,643	..
	Temp. ..			429	192	36	229	2,008	2,016	4,313	5,370	4,542	..
	Casual ..	2,341 <sup>4</sup>	2,500 <sup>4</sup>	3,042	3,568	1,858	2,102	3,124	3,405	2,440	2,683	3,024	..
Total Post Office ..	..	7,258	10,194	11,128	12,300	10,479	12,543	16,992	16,952	19,564	23,378	25,209	£20.4m.
Railways .. ..	Perm. ..		10,509	11,724	13,122	12,528	13,250	13,124	16,342	16,874	16,561	16,371	..
	Temp. ..		3,094	3,881	5,530	2,402	7,479	9,128	9,695	8,063	9,278	7,706	..
Total Railways ..	..	..	13,603	15,605	18,652	14,930	20,729	22,252	26,037	24,937	25,839	24,077	£24m.
Legislative .. ..	..	41	53	54	78	96	100	144	141	140	149	143	£0.2m.
Total State Servants ..	..	..	..	..	..	..	..	..	..	98,078	106,553	111,422	£98.6m.
Others paid by State funds:													
Teaching service ..	..	..	..	..	..	..	..	..	..	..	..	29,000 <sup>2</sup>	£24m. (approx.)
Hospital service ..	..	..	..	..	..	..	..	..	..	..	..	23,000 <sup>2</sup>	£13.9m. (approx.)
Armed Forces ..	..	417	656	1,478	1,636	1,526	1,942	2,400	5,800	10,412	11,545	12,673	£12.1m.
Police Force ..	..	835	898	974	1,083	1,134	1,199	1,599	1,497	1,588	2,239	2,484	£2.9m.

NOTES: <sup>1</sup> Average staff, and approximate estimates only.  
<sup>2</sup> Earlier figures not available.

<sup>3</sup> Including 609 apprentices.  
<sup>4</sup> Separate figures not available.



Accordingly we asked that the figures be analysed to show the relative growth of the three main divisions of the Service. Table 2 measures these changes on an index 1930 = 100, with actual numbers of staff in adjacent columns.

*Table 2*

	Professional Division		Clerical Division		General Division	
	Index	Staff	Index	Staff	Index	Staff
1930 ..	100	667	100	3,739	100	3,411
1940 ..	134	895	174	6,493	128	4,362
1950 ..	281	1,874	269	10,072	529	18,031
1960 ..	387	2,584	332	12,401	696	23,731

53. Although these figures must be qualified by small reclassifications of occupational groups, it is quite clear that the General Division has shown the major numerical and proportional increase, from 3,411 to 23,731. It was not possible to make an accurate detailed analysis of the many occupational groups in this division, but it is evident that the staff of mental hospitals and prisons, dental nurses, field staff, valuers, trades and stores staff would all show substantial increases to account for much of the growth of this division. Because the Clerical Division includes some occupational groups such as draughtsmen, and because some people on clerical work are classified in General Division, it is impossible to calculate precisely the increase in the number of clerks. However, we are satisfied from the figures just quoted that the increase in clerical staff since 1930 has been proportionately much less than that of the technical groups. Moreover, other figures we obtained indicate that routine clerical work and its direct supervision, as distinct from executive work, now form a much smaller proportion of the activity of the State Services than they did 30 years ago.

54. Table 3 shows where increases have occurred among all employees (permanent, temporary, and casual) in particular departments in the Public Service group in the five years 1956-61. Many factors, particularly population growth, major changes of functions and variations in efficiency, have given these departments widely different rates of growth. Nevertheless, the figures generally support the view expressed above - that the technical rather than the clerical activities of the Public Service are undergoing the greatest expansion.

Table 3

## TOTAL STAFF EMPLOYED IN DEPARTMENTS UNDER THE PUBLIC SERVICE COMMISSION

Departments	1956	1961
Agriculture .. .. .	2,177	2,597
Air .. .. .	2,292	2,490
Army .. .. .	508	674
Audit .. .. .	204	221
Broadcasting <sup>1</sup> .. .. .	1,162	1,473
Crown Law .. .. .	18	20
Customs .. .. .	547	656
Education .. .. .	1,317	1,853
Electricity .. .. .	3,424	3,643
Forest Service .. .. .	3,178	3,552
Government Life .. .. .	242	290
Health .. .. .	5,026	6,388
Industries and Commerce .. .. .	313	359
Inland Revenue .. .. .	1,814	2,345
Internal Affairs .. .. .	1,444	1,710
Island Territories .. .. .	810	983
Justice .. .. .	1,223	1,600
Labour .. .. .	965	900
Lands and Survey .. .. .	1,780	1,997
Maori Affairs .. .. .	1,211	1,184
Marine .. .. .	328	375
Mines .. .. .	3,381	3,234
Navy .. .. .	1,292	1,403
Police .. .. .	87	112
Prime Minister's and External Affairs .. .. .	147	233
Printing and Stationery .. .. .	651	795
Public Service Commission .. .. .	105	128
Public Trust .. .. .	866	814
Scientific and Industrial Research .. .. .	1,054	1,263
Social Security .. .. .	1,244	1,449
State Advances .. .. .	1,278	1,233
State Fire .. .. .	644	708
Statistics .. .. .	160	236
Tourist and Publicity .. .. .	944	683
Transport .. .. .	453	569
Treasury .. .. .	337	346
Valuation .. .. .	430	425
Works .. .. .	11,979	13,052
	55,035	61,993
Add Administrative Division (including officers outside Public Service control) .. .. .	50	46
Add Education Division (excluding teachers under control of Education Department) .. .. .	17	19
	55,102	62,058

<sup>1</sup>Became a public corporation on 1 April 1962, and therefore now outside the jurisdiction of the Public Service Act 1912.

55. The figures in table 3 also show that a great number of State employees are engaged in activities which are new since 1912, or virtually so. The following departments are examples:

Table 4

Electricity .. ..	3,643	Island Territories ..	983
Forest Service ..	3,552	Transport .. ..	569
Air .. ..	2,490	Mines .. ..	3,234
Broadcasting ..	1,473		
Navy .. ..	1,403		17,347

With the exception of Mines, where the operation of coal mines has been largely taken over by the State from private enterprise, the activities relate to new industries or responsibilities, and illustrate the tendency for the State to play a greater direct part in new activities.

56. Table 5 shows the estimated vacancies for permanent staff in Public Service departments. We asked for information about authorised establishments of permanent staff in each department, and the Public Service Commission provided the figures quoted in this table as being the best approximation they could make of the situation at mid-1961. It is significant that the 3,000 vacancies occur largely in the non-clerical departments. Indeed, more than half of them exist in three departments – Health, Works, and Electricity.

57. To see the growth of the Public Service from another aspect, we asked the Government Statistician to compare the cost of Government administration with changes in the gross national product. He gave us the information shown in Appendix 4. This indicates that the cost of government, as defined by the Statistician, was 10 per cent of the gross national product in 1938–39, and has with minor variations remained the same proportion in post-war years. We also observe from other figures supplied by the Government Statistician that State capital expenditure, excluded by definition from the appendix, has not in the same period been an increasing percentage of the gross national product.

#### *The Size of Departments*

58. To appreciate fully the relative size of departments, it is necessary to take account of their indirect responsibility for other employees. Thus the Department of Education, with its own staff of 1,850 and a responsibility for 29,000 in the State education service, is the largest, closely followed by the Department of Health with a staff of 6,400 and a lesser responsibility for 23,000 hospital board employees. The Railways Department employs 24,000, the Post Office 25,000, and the Ministry of Works 13,000. The Armed

Table 5

NUMBER OF VACANCIES IN PERMANENT STAFF IN MID-1961  
(Public Service Only)

Department	Established Positions	Total Staff (Including Allowance for Temporary Staff)	Net Vacancies
Agriculture .. .. .	2,369	2,269	100
Air .. .. .	1,604	1,462	142
Army .. .. .	429	412	17
Audit .. .. .	234	220	14
Broadcasting <sup>1</sup> .. .. .	1,502	1,357	145
Crown Law .. .. .	19	19	..
Customs .. .. .	669	649	20
Education .. .. .	1,713	1,652	61
Electricity .. .. .	3,174	2,878	296
Forest Service .. .. .	1,552	1,649	-97 <sup>2</sup>
Government Life .. .. .	302	286	16
Health .. .. .	6,843	5,707	1,136 <sup>3</sup>
Industries and Commerce .. .. .	395	352	43
Inland Revenue .. .. .	2,347	2,270	77
Internal Affairs .. .. .	561	533	28
Island Territories .. .. .	42	41	1
Justice .. .. .	1,626	1,578	48
Labour .. .. .	824	790	34
Lands and Survey .. .. .	1,420	1,378	42
Maori Affairs .. .. .	872	862	10
Marine .. .. .	338	321	17
Mines .. .. .	322	285	37
Navy .. .. .	1,627	979	648 <sup>4</sup>
Police .. .. .	110	106	4
Prime Minister's .. .. .	249	232	17
Printing and Stationery .. .. .	832	523	309 <sup>5</sup>
Public Service Commission .. .. .	132	127	5
Public Trust .. .. .	801	810	-9 <sup>6</sup>
Scientific and Industrial Research .. .. .	1,160	1,134	26
Social Security .. .. .	1,443	1,428	15
State Advances .. .. .	1,317	1,220	97
State Fire .. .. .	701	698	3
Statistics .. .. .	254	234	20
Tourist and Publicity .. .. .	648	603	45
Transport .. .. .	587	567	20
Treasury .. .. .	344	341	3
Valuation .. .. .	446	396	50
Works .. .. .	5,622	5,233	389
	45,430	41,601	3,829 <sup>7</sup>

Source: Public Service Commission

<sup>1</sup>Became a Corporation on 1 April 1962 and therefore outside the jurisdiction of the Public Service Act 1912.

<sup>2</sup>There were 154 junior woodsmen on the temporary staff at 31 March 1961.

<sup>3</sup>230 of these vacancies were occupied by casual workers.

<sup>4</sup>411 of these vacancies were occupied by casual workers.

<sup>5</sup>259 of these vacancies were occupied by casual workers.

<sup>6</sup>This figure represents supernumerary cadets at 31 March 1961.

<sup>7</sup>Casual workers detailed above (900) must be deducted from this figure and 73 employees (2 Administrative Division, 68 clerical, 3 typing) representing staff additional to establishments must be added, giving a net vacancies figure of 3,002.

Service departments, Air, Army and Navy, are all over 4,000; Electricity Department and the Forest Service approach this figure. On the other hand, 22 departments have under 1,000 employees; 13 employ less than 500. The smallest department is the Crown Law Office with a staff of 20.

## THE ROLE OF THE STATE SERVANT

59. When Governments did little but preserve law and order, levy taxes, and relieve the worst hardships in a *laissez faire* economy, most public servants were clerks whose activities were controlled by a small group of administrators. This was less true of a colony like New Zealand, in which the Government traditionally accepted some responsibility for opening up the country, than it was, say, of the United Kingdom; but in both countries the situation has been transformed during the present century. The business of government has increased in scope and complexity, with a managed economy, large social programmes, heavy defence commitments, and complicated foreign relations. New departments, corporations, and agencies have been created, older departments have acquired new or expanded functions, and more and more people have been employed by the State. The activities of a clerk controlled by an administrator are certainly not typical of the role of the modern State servant.

60. That role is now, typically, a specialised one. It frequently calls for a professional or technical qualification, obtainable within or outside the Service, as for an accountant, an architect, or an actuary. In some cases particular Service training and experience are necessary, as for a telegraphist, or tax inspector, or an air traffic control officer. The State Services largely consist of a wide variety of such occupational groups which often have little affinity one with another.

61. Again, the role may be predominantly a managerial one. It may require the State servant to direct efficiently and economically a branch of public enterprise the broad policy of which is already known and accepted. Thus he may be a District Commissioner of Works, a Chief Postmaster, a Conservator of Forests. Such a man is concerned with policy in the sense of the functional, financial, and personnel problems arising in the organisation he directs; but not usually in the sense of political issues requiring the attention of a Minister.

62. He can thus be distinguished from the administrator. Traditionally the administrator is the anonymous servant of his Minister, bound by constitutional convention to make his experience, judgment, and departmental knowledge confidentially 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.

63. The State Services in New Zealand differ from those in some overseas countries (such as the United Kingdom) in the scope of their activities. In New Zealand, for instance, the Ministry of Works and the Health Department directly provide services over which their counterparts in Britain would merely maintain a general oversight, the work itself being done by private firms or local authorities. Consequently the New Zealand Health Department is as large as the British Ministry of Health. Other New Zealand departments provide life and general insurance, trustee facilities, housing, housing loans and farm finance. Departments (and not corporations) run railways, generate power, conduct scientific research, and develop forests. In Britain, too, some departments engage in trading or give services in fields where policy is clear and well established, and little happens to excite political controversy or to require frequent attendance upon a Minister. But in New Zealand a larger proportion of the 111,000 State servants do work of this nature.

64. In consequence, the New Zealand State Services include a large number of diverse occupational groups, and being large-scale organisations they contain a relatively high proportion of managers to direct their work. The significance of the advisory and administrative role tends thereby to be obscured. Indeed, a number of witnesses could see no need to distinguish it from management. We think they are mistaken.

65. In days gone by, a well educated politician with some leisure to study political and social problems could become as competent as most of his advisers. Nowadays, no matter how intelligent and able a Minister may be, he no longer has the time, the training, and the experience to master all the subjects likely to fall within his responsibility. He must depend on expert advice—from engineers, doctors, lawyers, economists, scientists, and specialists of all sorts. His problem is to make use of the expert advice at his disposal. To do so he must depend on administrators whose training and experience qualify them to evaluate and interpret the views of experts, to relate them to a wider political and administrative context, and to plan ahead.

66. Moreover, because of the volume and complexity of business the Minister needs administrators to assist and to represent him in the negotiations and explanations which any change of policy involves. The administrator is no longer anonymous. He is sometimes required to defend in public the decisions which the Minister has taken. The public may jump to the conclusion that he is defending his own policies rather than those of the Minister, especially when

it is suspected that he took the initiative in proposing those policies to the Minister. He needs therefore to acquire enough political acumen to combine frank discussion with his Minister in private with complete loyalty to his Minister in public.

67. To perform these services with efficiency and discretion, the administrator must have special skills, a special outlook, a special code of conduct, distinct from those he needs as a manager. He will normally have some managerial duties to perform; indeed part of the traditional responsibility of the administrator is to supervise the execution of the Minister's decisions. But he is more than a manager, and needs special training and experience to equip him for his particular role. This conception has an important influence on our thinking and our recommendations, as has our conception of the State Services as a congeries of distinct occupational groups. Instead of being a clerk controlled by an administrator, the State servant today is an expert, controlled by a manager, and coordinated by an administrator.

### THE LOCATION OF RESPONSIBILITY FOR EFFICIENCY AND ECONOMY

68. Where does responsibility for efficiency and economy in the State Services lie? We have found that the legislation relating to this matter causes uncertainty and confusion; so much so that even officers high placed in the Services have vastly different conceptions of their responsibility. We consider that the areas of responsibility need to be more positively defined and located.

#### EFFICIENCY AND ECONOMY

69. Efficiency is not susceptible to any one clear and revealing definition. It would indeed be presumptuous to attempt in a single definition to embrace all Government work from simple manipulative (where speed and accuracy count most) to wider administrative or governing tasks, where the constituents are so complex as to defy enumeration. It is, however, useful to distinguish two elements of efficiency in the work of the State Services. The first concerns the wider purposes for which the State Services exist. The second is more concrete and concerns the satisfactory performance of a given task, great or small, to achieve those wider purposes.

70. The State Services in New Zealand cannot be considered efficient unless both elements of efficiency are present. Each could exist singly, but to little good effect—a fact easily illustrated. One can imagine a despotic Government fulfilling efficiently the material

detail of its broad programmes but condemned because those broad programmes do not meet the needs of the people. Conversely one can imagine a humane and responsive Government, supported by the best-intentioned State Services, but condemned because its Services could not effectively carry out in detail its broad programmes – excellent intentions frittered away in a multitude of small executive inefficiencies.

71. The first element of efficiency is closely bound up with the efficiency of Government as a whole. The efficient Government in a democracy discovers and fulfils the changing needs of the community, as resources permit, in ways consistent with the community's moral standards. (It is clear from the illustration given above that one cannot neglect this ethical or humane factor.) There are as yet no acceptable scientific ways of gauging accurately and promptly all the needs of a community at any given time, much less of estimating those of the future. This must be done in many fields by rough-and-ready intuitive processes – by political experience and sensitivity to electoral pressures, among other things. Thus, in this aspect, efficiency merges with political desirability; and the wider purposes of departments must therefore be decided by those best qualified to settle questions of political desirability, that is by the elected Government.

72. Those wider purposes (to run schools or prisons, to build airfields or power stations, to sell coal or insurance, to control imports or infectious diseases) should however be appraised continually in the light of changing social needs. Though the Minister is primarily responsible for this appraisal, State servants have a real and unavoidable responsibility to anticipate it by critically assessing whether their departments' operations should be continued, changed, or extended. They should from this assessment be able to provide the material on which an effective appraisal can be based.

73. The effectiveness of a programme depends also on its acceptability to the public, and this in turn may largely depend on the way it is administered. Whether departments are efficient from this point of view then depends materially on how they give effect to the changing programmes of elected Governments. To be efficient in this way thus demands of the State servant a knowledge and understanding, not only of the programme itself and its effects on the community at large but also of the people who will be particularly affected by it.

74. The first element of efficiency emphasises that the role of the State Services is no longer – if it ever was – solely one of unthinking obedience, an unreflecting “work to rule”. Ministers must be able to rely on their departments for more than this, if only for the reason that the departments must be presumed to know their public well, and to be able to measure for the Minister's information the



effect of existing or proposed activities and the reaction to them. This awareness carries with it the two responsibilities of keeping the Minister well informed, and of continually refitting the departmental organisation to serve the needs of present and future operations.

75. The second and more concrete element of efficiency may be defined as the most satisfactory performance of a given task having regard to the purposes for which that task is undertaken. This narrower concept implies that the wider purposes of a department will be achieved by performing many specific tasks, and that each of these tasks should be carried out in the most satisfactory way. In reviewing the efficiency of a department it may also be of value to ask whether a given task is worth performing. Is it worth while to keep up to date this set of records? Do we really need that set of forms? The answers can be given and efficiency judged only in the light of the wider purposes of the department.

76. The narrower element of efficiency brings in notions of economy, by which we mean the performance of a given task with the least possible expenditure of manpower and materials. The most efficient way of doing a job is not necessarily the most economical. For example, efficiency at an inquiry counter would be improved if there were enough staff and counter space to ensure that queues never formed; economy however might dictate that the staff and counter space be sufficient merely to cope with the normal flow of inquiries, so that queues would form whenever that normal flow was exceeded. Economy and efficiency must be kept in balance; the costs of more staff and counter space must be measured against the time and temper lost in the queue. In the same way, a department has only limited resources with which to perform a multiplicity of tasks. If staff are transferred to the inquiry counter, fewer will be available to ensure that correspondence is promptly answered, or to perform some other necessary duty. Increased efficiency in one section must be balanced against any consequent reduction in efficiency elsewhere.

77. We have defined the more concrete element of efficiency in terms of the *most satisfactory* performance of a given task. We recognise that this is a subjective rather than a scientific standard, since there is room for disagreement as to what is most satisfactory. No more precise test seems possible, however, except in the case of departments engaged in competitive trading which—like private businesses—have an automatic, but not infallible, standard in the form of a profit and loss account. Public investment in most Government activity pays a social dividend which cannot be measured in money. What is the cash value of the work of a child welfare officer?

78. But it is obvious that some child welfare officers will be more efficient than others. Their performances will differ for instance in

the number and difficulty of cases they can handle, the quality of the advice they give, and the harmony of their relations with the families and teachers and fellow officers with whom they must deal. These are factors not easily reduced to measurement, nor is there any infallible formula which would enable one to justify improving quantity of work done at the cost of quality, or *vice versa*. It is nevertheless possible for competent and experienced officers to lay down standards of work by which efficiency, even in these classes of work, can be measured; through training to have those standards understood and accepted; and by inspection to have them applied to the performance of the officers concerned. In the absence of an external financial test of efficiency, appropriate internal tests of this sort must be evolved, and revised from time to time, having regard always to the wider purposes which each State activity is intended to achieve; for apart from those purposes, efficiency has little meaning.

#### THE LOCATION OF RESPONSIBILITY

79. Our argument takes the following form. The Minister in charge of each department has a constitutional responsibility to Parliament for efficiency and economy in his department. But partly because of the special circumstances of Ministerial control in New Zealand, the Permanent Head of each department must bear personal responsibility to his Minister for managing the affairs of the department in an efficient and economical manner. Ministers, however, need a central control authority to satisfy them that Permanent Heads are in fact managing their departments efficiently and economically. As the control authority can hardly be responsible at one and the same time to all of the Ministers it should be made responsible to the Prime Minister, who, as the leader of the Government, is responsible to Parliament for the efficient and economical dispatch of his Government's business. Through the Prime Minister, Parliament can then exercise its normal and proper pressures on general matters of efficiency and economy in the State Services. We shall now develop this argument in greater detail.

#### *Constitutional Responsibility*

80. The constitutional position of individual departments is clear. Each Minister of the Crown is accountable to Parliament for the administration of his department and, consequently, for its efficiency and economy. The employees of the department are his agents; everything they do, they do in his name. In the eyes of the law, the permanent official is an anonymous instrument of the Minister.

### *New Zealand Reality*

81. But though the constitutional position is beyond doubt, it is unreal to expect Ministers in mid-twentieth century New Zealand to be able to oversee the day-to-day detail of their departments' work. In New Zealand it is customary for Ministers to have their offices in Parliament Buildings. They are thus at a disadvantage compared with some of their overseas counterparts who have offices within their departments. The latter can gain more accurate impressions of the manner in which a department is being administered and are in a better position to exercise some personal control. There are no doubt good reasons for the New Zealand practice, but in the matter of exercising departmental control it must be recognised as a disadvantage.

82. We do not overlook that Ministers also have electoral and parliamentary duties. Moreover they have their responsibilities as members of the Executive Council, of Cabinet, and of its committees. Above all they have the responsibility for the policies of their departments. Therefore, even under the most advantageous physical conditions, they would, we are sure, find it impossible to give a great deal of attention to the detailed administration of their departments.

### *Permanent Head's Responsibility*

83. If, therefore, a Minister is in no position to exercise extensive and continuous day-to-day control of his department's efficiency and economy, who is to do this for him? We believe the Permanent Head must clearly carry that responsibility. He in fact directs those daily operations of the department. He is answerable for his department to his Minister.

84. The Permanent Head must of course exercise this responsibility within the limitations imposed both by his Minister's directions and by Government control machinery operating in such matters as staffing and finance. But the primary responsibility for efficiency and economy within the department is in fact his. This placing of responsibility – a British Treasury representative has said recently – has not been challenged in the United Kingdom for 40 years.

85. At the present time in the New Zealand Public Service, the Permanent Head's conception of his own responsibility is blurred by the fact that, in addition to his constitutional and traditional responsibility to his Minister, he is responsible also to the Public Service Commission for the "discipline, efficiency, and economical administration of the department\*<sup>2</sup>". There is thus a confusing dichotomy of responsibility which may perhaps be unavoidable under the present constitution of the Public Service Commission as a statutory

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\*Public Service Regulations 1950, regulation 31.

body reporting only to Parliament. We shall later recommend the reconstitution of the Commission as a State Services Commission directly responsible to the Prime Minister and acting truly as an agency of the Government to review matters of efficiency and economy. We shall recommend also an accretion of power and responsibility to Permanent Heads of Public Service departments. If these recommendations are accepted, we see no reason for retaining the present confusing and uncertain division of responsibility.

### *Public Service Commission Responsibility*

86. The Public Service Commission has at present a statutory responsibility for efficiency and economy in the 38 departments within its jurisdiction (par. 46). This responsibility, additional to and contemporaneous with that of Minister and Permanent Head, arises from the Public Service Act 1912. Section 12 requires the Commission as often as necessary to carry out the directions and provisions of the Act, and ensure the establishment and continuance of a proper standard of efficiency and economy in the Public Service, to cause departments to be inspected, and to investigate the character of the work performed by every officer, and the efficiency, economy, and general working of each department both separately and in its relation to other departments. It empowers the Public Service Commission, for these purposes, to examine the Permanent Heads of departments, and such other witnesses as may appear to be necessary.

87. The true character of the Commission's responsibility under section 12 has never been clear, particularly since it was given no really effective powers with which to discharge this responsibility. An amendment was passed in 1946, undoubtedly to strengthen the Commission's hand. Thus, section 25 of the Public Service Amendment Act 1946 empowers the Commission from time to time to "take such further action as it thinks fit to ensure efficiency and economy in the departments under its control". It will be noted that this section fails to define the "further action" which the Commission can take; it is moreover permissive and not mandatory. In all, it is a weak and uncertain amendment. And even worse, the wording "departments under its control" cuts across the Permanent Head's statutory and constitutional responsibilities to his Minister. But, nevertheless, when this section is read along with the original provisions of the 1912 Act, the Commission certainly is given a responsibility to take all steps reasonably open to it to promote and maintain efficiency and economy in the work of those departments which come within its jurisdiction. We admit our doubt as to the extent of any particular action it may now take or to the degree of command it may possess. But plainly its duties include those of giving all reasonable help to departments in their attempts to achieve efficiency and economy, of

inspecting departments and officers as often as necessary, and of reporting on the efficiency of departments within its jurisdiction. We think that these proper duties of a control organisation should be maintained.

88. The Public Service Commission must make reports. Its practice has been to submit to Parliament annual reports surveying the general state of affairs within its jurisdiction and making recommendations. These reports have seldom criticised individual departments. They have been confined, in substance, to general observations on staffing matters, to recommendations for improvement in general conditions and, on occasion, to comments on the redistribution of functions of departments. No doubt such criticisms of individuals or particular departments as the Commission has felt obliged to make have been made in other ways.

89. We have considered these annual reports to Parliament and the action taken by successive Governments thereon. We are left with the strong impression that in general they have occasioned less interest than they deserve—possible because they have not been controversial in expression, and little political advantage could be gained from supporting or attacking them. Whether or not that is so, it cannot be denied that the role of the Commission in promoting efficiency and economy has been, and must always be, of great importance. It would be a healthy sign if Parliament took greater interest in the Commission's reports. Our recommendations are in part designed to stimulate that interest.

90. A survey of past events leads us to believe that successive Governments have not sufficiently supported the Public Service Commission, and that the Commission itself has not done all that was needed to promote efficiency and economy. There are, we believe, two main reasons for this situation. No individual Minister is responsible for the efficiency and economy of the State Services as a whole; and there is no clear and definite allocation of responsibility between the Commission and Permanent Heads. Consequently some past Governments have not given adequate and proper weight to the reports of the Public Service Commission. And the same reasons have produced, on the Commission's part, some reluctance, even inability, to accept a more forceful role.

### *Responsibility of the Government*

91. The State Services must inevitably do most of the detailed executive work of Government. But without definite leadership and strong control from the top, the best-designed organisations will falter. We have stated that such direction, in our system of democracy, must come from the elected Government of the day—an obvious conclusion, but one which the evidence we have heard suggests is too

often overlooked. And as State activity grows greater and more complex, so must the need increase for strong Government control of the machinery of State, and of the efficiency of that machinery. It follows that any control agency concerned with the efficiency and economy of the State Services as a whole should be responsible to the Prime Minister as head of the Government, except, of course, in those personnel matters affecting individual officers where the independence of the agency must be maintained. We shall develop this view in Chapter 3. We believe that only if such Prime Ministerial leadership is accepted will Parliament and the Government come to take adequate interest in the efficiency with which the Services carry out their decisions.

#### SUMMARY OF CONCLUSIONS

92. Our conclusions on the proper location of responsibility for efficiency and economy can now be summarised thus. (a) The Prime Minister should on behalf of the Government hold the ultimate responsibility for the overall efficiency and economy of the State Services. Therefore, the Prime Minister's responsibility, and his correlative right to direct the Public Service Commission (or our recommended State Services Commission) in matters of efficiency and economy (but not in matters affecting individual officers other than the appointment of Permanent Heads – Chapters 3 and 6) should be publicly recognised and accepted. (b) Constitutionally a Minister of the Crown must accept responsibility in Parliament for the efficient and economical conduct of his departments. (c) The Permanent Head must be personally responsible to his Minister for the efficient and economical operation of the department. (d) The Public Service Commission (or a State Services Commission), as the Government's agent in promoting efficiency and economy in the State Services, should be accountable to the Prime Minister.

### *Chapter 3.* MACHINERY OF GOVERNMENT

Item I of our Warrant reads:

Any improvements that should be made in the machinery of Government, in relation to the organisation, coordination and control of Departments of State and Government agencies.

1. In this chapter we shall report on any improvements needed in the organisation, coordination, and control of those parts of the machinery of government covered by our inquiry. After explaining briefly the need for coordination and control, we shall examine in turn each main component of that machine, from Cabinet and its committees, through the control departments (Public Service Commission, Audit, Treasury, Ministry of Works), to the departments of State and Government agencies, viewing each component both as a unit and in its relationships with other parts of the machine. Improvements will be recommended in passing.

#### NEED FOR COORDINATION AND CONTROL

2. The State has many departments and agencies to carry out its executive functions. Each has its own limited area of work and is expected within that area to carry out the purposes of the Government; but each is also merely a part of a single system of government, in close contact with – even at times dependent on – other parts of the system. Without some form of coordination and control, departments could, for example, pursue incompatible policies, initiate intolerably burdensome programmes, and bid wastefully one against another for money, manpower, or materials. The risk of such unwelcome possibilities has grown in the last generation with the extension and diversification of State activities to which we have already referred, since it is now harder for any part to know what the rest are doing. It is the more essential, then, that from high policy to routine administration, the system be properly coordinated and controlled. The same developments have, however, made it harder for Cabinet alone to achieve this, and greater reliance has thus been placed on other control authorities.

## CABINET

3. In the previous chapter we have stressed the primary and constitutional responsibility of the Government and, especially, that of individual Ministers, for efficiency and economy in Government administration. The ability of the State Services to achieve efficiency depends largely on the direction and leadership given by Ministers. But Ministers are themselves subject to Cabinet, and the very existence of Cabinet is proof of the need to coordinate the activities for which individual Ministers are responsible. The way in which Cabinet is organised (including the allocation of portfolios) is important in any examination of the machinery of government, and therefore in our inquiry. It is no doubt true that the considerations which determine the allocation of portfolios are in part political, but we hope that Governments will be assisted by our discussion to give due weight to administrative factors in this matter and in otherwise organising their Cabinet activities.

4. We shall deal in turn with each of the four following matters: Ministerial responsibility for efficient Government administration; the allocation of portfolios; the Cabinet committee system; the Cabinet Secretariat.

### MINISTERIAL RESPONSIBILITY FOR GOVERNMENT ADMINISTRATION

5. We state elsewhere that Ministerial responsibility for the overall efficiency and economy of Government administration should be accepted by the Prime Minister. This responsibility should be additional to and distinct from the responsibility of individual Ministers for the efficiency of their own departments. Our full reasons for this view will be found in Chapter 2 above, and paragraphs 46-51 below.

### ALLOCATION OF PORTFOLIOS

6. The evidence we have heard has impressed upon us the present heavy demands on the time of Ministers. We are concerned to reduce these demands as well as to provide the basis for a more efficiently coordinated administrative machine. A great deal of Ministerial time is consumed in Cabinet committees and in informal meetings with colleagues to coordinate the work of various departments. We believe that an appropriate grouping of portfolios helps to relieve this burden. Such a rationalisation also leads to more efficiently coordinated, less fragmented Government activities. The present allocation of portfolios appears to meet the administrative requirements better than has often been the case in the past.



7. Such factors as regional representation, seniority, and electoral support (to name the more obvious) seem to be taken into account when portfolios and Ministerial offices are allocated. Such factors are politically significant, and we have no right to comment on the weight given them. Coordination becomes complicated and difficult, however, if they are allowed to lead to an allocation of portfolios inappropriate for administrative purposes. For such purposes, departments with related functions should be gathered together under one Minister—subject, of course to what is a reasonable Ministerial work load. This would speed up the process of coordination in Cabinet and facilitate the making of decisions. Conflicts over jurisdiction and functions between related departments should be resolved by one Minister more easily and speedily than if two Ministers are involved. In the latter case such conflict might well remain unresolved until enough friction has developed to necessitate action by a Cabinet committee, by a special Ministers' meeting, or even by Cabinet itself.

8. Once departments with related functions are grouped under, and coordinated by, a single Minister it should be possible (indeed, to our mind it is essential) to delegate to those departments greater responsibilities, thus relieving the Minister himself of much detail. This process will be assisted if legislation which places executive responsibility on a Minister empowers him to delegate; if each Permanent Head constantly reviews the material he submits for his Minister's decision and from time to time recommends appropriate delegations; and if the proposed State Services Commission examines in the course of its reviews the volume and substance of communications passing between departments and their Ministers and makes appropriate recommendations.

9. There is no ideal grouping of portfolios and Ministerial offices. Some departments can be grouped with equal logic in several different ways. How it should be done depends on the view one forms of the department's primary purpose at a particular time. Textbook writers demonstrate this uncertainty by suggesting widely different arrangements. Governments themselves have not followed a consistent practice as the examples drawn from four different Cabinets in Appendix 5 show.

10. Nevertheless, some groupings of departments appear to us administratively desirable. For example, Railways, Transport (reformed as we suggest in Chapter 4), and Civil Aviation Administration go together; Air, Army, Navy, and Defence Departments also go together (see Chapter 4) at least in peacetime, and there is a case for including Police with these under the control of one Minister; Agriculture and Scientific Research have a close affinity because of their complementary functions in research and extension

work; Electricity and Mines are concerned with the fuel and power resources of the country; Maori Affairs and Island Territories are both concerned with the development of the Polynesian race.

11. Other groupings are not so obvious and only emerge when the functions of the departments concerned are more closely examined. For instance we are satisfied from our investigations that there are good reasons for placing Lands and Forestry Departments with one Minister. Above all, we are convinced that it would be better if the Prime Minister were not burdened with particular portfolios or Ministerial offices but carried general responsibility for the overall efficiency of government administration.

12. We are satisfied that coordination of executive activity is improved if attention is given to the administrative implications when portfolios are allocated. To this end, advice might well be sought by a newly elected Prime Minister from the proposed State Services Commissioner on these administrative implications, which are bound to vary from time to time and on which the State Services Commissioner could present an informed view. The Commissioner would have, moreover, a duty, in our opinion, to tender advice to the Prime Minister whenever the allocation of portfolios affected administrative efficiency.

13. An appropriate grouping of portfolios should also provide a basis from which to move to less fragmented State Services. The distribution of portfolios to give unified Ministerial control over two or more related departments should not only eliminate friction but should also promote inter-departmental cooperation with a pooling of resources and exchange of ideas, which in appropriate cases might lead to amalgamation. Grouping is, however, fully justified if it leads to better coordination of departments, with resources pooled, policies integrated, and duplication of activities minimised. If amalgamation follows, so much the better; but it should only follow when complete integration is shown to be preferable to interdepartmental coordination. We discuss this more fully in Chapter 4.

14. Moreover, portfolios and Ministerial offices should be so allocated that no Permanent Head is answerable to two or more Ministers. When this occurs it tends to disrupt departments, to confuse the lines of responsibility, and possibly to lead to a conflict of loyalties. The Permanent Heads of Air, Social Security, Education, and Tourist and Publicity Departments are each responsible to two Ministers. Indeed, the Permanent Head of the Social Security Department has at times worked to three different Ministers. In this situation a division of a department can assume an almost independent status if a Minister looks to the divisional head rather than to his Permanent Head. Occasionally legislation has even made a divisional

head directly responsible to another Minister. There is then a danger that a Permanent Head's responsibility for efficiency and economy over his whole department may be weakened, or broken.

#### THE CABINET COMMITTEE SYSTEM

15. Cabinet uses standing and special committees of Ministers to reduce its burden of work and to enable many proposals to be closely examined, frequently in the presence of senior departmental officers. There were seven standing committees in December 1961. Cabinet may at any time set up more committees or rearrange the responsibilities of existing ones.

16. Cabinet committees do not follow a uniform pattern. Some meet regularly; others only when needed, which may be rarely. Some have delegated powers to make certain decisions on Cabinet's behalf; others review policy or make recommendations. Most Cabinet committees are supported by officials committees comprising Permanent Heads or their representatives, and a few also have working parties to conduct detailed investigations for the officials committees.

17. The Public Service Commission stated that:

... the machinery ensures that the views of all interested departments are obtained before a submission is placed before Cabinet, and the work of Cabinet committees provides valuable opportunities for the interchange of views between Ministers and officials. There is no doubt scope for further development; the present machinery provides a sound basis on which to build.

We recognise the value of the Cabinet committee system in coordinating various areas of government activity, but we doubt whether it can be extended much further without making unreasonable demands on the already overburdened time of Ministers. We are concerned to see this existing burden eased, rather than increased, and as one means of helping to do so, we have suggested grouping related departments under one Minister.

18. We are of the opinion that Cabinet committees operate most effectively when aided by a strong officials committee serviced by a single department. The presence of a strong officials committee serviced by Treasury is said to be one of the reasons for the success of the Cabinet Committee on Economic and Financial Questions. We shall have occasion to consider three other standing committees and their supporting machinery: the committees on Government Administration, Transport Questions, and Defence. We deal with the first in the following paragraphs and with the other two in our discussions of transport and defence in Chapter 4.

19. The Cabinet Committee on Government Administration was first established in the early nineteen-fifties. Its terms of reference were summarised for us thus:

- (a) To keep the machinery of government under constant review.
- (b) To consider and report to Cabinet on changes in the machinery of government and in the allocation of functions to departments which might facilitate the more efficient discharge of government business.
- (c) To keep the staffing of the Public Service under review to ensure that maximum economy consistent with efficiency is achieved.
- (d) To consider and report on questions of policy arising out of the employment of persons in the service of the Crown including, *inter alia*, pay and conditions of service and superannuation.

In practice it has dealt mainly with the various personnel problems included within the last of these items.

20. The committee's jurisdiction resembles closely the area of activity within which our proposed State Services Commission would be reporting to the Prime Minister. Would the committee then be redundant? It would be for the Prime Minister to decide to what extent, if at all, he wished to refer such matters to it; certainly it would be possible to do without it, since it has at times been allowed to go into recess. But we think there are good reasons for retaining it, in particular to deal with those problems of personnel policy which affect more than one State Service. It enables (for example) the Postmaster-General, the Minister of Railways, and the Minister of Education (when the education service is involved) to explain the repercussions within their respective Services of proposed changes in pay or other conditions of employment, and thus helps to improve coordination between the several employing authorities. A committee so composed may, however, not be ideally suited to consider questions of machinery of government or of administrative efficiency in other parts of the State Services. (This may be one reason why the present committee has dealt more with the last than with the other three items of its terms of reference.) If the Prime Minister wished such a question to be investigated at Cabinet committee level, it is possible that a special committee representing the departments concerned in the particular case might be more appropriate.

21. Assuming the Committee on Government Administration to be retained, to deal in particular with such matters of inter-Service personnel policy as may be referred to it by the Prime Minister,

we consider that it should be assisted by an officials committee, appropriately serviced. The officials committee in this case should be the State Services Coordinating Committee, which consists of the Permanent Heads of the main employing authorities together with the Secretary to the Treasury (par. 67). The appropriate servicing department would be the State Services Commission. The Cabinet committee itself would of course be serviced (like all such committees, and like Cabinet) by the Cabinet Secretariat.

22. It is important that when any matter affecting the overall efficiency of the State Services is brought before Cabinet or any of its committees, the Commission's advice should be sought, in the same way as the advice of the Treasury is now sought on submissions having financial implications. The State Services Commissioner would thus be the Government's chief adviser on government administration, as well as being personally responsible to the Prime Minister.

#### CABINET SECRETARIAT

23. The Cabinet Secretariat is, in New Zealand, a comparatively new device, reflecting the great expansion in Government business. The procedures adopted are apparently straightforward and have not changed much in the past 12 years. Departmental matters for consideration by Cabinet or by its standing committees are put forward as concise written submissions leading to recommendations. These are recorded, listed on an agenda, and distributed to Ministers before each meeting. The Cabinet Secretary, who attends meetings and records decisions is also expected to ensure, as far as he can, that the material placed before Cabinet is adequate and covers the questions that are likely to be raised. The successful operation of the Secretariat obviously depends not on the formal machinery but on the Secretariat's understanding of Cabinet's requirements and its ability to meet them. It is also obvious that the successful operation of the Secretariat, through its importance to Cabinet, is important to the whole machinery of government.

24. The Cabinet Secretariat is part of the Prime Minister's Department. Its present staff consists of a Cabinet Secretary (seconded from the Department of External Affairs), a Treasury Investigating Officer on secondment, a clerk, and a records clerk. The Department of External Affairs provides the necessary typing services. The present duties of the Secretariat, though demanding the utmost care and discretion, are largely routine. The evidence indicates that it has insufficient resources to ensure that Cabinet (or any of its committees) has before it all relevant information on topics being considered, and that all the issues involved are presented in a coordinated manner.

25. Two alternative ways of strengthening the Secretariat were suggested to us, namely:

- (a) To develop it as a planning and priority-recommending body designed to advise Cabinet on policy issues, while retaining its present secretarial duties:
- (b) To strengthen it as a coordinating and secretarial device.

(a) *A National Planning Authority*

26. Past attempts to develop an independent planning and priority-recommending body to advise Cabinet have failed. We do not believe that an attempt to convert the Cabinet Secretariat into such a body would be more successful. In a national emergency the need for such an organisation may be recognised and its existence tolerated, as for example, was the Organisation for National Security which operated successfully under the threat of war and in time of war. However, its peacetime successor, the Organisation for National Development, failed, we were told, for two main reasons. According to the Public Service Commission it was a body of great influence and no responsibility, interposed between departments on the one hand and Ministers and Cabinet on the other. It thus broke the primary direct relationship between Permanent Head and Minister—a traditional and fundamental relationship in our form of government. Moreover, decisions which were to form a basis for national planning, being essentially political, should, it was thought, be made by Cabinet or responsible Ministers. Be that as it may, there is now little support for such a body. We agree that New Zealand in its present stage of development (and for some years to come) would be best served if departments planned their own programmes, subject to coordination by inter-departmental and Cabinet committees, and finally by Cabinet itself.

27. We do not, however, exclude the possibility that at some time in the future a place may have to be found in the machinery of government for a national planning centre. Short- and long-range forecasts of economic and social developments are certainly needed as a basis for plans and policies for the future (par. 125–139). We note with interest that in 1947 the Netherlands set up a Central Planning Bureau which we understand has been successful in helping to promote conditions for stable national development. This type of organisation may well warrant deeper consideration than we have been able to give it.

(b) *Strengthening of the Secretariat*

28. We favour the strengthening of the present Secretariat; for, with adequate resources, it could take steps to ensure that on any issue coming before Cabinet or its committees the necessary in-

formation has been collected and coordinated and that all departments and agencies affected have been given an opportunity of expressing an opinion. It would not itself engage in such consultations but would draw the necessity to the attention of the originating department. A similar procedure would apply if Cabinet should desire further information. The Secretariat would also be responsible for ensuring that Cabinet decisions were effectively promulgated. It would be the Secretary's duty to record them, to ensure that they reached the organisation responsible for action, and to follow them up where necessary. The Secretary and his senior staff would need to work intimately with Cabinet and Ministers and could only do so if they had their full confidence. Having that confidence they could help departments to interpret the views, and prepare for the decisions, of the Government, and so avoid duplication or delay. Ministers and departments would, we feel, welcome a Secretariat working discreetly in this way to streamline government business.

29. It is obvious that although some additional staff would be needed this would not, of itself, bring the results we have in mind. The success of a strengthened Secretariat will depend on the status and personal qualities of the Cabinet Secretary, and on the disposition of Prime Ministers and Cabinets to use the services he can provide.

## RECOMMENDATIONS

We recommend that:

- (1) Responsibility for overall efficiency and economy of government administration be accepted by the Prime Minister (par. 5).
- (2) In the allocation of portfolios and Ministerial offices due regard be had to the administrative desirability of entrusting departments with related functions to the one Minister (par. 6-14).
- (3) Portfolios and Ministerial offices be allocated so that, as far as possible, each Permanent Head is responsible to only one Minister (par. 14).
- (4) Whenever matters affecting the overall efficiency of the State Services come before Cabinet or its committees, the opinion of the State Services Commissioner (proposed in Recommendation 8 (a) as the Government's chief adviser on questions of government administration) be sought (par. 22).
- (5) The Cabinet Secretariat be strengthened for the role suggested in paragraphs 28-29 above.

## CONTROL AUTHORITIES

30. Cabinet has increasing need for something more than the assistance of its committees, and a skilled Secretariat, to enable it to coordinate and control the diverse and fragmented State Services. Thus, special control departments have been set up—some of long standing, others more recent. The main ones are the Public Service Commission, the Audit Office, the Treasury, and the Ministry of Works. We shall discuss each of these in turn.

31. There are other, more specialist, bodies with control functions, which we do not intend to discuss here. We have had no substantial evidence that their control functions are in need of review. They include the Departmental Motor Vehicles Allocation Committee, the Government Stores Board, the National Library Service, and the Printing and Stationery Department. Two others can be discussed more conveniently later: the Government Office Accommodation Board is dealt with in Chapter 6; the functions of the Crown Law Office are reviewed in Chapter 4.

### THE PUBLIC SERVICE COMMISSION

#### *Origin*

32. The Public Service Commission was created by the Public Service Act 1912 with the two objectives of building a unified career service and of promoting efficiency and economy in the Public Service. The Act established a Public Service Commissioner with two Assistant Commissioners, free of Ministerial control but responsible to Parliament. It was before the House of Representatives as a Bill when the Hunt Commission, set up by the previous Government in 1911 to investigate the Public Service, submitted its report. The Hunt recommendations agreed substantially with the proposals in the Bill, with one sharp difference. Rather than a Commissioner with two assistants, the report recommended a Board of Management of three men, two of whom (including the Chairman) were to be recruited from outside the Public Service. This Board would be responsible to Cabinet. Cabinet was to accept final responsibility for determining issues between the Board of Management and individual Ministers and departments. But the Board was to have "widespread and absolute powers over all things affecting officers". The Hon. A. L. Herdman, the Minister in charge of the Bill, though he accepted some of the recommendations contained in the Hunt Commission's report, refused to adopt the suggested Board of Management and retained the concept of a Commissioner with two assistants. He also rejected the Hunt Commission's recommendation of responsibility to Cabinet, preferring responsibility to Parliament.



33. Both the appointment of the Hunt Commission and the preparation of the Bill were largely consequences of agitation against the abuses of political patronage and the making of "backdoor" appointments to what had already become, for the majority of public servants, a career service. The framers of the Public Service Act, and the Legislature, were particularly concerned to combat these abuses. Efficiency and economy it was assumed would follow.

34. The Hunt Commission saw in a Board of Management a "well oiled and efficient machine", which would undertake the role of an "efficient controlling business head". No doubt it appreciated the need for leadership and the building of morale and it thought that they could be better achieved by an independent board than by direct Ministerial control. But again, it is not unfair to suggest that that Commission, like the Legislature, saw the need to overcome the abuses of patronage and "backdoor" appointments more clearly than it saw the other requirements of efficiency and economy. In fact, the former may well have been the dominant requirement in 1912.

### *History*

35. The form of this control authority has undergone several changes since the appointment of the first Public Service Commissioner with his two assistants in 1912. From 1925 to 1935 there was a single Commissioner without assistants. From 1936 to 1938 two joint Commissioners were appointed. In 1938 control reverted to a single Commissioner. The Amendment Act of 1946 provided for a Commission of three members, one of whom was to be appointed on the nomination of the Public Service Association. In 1951 this provision for employee nomination was repealed. The reorganised Commission was thereafter to comprise not more than three members; and the two remaining Commissioners continued in office without a further appointment being made. The Act was further amended in 1954. The membership was increased to four at most, since when the actual membership has been either three or four. At present it consists of three Commissioners, one of whom is Chairman. The Commission acts as a board, each member having a vote in its deliberations with the Chairman having the casting vote in the event of equality. All present members have been appointed from the Public Service.

36. The Public Service Commission has been successful in detailed personnel administration. But its operations, particularly since the Second World War, suggest that it has failed to provide those qualities of imaginative leadership and direction required in a changing world, and to cope adequately with the problems associated with achieving and maintaining efficiency and economy in a growing and increasingly diverse Service. One may well ask why this has been so.

The Commission's failures may be partly attributed to the fact that although it was required by the 1912 Act to establish and maintain proper standards of efficiency and economy in the Public Service, it was given few powers with which to accomplish these things. An amendment in 1946 authorised it from time to time to "take such further action as it might think fit to ensure efficiency and economy in the departments under its control". This authority was permissive rather than obligatory; and the machinery to ensure efficiency and economy was not prescribed.

37. The Commission furthermore has had no Minister responsible for it in Parliament; no Minister who could support its efforts, and through whom Parliament could exercise its pressures. It is apparent from an examination of the history of the Commission that important recommendations have repeatedly been made in its annual reports to Parliament but too often these have evoked no response and have not been adopted.

38. Then, too, the growing influence of the Public Service Association with its direct access to the Government, and the necessity for the Commission to negotiate with the association and to measure its opposition before any substantial change in personnel matters could be advocated, have not been conducive to bold action.

39. Hampered by these difficulties, as well as by the conflicts of responsibility which we discussed in Chapter 2, the Public Service Commission has been in no condition to meet the succession of crises since its foundation. The 1914-18 War broke out shortly after the establishment of the Commission. From 1920 onwards it embarked on a programme of consolidating a career service and developing standards of integrity and prestige in the Public Service. The depression of the thirties interrupted these labours before they could be completed, and the Commission's energies were diverted to keeping essential services going with fewer staff. The depression over, the Commission had to provide for the vast extension of Government activity which came in the late thirties. Large numbers of new staff had to be recruited. The growing influence of the Public Service Association compelled it to pay more attention to staff relations. These circumstances, followed quickly by the difficulties of the Second World War, left it inadequate time to give a lead in policy matters, to examine the allocation of functions, and to promote efficiency. After the Second World War, the Commission attempted to review the structure of departments, and sponsored some successful and effective amalgamations and reallocations. But attention to these matters could not be sustained in the face of the mass of detail arising from salary changes in a time of inflation, negotiations with employee groups, promotions, appeals, five-yearly regradings and regrading appeals, recruitment and retention problems arising from full employ-

ment, housing problems, rehabilitation, temporary employment, the need for increased scientific and technical staff, and a host of related matters.

### *Decline in Status*

40. The Commission, preoccupied with such detail, has been unable to deal adequately with the wider aspects of efficiency and economy. It has not been able to give the imaginative and forceful leadership which the Public Service requires. The evidence we have heard from Permanent Heads and other qualified people stressed particularly the absence of this leadership, and the unsatisfactory effects of that absence. In the opinion of these witnesses, over the past 30 years there has been a consequent decline in the prestige of the Commission.

41. We accept that the Commission has fallen in status both inside and outside the Public Service. In terms of salary and, we believe, in status, the Chairman of the Public Service Commission is inferior today to some heads of departments within its jurisdiction. We consider that this is wrong. Effective leadership cannot survive such invidious distinctions. It is not unfair to say that even the Commission has come to view itself in a more humble light than was originally intended—certainly more so than was intended for the Board of Management by the Hunt Commission. As a result, its operations have been virtually reduced to those of a central personnel authority.

42. We think it advisable now to dispose of the erroneous but common view that the Public Service Commission's chief function is to act as a personnel authority independent from political control. It was set up to do two main things: to build a unified career service, and to promote efficiency and economy. The obvious inter-relation of these functions has obscured their essential separateness. In 1912, building a career service involved especially the destruction of political patronage in staff appointments, promotions, etc. To be successful the Commission had to be made completely independent of political control in matters affecting individual public servants. And so it was. But in ensuring efficiency and economy in wider matters of general organisation and conditions of employment, it must act always as the agent of the Government, which has ultimate responsibility for these things. It has never been and could never be politically independent in performing this function. Thus, these two distinct functions—one requiring independence from and the other requiring submission to Government (that is, "political") control—must be kept separate when assessing the Commission's past work and when making recommendations for the future. Confusion of both has led to the common overemphasis of the Commission's role as a *politically independent* personnel agency. This view depreciates (if it does not obliterate) the

Commission's even more important, and simultaneous, function of being the Government's chief agent for maintaining efficiency and economy.

*The Need for a Change in Character*

43. It is our firm view that the role of the Commission needs to be changed and strengthened so that it can, and will, become the chief adviser to the Government on matters of Government administration. We wish to stress this view; for we believe that the Public Service Commission must be changed in status and outlook if the State Services are to meet the needs of the future. We recommend, as a first step, that the Commission be reconstituted and called the *State Services Commission*; by this renaming we intend to mark its new character.

44. It is not our wish to reflect unfavourably on the ability of, or the services rendered by, present or past Commissioners. They have discharged with credit the functions to which the legislative deficiencies, and the other factors mentioned, have restricted the Commission. But we do wish to say emphatically that those deficiencies and factors should no longer be allowed to prevent the existence of a Commission charged with, and indeed exercising, the wider responsibilities needed if it is to provide dynamic and imaginative leadership in a changing world.

45. We believe that the change which we advocate can be brought about by:

- (a) Making the State Services Commission responsible to the Prime Minister who as we have already recommended should accept responsibility for the overall efficiency and economy of government administration.
- (b) Changing the structure of the Commission to place command in one man rather than in a committee.
- (c) Freeing the Commission of much of the detail which now clogs its operations.
- (d) Redirecting the energies of the Commission by re-defining its responsibilities.
- (e) Enlarging the area of activity under its control to give it responsibility for economy and efficiency in the whole of the State Services and not merely in a part.

(a) *Ministerial Responsibility*

46. The Government has a constitutional responsibility for the efficient and economic working of its machinery. It needs a strong control department as its agent to ensure that all matters bearing on efficiency and economy are kept under constant review, and that

proposals for improvement are continually formulated and recommended. We see this as one of the main tasks of the new State Services Commission, and one for which it must be responsible to the Government.

47. It is not enough, however, that the Commission should be responsible to the Government in a general but indefinite way. It must be responsible direct to a particular Minister. As the State Services are the main instrument by which the Executive Government performs its operations, the Minister to whom the control mechanism answers should be the head of the Executive Government, the Prime Minister. We know the heavy load a Prime Minister in New Zealand must always carry. We are reluctant to recommend any increase in that load. But there is no escape from the fact that the Prime Minister, on behalf of his Government, must bear the responsibility for the quality of his Government's administration including the overall efficiency and economy of the State Services. And if this is accepted, then it follows inevitably that the major control organisation should be answerable to him. The relationship between the Prime Minister and the new organisation should be in general the same as that which exists between a department and its Minister. In practice, the Prime Minister may be able to delegate some of this work, for instance to the Cabinet Committee on Government Administration.

48. There is another reason why the head of the Government should be the Minister responsible for the new State Services Commission. The Commission should give particular and continual attention to inter-departmental matters (such as amalgamation of departments and transfers of functions) which would promote efficiency and economy. There will inevitably be Ministerial opposition to some changes recommended. The Prime Minister, when satisfied that changes must be made, is the only Minister with sufficient authority to enforce change in the face of such opposition.

49. The fate of many important recommendations coming from the Public Service Commission seems to demonstrate the unwillingness of past Governments to accept full responsibility for the efficiency and economy of the State Services. We consider that this responsibility should be enforced through the democratic processes of Parliament, and that the Prime Minister as leader of the Government should accordingly answer in the House for the general administration of the State Services.

50. Ministerial responsibility for a State Services Commission may appear to conflict with the concept of independent non-political control of the State Services. We have dealt with this erroneous view in paragraph 42 above where we point out the two separate functions of such a Commission. The State Services have never been

completely free from political control. And indeed, they could not possibly be, for those Services exist to carry out the instructions of the Government. Independence from political control was established in 1912 only in a limited sense. It is only in this limited sense that independence has since been asserted as a basic principle. The Public Service Association, for instance, defines it in the following terms:

In accordance with the principles established by the Hunt Commission and stated in Section 6 of the Public Service Act 1912, the Public Service Commission shall continue to be independent of any political control or influence in so far as it relates to appointments, promotions, disciplinary action or increases in salary of individual employees under its control and this principle shall apply to any other person or body whose duty it may be to exercise any such functions under the Public Service Act.

51. That this independence can be preserved in a system of defined Ministerial responsibility has been well proved by the experience of the Post Office and the Railways Department. For many years these departments have been employing authorities, independent in most personnel matters while remaining under direct Ministerial control for other purposes. We proceed to later portions of this report on the assumption that independence in matters of individual appointments, promotions, transfers, and discipline is well established and will be strictly maintained. The recommendations which we make covering the appointments of Permanent Heads do not threaten this principle (Ch. 6/224-229).

(b) *Leadership Structure*

52. The Hunt Commission suggested a Board of Management composed of three men, one of whom, "and he the ablest man that could be obtained therein", should be drawn from the Public Service. This position on the Board was to be the "prize position in the whole Public Service" and carry a higher salary than any other, "with the possible exception of that of the General Manager of Railways". The two other members of the Board were to be chosen from outside the Service, and be men of wide business experience, with training in large organisations, and accustomed to the handling of a large staff. One of these two businessmen was to be chairman of the Board.

53. However attractive the suggestion of such a Board may have been, we believe that the extensive development of the State Services since 1912, and their increasing complexity and the different nature of their problems, make the suggestion impracticable today. Nor do we accept the preference of the Hunt Commission for control by a Board, rather than by an individual. Each of these alternatives has certain merits, but we see the balance of advantage in the latter. Board control at executive level too often results in a diffusion of

power and responsibility and in an absence of resolute decision. We see forceful and imaginative leadership as being of vital importance in the years to come. The concentration of authority in one man has its dangers, but with Ministerial control these would not be great. Unless a single head is appointed, there is a likelihood that the new Commission will continue in the same character as the present Public Service Commission, predominantly a supplier of staff services. We conclude, therefore, that the new Commission should be controlled by a State Services Commissioner.

54. The success of the Commission will depend very largely on the qualities of this man. He must have personality and ability, and be a forceful head, prepared to exercise the powers given him. It is not essential that he be selected from the State Services, but we think it unlikely that any person from outside those Services could, in view of their present complexity, have sufficient background knowledge to be able to discharge his duties successfully. He should preferably be a man who has shown administrative ability as head of a major department, for, speaking generally, we feel that administrative experience obtained as the head of a department is more appropriate than that obtained in a control authority. This may not always be so, and we do not wish to appear inflexible about this aspect. As the leader of the State Services, he should have the highest status and, we think, the highest salary. He should not be, as the Chairman of the Public Service Commission is now, on a salary below that of a number of departmental heads. He should be appointed by the Governor-General for an indefinite term and be removable at will. If the appointment is from the State Services it should be the final step in the appointee's career and the office should not be held for too long by one person.

55. The head of the proposed State Services Commission, no matter how competent, will not without assistance be able to fulfil all we have in mind for him. He should be aided by two or three Deputy State Services Commissioners who should also be men of ability and experience, having status and salary comparable with the head of a department. These three or four would provide an executive group with the final decision remaining with the Commissioner. As with the Commissioner it is not essential that they be selected from the State Services, and indeed we see benefit in some representation from outside. One deputy could with advantage have a technical or professional background, not only to interpret more effectively the viewpoint of the growing numbers of professional and technical State servants, but even more importantly to appreciate more readily the impact of technological advances on the structure of the Services. The appointment of each Deputy should be by the Governor-General for a term, these terms being so arranged as to preserve continuity.

56. The Commissioner and his deputies should be free to concentrate on general policy matters, and, by personal contact, to gain an insight into the administrative problems of the various departments. Specific and detailed duties should as far as possible be left to Assistant Commissioners or divisional leaders operating at the head of separate areas of activity.

57. The State Services Commission would be helped in its consideration of problems, such as amalgamation, by the use of advisory committees made up of senior State servants and leading private citizens. Representation of the users of a service would be a distinct advantage; for example, a farming representative on a committee investigating agricultural problems in State departments. We should like to see extensive use made of such committees.

58. It is convenient here to make plain our views on the use of private citizens in bodies advising the State Services. We know that this is already being done, but we believe that the practice should be encouraged and every opportunity taken to co-opt qualified private citizens. This should not only enable committees to take a broader approach, thereby improving the quality of advice given, but should also allow more citizens to see for themselves how the State Services work. It would indeed be of value even if the more extensive introduction of "outsiders" into governmental committees did no more than deepen the public's understanding of the work done by the State Services, and State servants' appreciation of the public viewpoint. By this means the present unfortunate lack of harmony between some sections of the general public and the State Services might be lessened.

### (c) *Delegating Detail*

59. We have referred in passing to the mass of staffing detail which now presses on the Public Service Commission. It is of first importance that the State Services Commission should rid itself of much of this detail by delegation to departments. True there has already been some delegation in recent years, but the Public Service Commission has not moved far enough and fast enough in this direction. It seems to us to be a common feature of control authorities that, though they may accept (even advocate) the principle of delegation, they are at the same time overcautious in acting on that principle themselves. Hence they are swamped in detail, and are unable to find the time or the staff to attend to more important matters. The need to delegate will be further discussed in Chapters 5 and 6. Here we shall merely stress that, while we contemplate certain case work still remaining with the State Services Commission, the Commission's efforts should be directed rather to control and review than to detailed personnel administration. The need for this redirection of energies is indeed well established by the evidence.



(d) *Defining Commission Responsibilities to the Public Service*

60. We shall discuss here the nature of the State Services Commission's responsibilities towards departments within the Public Service. In the next section we shall relate those responsibilities to the departments now outside the Public Service Commission's jurisdiction (Post Office, Railways, Legislative), and to the Government agencies.

61. The State Services Commission should have nine broad responsibilities towards the Public Service departments. These can be briefly (and by no means exhaustively) prescribed as:

- (i) Reviewing continually the machinery of government (particularly in respect of allocation of functions, and coordination, among departments) and reporting and making recommendations to the Prime Minister.
- (ii) Ensuring by all practical means, including inspection of departments and investigation of the work of public servants, that proper standards of efficiency and economy are reached and maintained in departments and, in particular, satisfying itself that Permanent Heads continually review their departmental structure and that adequate machinery for promoting proper standards of efficiency and economy is operated within departments.
- (iii) Assisting departments, by way of training, management services, and otherwise, to maintain proper standards of efficiency and economy.
- (iv) Formulating personnel policy for the Government's consideration on such matters as recruitment, appointment, classification, grading, promotions, training, discipline, retirement, and salaries.
- (v) Ensuring that Government policy and relevant legislation on the matters mentioned in (iv) are carried out, in part by acting as a central personnel authority and in part by supervising the exercise of delegated powers.
- (vi) Controlling establishments of staff.
- (vii) Ensuring the provision of adequate office accommodation and the maintenance of proper working conditions.
- (viii) Reporting to the Prime Minister from time to time on the general condition of the Public Service and, when necessary, of particular departments.
- (ix) Advising Cabinet and its committees on any matter affecting overall efficiency and economy.

(These responsibilities should not extend to non-civilian staff in the Armed Service or Police Departments.)

62. Most of these matters arise for consideration more fully elsewhere in this report, but the continual review of machinery of government within the Public Service calls for some amplification here. The evidence of experienced public servants stresses the need for strong machinery designed to make effective reviews of the allocation of functions, and of coordination, among departments. It is clear, moreover, that the reviews must be continual, and that permanent machinery is needed. Such machinery would more effectively ensure that there is a proper allocation of functions, that activities no longer necessary are discontinued, that duplication of activities is minimised, and that patterns of responsibility are clear. This review machinery should be located in the State Services Commission, and could use advisory committees (par. 57) and employ "task forces" of investigators to gather necessary material.

(e) *Enlarging the Commission's Area of Responsibility*

63. We have discussed four of the five changes which we stated in paragraph 45 were necessary to transform the present Commission.

64. We must now deal with the fifth—enlarging the Commission's area of responsibility for efficiency and economy. In brief we shall consider the Commission's responsibility towards (i) the Post Office, the Railways and the Legislative Departments, and (ii) other agencies of the Executive Government. Our approach is based on the distinction we have made between the two responsibilities, for staff administration, and for efficiency and economy, and on the supposition that much detail will be delegated.

65. (i) *Post Office, Railways, and Legislative Departments:* The Public Service Commission has at present no responsibility for the Post Office, the Railways, or the Legislative Departments. We believe that the area of activity of the State Services Commission should be enlarged to include certain defined responsibilities towards these departments. Unless this is done, the State Services Commission will not fulfill its proper role as the main control authority of the Government in matters of overall efficiency and economy.

66. *Staff Matters:* There is no need for the State Services Commission to be given any direct responsibility for, or duties in relation to, staff policy and staff administration in these three departments, other than through the State Services Coordinating Committee which we shall discuss in the next paragraph. These departments should remain free of central agency control in matters of recruitment, appointment, promotion, discipline, and other matters relating to individual officers. We are familiar with the circumstances which led to this autonomy being granted and with the history of its operation. In view of its history we are not prepared to recommend that it be reduced. Indeed,

we should prefer to see a greater autonomy in staffing matters progressively granted to other departments of State.

67. Nonetheless, it has become more and more obvious that there must be reasonable coordination of the terms of service of all State servants, no matter who employs them. There should be no major differences in these matters among the staff of different departments. We do not urge complete uniformity, for we realise the necessity for some differences. But it is a hard fact that the interests of State servants themselves and the interests of the Government suffer if personnel policies are not reasonably coordinated. The present State Services Coordinating Committee seeks to do this. It was set up in 1954 and consists of the Chairman of the Public Service Commission and the Permanent Heads of Railways, Treasury, and the Post Office and (where the teaching services are affected) Education. This present organisation, though it has been reasonably successful, could be placed on a more formal basis. It could be recognised as the officials committee for the Cabinet Committee on Government Administration, and the State Services Commissioner should be charged with convening and servicing it, and reporting on its proceedings to the Prime Minister.

68. This Committee cannot have executive power to fix higher policy in personnel matters. Such policy decisions must ultimately be made by the Government. But we envisage the Committee as a strong organisation capable of assembling the views of the different sections of the State Services, and of effectively advising the Government on inter-Service personnel matters. It should be able to ensure that the Government is supplied with all information necessary for making proper decisions.

69. *Efficiency and Economy*: The functions of the State Services Commission relating to efficiency and economy, unlike those relating to staff matters, should embrace the whole of the State Services and not merely part of them. They should therefore extend to the Post Office, the Railways, and the Legislative Departments. At present no body or person outside these departmental structures has the duty of reviewing their general administration to ascertain whether in fact they are operating efficiently and economically. The Audit Office and the Treasury have control responsibilities but they do not extend to a review of general administration. The Prime Minister can obtain no objective appraisal of the general efficiency of these departments. This is unsatisfactory. All State departments should be subject to some form of efficiency audit. The interests of the public and of the departments themselves call for it. All three departments may be administered efficiently and economically. Certainly we had no substantial body of evidence to the contrary. In respect of the Post Office and the Railways Department, the management and those

staff associations which made submissions expressed general satisfaction with their departments' administration. At any rate, no material alteration was proposed by them. This does not weaken, indeed it strengthens our conclusion. Where (as in the case of these two departments) an organisation is closed either by legislation or departmental practice against entry from outside except in the lowest grades, and where it shows little tendency towards self-criticism, there is all the more need for some separate part of the machinery of government to have the duty of reviewing, and, if necessary, reporting on its general administrative efficiency.

70. It may be objected that such an external check is unnecessary for the Post Office and the Railways Department, as these are trading departments having the test of efficiency provided by the profit and loss account, a test which many departments of State do not have. But we do not accept this. Many of the most successful trading organisations throughout the world value the assistance of independent efficiency audits. Moreover, these two departments, although engaged in trading, have no competitors operating in New Zealand conditions against whom their efficiency can reasonably be measured. As the Plowden Report says (we shall refer in some detail to this report later in this chapter) "the departments, like all large State organisations, need the stimulus of criticism and examination from outside, particularly where the criteria of performance are not clear and measurable". Though this comment was directed primarily to the value of review by Parliamentary Committee, we consider that it has a more general application and supports the case which we have been advancing.

71. It would be for the State Services Commission itself, subject to direction from the Government, to determine the extent, depth, and frequency of its review. But we think that ordinarily it would not need to go further than to ensure that the departmental structure is sound, that the top administration is of proper quality, and that adequate machinery for promoting efficiency and economy exists within the department and is being used.

72. It should not be overlooked that the relationship which we propose would bring many advantages to the departments. Not the least of these would be the ability to avail themselves of the Commission's facilities and techniques, especially in the fields of management services and training.

73. We recommend, therefore, that the particular responsibilities of the State Services Commission, listed in paragraph 61 above as numbers (i), (ii), (iii), (viii), and (ix), so far as they relate to efficiency and economy but not to matters affecting individual officers, should apply to the Post Office, the Railways, and the Legislative Departments. Our reason for not applying number (vii) is explained in Chapter 6.

74. (ii) *Commission Responsibilities to Agencies of the Executive Government*: We have also considered whether the State Services Commission should have some responsibilities in respect of the agencies of the Executive Government, especially in coordinating terms of employment and ensuring efficiency and economy.

75. These agencies have, by deliberate legislative action, been placed outside the State Services, given their own executive boards, and made in varying degrees independent of Government control authorities. No one urged us to recommend bringing any of these agencies under more direct control of those authorities, and we see no reason to do so. But some witnesses did contend that better co-ordination of conditions of service, particularly salaries, should be enforced between the State Services and Government agencies. Here again we see no need for a recommendation. It has not been shown that any unreasonable competition for staff exists as a result of the freedom of control which Government agencies enjoy. If, in the future, it is thought that conditions of service in those agencies should be more closely coordinated with those ruling in the State Services, the Government has the statutory power, in most cases at least, to issue directions. If that power is not adequate, the Government can take more specific powers, as it has done in the Broadcasting Corporation Act passed in the last session of Parliament.

76. So far as efficiency and economy are concerned, the Government will normally look to the Boards of the Government agencies to ensure that adequate checks are conducted. But should it wish a completely independent investigation, it will have at hand a State Services Commission most competent to conduct one. The Commission's services in this respect should also be available to agencies on their request.

#### *Importance of Commission Functions*

77. Table 6 summarises the scope of the responsibilities of the proposed State Services Commission. We cannot overemphasise the importance we attach to the recommendations which follow this part of our report. The structure of the State Services and their efficient and economical operation are unlikely to be improved unless a new and stronger control organisation leads the way, and acts as a well informed adviser to the Government on general administration and machinery of government. The success of this organisation must depend greatly on the support it receives from successive Governments. Without strong support it can achieve little; with such support we believe it will achieve much. This we take to be the lesson of past failure. It is all too easy to blame the individuals when the fundamental causes of failure lie outside their control – in circumstance, obsolete concepts, and inadequate legislation.

Table 6

## SCOPE OF THE RESPONSIBILITIES OF THE STATE SERVICES COMMISSION

Responsibilities	Public Service	Post Office	Railways	Legislative	Agencies
1. Reviewing machinery of government and reporting to Prime Minister .. .. .	1	1	1	1	..
2. Ensuring by all practical means that proper standards of efficiency and economy are reached in departments .. .. .	2	2	2	2	..
3. Helping departments to maintain proper standards of efficiency and economy .. .. .	3	3	3	3	3*
4. Formulating personnel policies for Government approval .. .. .	4	..	..	..	..
5. Ensuring that personnel policies and legislation are applied in practice..	5	..	..	..	..
6. Controlling staff establishments ..	6	..	..	..	..
7. Ensuring adequate office accommodation and maintaining proper working conditions .. .. .	7	..	..	..	..
8. Reporting to the Prime Minister from time to time on the general condition of the State Services or of particular departments ..	8	8	8	8	8†
9. Advising Cabinet and its committees on matters of overall efficiency and economy .. .. .	9	9	9	9	9†

\*Responsibility in this case will extend merely to giving help when asked.

†Responsibility in these cases will extend merely to making reports, or giving advice to the Government or the Prime Minister if directed to do so.

## RECOMMENDATIONS

We recommend that:

- (6) The Public Service Commission be replaced by a State Services Commission consisting of a State Services Commissioner and two or more Deputy Commissioners (some of whom could with advantage be drawn from outside the State Services and from technical or professional back-grounds) to be appointed by the Governor-General, the Commissioner for an indefinite term and each deputy for a stated term (par. 43-55).

- (7) Within the Commission, the right of final decision rest in the State Services Commissioner (par. 53).
- (8) The State Services Commission have wider responsibilities than the Public Service Commission now has. Those wider responsibilities are described in detail in paragraphs 60 to 77, and are to include:
  - (a) A responsibility in the State Services Commissioner to act as the chief adviser to the Government on all matters bearing on the overall efficiency and economy of the State Services; and
  - (b) A responsibility in the Commission for reviewing and reporting to the Prime Minister on general administrative efficiency and economy in the State Services including the Post Office, the Railways Department, the Legislative Department, and such Government agencies as it is directed to investigate.
- (9) The State Services Commission be constituted a Department of State responsible to the Prime Minister, but that as the employing authority for the Public Service it be given statutory independence in matters relating to individual officers, such as appointments, promotions (except those to permanent head positions), transfers, grading, classification and discipline (par. 46-51).
- (10) In salary and status the State Services Commissioner be superior to any other State servant, his deputies to have salary and status equal to those of a Permanent Head (par. 54).
- (11) Committees consisting of senior State servants and leading citizens who are not State servants be used whenever possible to advise the Commission on such matters as allocation of functions, coordination among departments and others referred to it by the Government (par. 57-58).

#### THE AUDIT OFFICE

78. The evidence satisfies us that the impartiality and the authority of the Controller and Auditor-General are widely accepted and that the work of the Audit Office is creditably done. We see no need for any change in his functions or activities. His main problem is to retain enough trained staff. We deal with this matter in Chapter 6.

79. We note in passing that the Controller and Auditor-General's only present responsibility towards the State Advances Corporation is for the Housing Account which covers only State houses. The other accounts of the Corporation are audited by private auditors. This is the only department of State which is not audited wholly by the Audit Office. On the other hand, the audits of Government agencies (for example, the Reserve Bank and the National Airways Corporation) are almost entirely done by private auditors, and so the Controller and Auditor-General has little or no responsibility for these agencies.

80. We do not recommend that the Controller and Auditor-General should have increased responsibilities for the State Advances Corporation or for the Government agencies, as we have no reason to believe that their present audits are not adequate. We doubt, moreover, whether the Audit Office has sufficient staff to undertake any quantity of additional work. We think it proper, however, to draw attention to the situation, and to suggest that Parliament would be further protected if the State Advances Corporation and the Government agencies (or their auditors) were obliged to supply the Controller and Auditor-General annually with a full copy of their audited accounts and of the auditor's report thereon. This would enable the Controller and Auditor-General to include in his reports to Parliament such comments as he might wish to make on those accounts.

#### THE TREASURY

81. The role of the Treasury as a control authority of the Government is threefold. First, by virtue of the Public Revenues Act, it controls the complex systems of accounting for public revenues, expenditure, and stores. Second, it plays an important part in determining how public funds shall be spent. Third, the Secretary to the Treasury is Financial Adviser to the Government. Though this last strengthens Treasury as a control agency, it is not the source of Treasury's authority. We think it important to consider the purpose of, and the source of authority for, financial control before assessing its adequacy.

#### *The Purpose of Financial Control*

82. Financial control goes far beyond ensuring that value is received for money spent. This is important enough; but there are even more important objectives—expertly appraising the public financial resources; directing these resources towards specific policy goals such as education and roading; balancing competing claims; planning and controlling to ensure that expenditure is contained within the limits determined by the Government; and, finally, coordinating public expenditure with the Government's broad



economic and social aims and with the economic development of the country. These objectives cannot be achieved without effective control machinery, of which Treasury is a vital part.

83. It must be noted that Treasury's functions (unlike those of the Public Service Commission) extend beyond the Public Service. They embrace, for example, the Post Office, the Railways Department, the Armed Forces, and many Government agencies. We shall deal with only those aspects of financial control which affect the State Services as we have defined them.

### *The Source of Authority*

84. In outlining Treasury's function in the control of Government expenditure and revenue, its Secretary quoted Sir Ivor Jennings as saying that :

Treasury control . . . rests only on the authority which the Chancellor of the Exchequer wields in Cabinet. . . . Treasury control is nothing more than the Chancellor's control of finance. He himself, and through him his officials, are subject to Cabinet. (*Cabinet Government.*)

85. The Secretary to the Treasury considered that this observation had equal application in New Zealand, but we are not wholly able to agree. In New Zealand, Treasury also derives authority directly from Cabinet, which requires it to report on certain matters, and it is conceivable that the Treasury view might not always be the view of the Minister of Finance, even though Treasury's report is made through him.

86. Nevertheless, it is true that Treasury gains much of its considerable influence from the standing of the Minister of Finance. Because Ministers of Finance invariably (and necessarily) exercise powerful authority in the Government, Treasury has become its pre-eminent control department. But it is important to bear in mind that it is Cabinet or the Minister, not Treasury, that makes the decisions. Treasury is merely an adviser.

87. However, in a constitutional sense, Cabinet in turn derives its financial powers from Parliament. Parliament's control of the public purse was the foundation of parliamentary democracy, and is still its mainstay. It is still the source of control, though the machinery by which that control is exercised has changed much in recent times.

### *The Impact of Development*

88. The task of controlling State expenditure has grown enormously in the last 50 years. In 1911-12, the total expenditure appears to have been about £12 million. It is now about £460 million. In 1911-12

Government capital expenditure was about £2 million. In 1960–61 it was £76 million. When the fullest allowance has been made for the reduced value of money, it is still apparent that the *substance* of Government expenditure is many times greater than it was. (It is interesting to note that the cost of administration as a percentage of total Government expenditure has declined from 11·5 to 6·6 per cent over the same period.)

89. Moreover, the area of State expenditure has widened, and individual items have become much more complex. Fifty years ago capital expenditure was largely concentrated on railways, roads, and bridges. Laymen could fairly readily judge what the country was getting for its money. Today, huge sums are spent on the development of (for example) electrical, scientific, telecommunication, and hospital installations—items the cost of which is well beyond the layman's ability to appraise.

90. Fifty years ago, Parliament itself was able to exercise direct control over State expenditure. Every building, every bridge, each stretch of highway or backblocks road was specified in the estimates placed before the House, and no doubt many members could bring personal knowledge of the various projects to bear in the ensuing debate. Ministers could be expected to know the details of expenditure within their departments.

91. As public expenditure has increased both in volume and complexity, it has assumed even greater importance in its impact on the economic welfare of the community. Governments are now concerned not only with the allocation of State spending but also with the impact of public finance on the level of economic activity and on the availability of materials and manpower. Thus, the annual budget has an importance today which was scarcely thought of 50 years ago.

92. Furthermore, the size of the projects which the Government must now undertake is so great that they may take years to complete. When, say, an airport or hydro-electric project is begun, contracts must be let, and funds must be committed, for much longer than a single year. For this reason, if for no other, annual budgeting is not always adequate for planning and committing expenditure.

93. The constitutional responsibility for financial control still rests on Parliament, but Parliament has been compelled to restrict its direct control to a system of appropriation which does no more than fix overall limitations and the general direction of expenditure. For the rest, there has been by convention transfer of control to Cabinet, and by specific delegation from Cabinet to Cabinet committees, Ministers, and departments. Delegation has led in turn to a greater need for, and a greater reliance on, control departments.

94. The process of transfer and delegation of powers has been much more rapid since 1939. Until then, Parliament was still able to rely on itemisation of estimates, and on full Cabinet control. There were few delegations from Cabinet. The Prime Minister and some other Ministers had authority to spend up to £500; others to £250, and some Permanent Heads to £100.

95. The estimates were simplified in 1939–40. Many items were grouped in block sums (for example, Works projects) and in general headings. This change has had far-reaching results. Inclusion of any particular project in the estimates has come to involve no more than tentative approval, and approval in principle. The principle is reconsidered, and the detail and timing of the project determined (in the light of fuller information and of any changes in conditions) either by Cabinet itself, or by a subordinate authority exercising delegated power. Whenever Cabinet reserves to itself the right to approve a particular class of expenditure (for example, overseas travel), or items exceeding a particular size, it requires a report from Treasury. A Treasury report (or concurrence) must also be obtained before certain powers delegated by Cabinet may be exercised.

### *The Present Situation*

96. To sum up, the enormous growth of public business and the vastly increased pace of development have combined to deprive Parliament of the ability to exercise its traditional control of finance. The annual estimates themselves are both extensive and general. The consideration which the Public Accounts Committee and the House itself can give them is necessarily short and there are other urgent and important matters competing for attention. Yet, the Budget and estimates have become more important than ever; first, because of their greater impact on the national economy, and, second, because a comparatively small amount voted for a particular project one year may virtually commit far larger amounts on that project in succeeding years.

97. The same factors, constantly intensifying, place an increasing burden on Cabinet. Cabinet's first responsibility is to authorise the amounts which go into the estimates, and in doing so it has to rely heavily on the prior scrutiny and advice of its control departments – principally the Treasury and the Ministry of Works. But since Cabinet authorisation and parliamentary approval of the estimates both amount only to approval in principle, much detailed investigating and authorising remain to be done.

98. It is impossible for Cabinet alone to do this. It has been obliged, first, to delegate more financial authority – to Cabinet committees, to individual Ministers, and to Permanent Heads; and, second, to rely more on the advice of its control departments,

especially Treasury. Thus the Minister of Finance is in many cases given power to authorise larger expenditures than are other Ministers, and the Secretary to the Treasury can often authorise larger amounts than can other Permanent Heads. Moreover, Cabinet requires a Treasury report before it will exercise any financial authority it may have reserved to itself.

#### *Delegation of Financial Authority*

99. We have noted that, before 1939, Cabinet made few delegations, and then only to a limit of £500. The extent of delegation has since been frequently reviewed—in 1946, 1950, 1952, and 1961, and is now considerable (Appendix 6).

100. The following examples illustrate the pattern of delegation in respect of expenditure within approved estimates:

- (a) There is no limit to a Minister's or Permanent Head's authority for recurring expenditure calculated on an approved or established basis (for example, salaries, hospital subsidies, education board grants).
- (b) There is no limit to a Minister's authority to meet departmental operating costs such as office expenses, stores, rations. Permanent Heads have authorities ranging up to £10,000.
- (c) For mechanical equipment and plant, where there is an approved programme, Ministers have authorities ranging up to £2,000. Where the expenditure is not covered by an approved programme, the limits are much lower.
- (d) For capital expenditure on works which are in progress and are included in an approved works programme, Ministers have unlimited authority, while some Permanent Heads (including the Secretary to the Treasury) are limited to £10,000 and others to £5,000.
- (e) For capital expenditure (other than works programme expenditure) which falls within a programme approved by Cabinet (for example, land development), some Ministers have authority up to £20,000, others to £50,000, and the Minister of Finance, unlimited authority. Likewise, some Permanent Heads have authority only to £2,000, while others (including the Secretary to the Treasury) can go to £10,000.
- (f) Overseas travel is very strictly controlled. With few exceptions, Cabinet reserves to itself the authorisation of specific trips, and requires details of each proposal to travel.

101. It will be observed that the higher limits attaching to either the Minister of Finance or to Treasury indicate the reliance placed on their supervision; and that higher limits are authorised where programmes of expenditure have been previously approved.

### *How Control is Exercised*

102. We have noted Treasury's threefold role as a control authority. Witnesses paid little attention to its control of accounting systems, or to the Secretary's responsibilities as Financial Adviser to the Government. Their attention was focused on the part played in determining how public funds will be spent, and this is the role which has most significance for our inquiry.

103. It is not intended to detail the methods by which this financial control is exercised, but it is important to note that Treasury applies control mainly at four points:

- (a) In its reports to Cabinet (through the Minister of Finance) on the financial and economic implications of new policy proposals.
- (b) In its scrutiny of programmes of capital expenditure based on departmental proposals. (The principal programmes are works, hospital works, defence, and equipment.)
- (c) In its scrutiny of the annual estimates of expenditure, in connection with which Treasury advises the Minister of Finance on the allocations sought by the departments of State and other agencies of Government.
- (d) In its reports to Cabinet (through the Minister of Finance) on proposals from departments involving certain kinds of expenditure even when that expenditure is covered by estimates or programmes previously approved.

It should also be noted that control may be applied to a given proposal at a number of different points: for example, when it is first put forward as a new proposal ((a) above); when it is included in the estimates ((c) above); and again in many cases when authority is sought to spend the money ((d) above).

### *Criticisms*

104. It will be obvious that Treasury exercises an important control function and holds a position of great authority, even though its influence is mainly exerted by report and recommendation, the power of decision resting with Cabinet. It is not therefore surprising that a number of witnesses (especially, but not only, from departments) paid close attention to this subject, and that many criticisms emerged. These criticisms fall under six broad headings:

- (a) Treasury exercises authority without having responsibility for the success of the particular project affected:
- (b) Treasury goes beyond financial and economic implications, expressing views and making value judgments on matters in which it has no competence:

- (c) A project may be subjected to repeated Treasury investigation and report, necessitating much additional work in departments; and even after approval has been obtained in the estimates, it may be abandoned or postponed as a result of an adverse Treasury report :
- (d) The limits imposed on the financial authorities delegated to Permanent Heads are too low, and controls are too inflexible for present needs :
- (e) Delays are caused because Treasury is inadequately staffed, or its investigation work is centralised, or some of its staff have insufficient knowledge and experience :
- (f) Planning ahead is not encouraged, and indeed is made harder by the system.

105. We note that these criticisms were directed, not at the *existence* of Treasury control, but at its operation. Indeed, the need for control was generally accepted. Most Permanent Heads agreed that, while their own function is to make (and, if necessary, to press) proposals to implement the policies laid down by the Government for their departments, the Treasury function is to help the Government to allocate the limited funds available among the competing claims.

106. It was less generally appreciated that this function of Treasury *necessarily* involves it in making value judgments. Cabinet itself has to make value judgments in deciding among expenditures, and it is entitled to expect from Treasury something more than an assurance that a particular project will achieve its goal as economically as possible. It expects Treasury to indicate whether the goal itself warrants the necessary expenditure when compared with many other desirable goals, and when other relevant considerations (probably not within the cognisance of the particular Minister or department concerned) are taken into account.

107. We have no doubt that it is frustrating to departments (and probably to Ministers) to find that projects which have been provided for in the estimates and planned with great care and skill are first delayed in the course of Treasury examination (possibly by a comparatively junior officer), then deferred, and sometimes finally abandoned – all on the basis of an adverse report made by someone much less expert in the particular field. Nor do we doubt that mistakes are sometimes made, with unfortunate results; that delays sometimes result in eventually greater expenditure; that sometimes the less worthwhile project is preferred to the better one. We have no reason to believe, however, that such instances would be typical. On the contrary, after examining many files (some of them concerned matters brought to our attention, others were selected at random), we consider that Treasury's role is not only necessary, but beneficial.

108. We do not deny that there is room for improvement. However, we see improvements coming from a greater appreciation of principles, rather than from an attempt to correct marginal defects. The principles which appear to be of most importance to our inquiry are:

- (a) Responsibility for the *control* of expenditure should be entrusted, as far as possible, to those who have the responsibility to achieve the goals of that expenditure.
- (b) In determining whether expenditure is to be authorised, account should be taken not only of the merits of the particular proposal at the time it is made but also of its consequences for other desirable avenues of expenditure now and in the future.
- (c) Financial control stems from Parliament, and no change is an improvement which does not make parliamentary control more effective.

We deal now with the application of these principles.

#### *Greater Delegation of Authority and Responsibility*

109. There is need (and scope) for greater delegation to departments – that is, to Ministers and to Permanent Heads. But this is not simply a matter of raising present limits of financial authorities. It is also necessary to ensure that Cabinet will be better rather than worse served in its work of controlling expenditure. We have mentioned that the scope of delegation has often been reviewed since 1939. Such reviews have usually resulted in a greater measure of delegation, but on the last occasion (1961) Cabinet was apparently not satisfied that further delegations were desirable.

110. We have shown that the need to delegate financial control has arisen as the task has grown too big, first for Parliament and then for Cabinet. Is the task now entrusted to Treasury too big for it to discharge promptly and effectively? We think that it is.

111. Delegation is not the only possible solution. Treasury could be enlarged and strengthened. It could take more professional and technical experts on to its staff. It would thus be better equipped to examine and evaluate a wide variety of projects, to do so promptly, and to avoid the charge that it was acting outside its competence. But we cannot believe that this would be a desirable, or even an effective, approach. It would probably draw Treasury out of the field of control into the field of operations. Treasury experts would, moreover, have to outrank the departmental experts. The likely outcome would be for Treasury to become a “super-department” with the other departments subordinated to it, and other Cabinet Ministers subordinated to the Minister of Finance.

112. Such an approach is the antithesis of our conception that each Minister, and, through him, each Permanent Head has the primary responsibility for his department. We have explained this conception in Chapter 2 in defining responsibility for efficiency and economy. It can be applied equally to the control of expenditure. The role of a central control authority is to do something departments cannot do – not what they can (and should) do.

113. Our conception of the role of departments is, we find, very similar to that of a committee set up in Great Britain by the Chancellor of the Exchequer to consider control of public expenditure. The committee, with Lord Plowden as chairman, consisted of senior Government officials and eminent persons from outside the Government. Its report, made in June 1961, contained such observations as:

The Department is itself responsible for the efficiency with which it does its work: the Permanent Secretary, as Accounting Officer, is responsible for the financial management. (*Plowden Report*, p. 13.)

and

it should be possible to find means . . . of ensuring that departmental Ministers are enabled to discharge more effectively, in relation to the totality of public expenditure, the collective responsibility which is allied and complementary to the individual responsibility which each of them bears for the expenditure of his own Department. (*ibid.* p. 12.)

114. The British Treasury itself, in reporting to the Committee of Public Accounts in 1951, and, again, to the Select Committee on Estimates in 1958, said:

More important is the responsibility of the Accounting Officer for securing "economy" in the widest sense, in the administration of his Department . . .

and again

The validity of the doctrine that the Department itself, and not the Treasury, must be primarily responsible for managing its own affairs with efficiency and economy was accepted by the Public Accounts Committee in 1920 and has not since been questioned . . .

and again

the view came to be accepted that finance was inseparable from policy, and that economy could only be secured by ensuring that the financial aspects of a problem were considered along with and as an inherent part of the management and policy aspects.

115. It seems then that there are good precedents for the principle of delegating to departments as much financial responsibility as they can effectively discharge, remembering that it can only be effectively discharged if "collective responsibility" for the "totality of public expenditure" is given due attention. In evidence to us the Secretary to the Treasury said that, while Treasury was considering recom-



mending some extension of delegation of a minor character, "any substantial delegation would need to be related to the basis of departmental responsibility together with improved internal departmental controls". If increased delegation were given to departments, Treasury "would like to see a greater degree of responsibility placed on Permanent Heads in partnership with Treasury".

116. This conception of departments exercising their financial responsibility "in partnership" with Treasury was also reflected in the Plowden Report, which stated (page 13) :

The relationship between [the Departments on the one hand and the Treasury on the other] should be one of joint working together in a common enterprise: it should be considered not in terms of more or less "independence" of Departments from "control" by the Treasury, but rather in terms of getting the right balance and differentiation of function.

117. The central problem is to ensure that departments acquire such an understanding and appreciation of the Treasury "control" function that, when authorising expenditure, they will deliberately seek to apply such controls to themselves, and will develop within themselves the capacity to do so. This may seem a counsel of perfection. It presupposes both a fully responsible attitude on the part of the 'Permanent Head, and a departmental administrative machine designed to give effect to that sense of responsibility. These are not beyond reach, provided that conscientious and continual efforts are made to achieve them. We suggest some ways in which this can be done.

118. New Zealand differs from Britain in that the British Treasury has duties which, here, are vested in the Public Service Commission. No doubt the British Treasury quite naturally uses its "personnel" function to complement its "financial" function. In New Zealand, the proposed State Services Commission will undoubtedly have a part to play in promoting improved financial control. We suggest that the State Services Commission should :

- (a) Cooperate with Treasury to ascertain where financial control needs strengthening, so that the Commission can place more experienced officers where they are needed.
- (b) Ensure that training, particularly of administrators and potential administrators, includes training for financial control.
- (c) By agreement, second to Treasury selected officers who are (or are likely to be) concerned at a responsible level with the financial management of their own department.
- (d) Study the effect on efficiency of limitations of financial authority, and discuss these limits with Treasury where they appear an unnecessary impediment.

119. Treasury itself has a duty to help departments to become more responsible in financial matters. We were told that in addition to its contact with departments on annual estimates and financial programmes, Treasury submits each year almost 2,000 reports to the Minister of Finance on departmental proposals for expenditure. It must thus obtain an unrivalled knowledge of the strengths and weaknesses of departments in this field. This knowledge should be put to constructive use. Treasury should therefore:

- (a) Pay particular attention to any weaknesses in the administration of financial control within departments, as reflected for instance in such financial submissions as it may have occasion to examine. In addition to commenting on the substance of such submissions, Treasury has a duty to help the department to correct the underlying administrative weaknesses.
- (b) Point out (when this is warranted) to the State Services Commission any such administrative weaknesses in departments. We have no doubt that a suitable procedure can be worked out by the two control Departments.
- (c) Take particular care that the policy objectives and problems of the departments are understood by Treasury officers who deal with the financial submissions of those departments. It may be desirable to second Treasury officers to some of the larger departments for wider experience.
- (d) From time to time review financial authorities both generally and in relation to particular departments. We consider that delegations should be related to the fitness of the department to discharge financial responsibility, as well as to other factors.

120. It was suggested that New Zealand might adopt the British practice whereby the Principal Finance Officer of a department (not to be confused with the Accounting Officer, who is the Permanent Head) is appointed only with Treasury sanction. Such an officer would in many cases have received some Treasury training. This officer's responsibilities were described to us as serving as a link with Treasury; examining all new expenditure proposals; reviewing departmental estimates; watching for over-runs; and drawing his Permanent Head's attention to developments before they become serious.

121. This arrangement has obvious advantages. By strengthening the machinery for financial control within a department, it reduces the need for close Treasury control over its expenditure decisions within approved estimates or programmes, and by allowing Treasury to assist in training and in appointing the Principal Finance Officer, it increases Treasury's confidence in the department's capacity to make such decisions in a responsible way. The British practice is consistent with the approach we favour. However, to copy it in detail

in New Zealand may well be impracticable, especially in smaller departments where the appointment of a Finance Officer, distinct from the departmental accountant, may not be warranted. Moreover, while Treasury's views should be sought when appointing a Finance Officer, it should neither make the choice, nor have a power of veto. The aim must nevertheless be to improve the machinery for financial control within departments, and thereby so to increase Treasury's confidence that it will be prepared to recommend greater delegation of financial authority. This is indeed the essence of our intention.

122. If (or when) the circumstances justify increased delegation, that delegation will obviously confer authority to spend money only in accordance with estimates or programmes already approved. We have not considered what precise classes of expenditure should be affected, or by how much, but we offer some suggestions about the principles which might guide further delegation, namely:

- (a) The condition for delegation must, as already stated, be adequate financial responsibility in the department.
- (b) Due attention should be paid to administrative efficiency, and controls which hamper this should be relaxed wherever possible.
- (c) For suitable types of expenditure, delegations be extended, and present controls be replaced by occasional Treasury investigation of departmental proposals to check that departments are administering their financial authorities as they should.
- (d) Permission to authorise expenditures be so granted that there is an incentive to economy.
- (e) Delegation of financial authority within departments be encouraged by so decentralising Treasury's activities as to enable departmental branch officers to work when possible with Treasury branch officers.

123. We consider, too, that senior departmental officers should have opportunities for discussing with Treasury, and with the State Services Commission, the operation of financial control. We suggest that the Commission should convene conferences at which a number of departmental officers could raise questions and debate the Treasury practice. Equally, the departments would then expect their own shortcomings to be debated. The Ministry of Works could well take part as an associated control agency. It is no doubt true that departments have other opportunities of expressing their views, but we are sure that the type of conference which we envisage would lead to better understanding and more effective coordination. We believe, indeed, that had such conferences been customary, many of the complaints we heard about Treasury control need never have been brought to us.

124. In concluding this section we emphasise that improved co-operation between Treasury and the departments will itself, independently of further delegation, be a contribution to better financial control, and thus to the efficiency of the State Services.

### *The Programming of Expenditure*

125. Parliament's traditional method of exercising financial control is to authorise or vote expenditure each year on the basis of requests (estimates) placed before it. This method ensured that Parliament did in fact control the Government, which could not carry on unless funds were voted to it. We have discussed some changes which have come about in the machinery of control; but the control itself is still founded on the annual vote, or approval of the estimates.

126. We have also mentioned that Government expenditure now involves commitments for much longer periods than a year. Such items indeed comprise much of the Government's capital expenditure. But, even if this was not the case, and if it was possible to complete every project within a year, it would still be true that, while the system of annual estimates and votes may be an admirable basis for the *control* of expenditure, it is a crude basis for *planning* expenditure.

127. Government expenditure, especially (but not only) capital expenditure, must be planned. It is necessary for departments to look ahead not one or two years, but five, ten, and sometimes more. Planning is seriously hindered, and opportunism strongly encouraged, when there is no reasonable assurance that plans can be carried out. We believe that planning in expenditure promotes efficiency and economy, and that opportunism tends to inefficiency and waste, since uncertainty about the amount of money forthcoming for specific purposes encourages a piecemeal approach. Thus, what is done one year may well embarrass what has to be done later.

128. Many departments stressed the disadvantages of annual budgeting. We believe that these disadvantages encourage the leaning towards corporation rather than departmental control of certain types of Government activity although such a change does not necessarily remove the disadvantage (par. 192 below). The creation of a National Roads Fund, into which certain revenues are paid, to be spent by the National Roads Board *without specific appropriation of Parliament*, is undoubtedly the most significant break from the traditional method of control. We do not advocate that this precedent be followed, for we think that programming can establish an efficient basis for planned expenditure without abandoning the traditional basis of parliamentary control.

129. Though the use of expenditure programmes has, since the last war, become established practice in New Zealand, it is generally confined to capital expenditure. The main programmes are works,

hospital works, defence, and equipment. The works programme is an amalgam of a number of programmes covering for example, Government housing construction, education buildings, public buildings, electricity development, railways and telegraph works, land development, and defence construction.

130. We are convinced that the technique of programming needs to be extended and developed. For instance, we found that there had been no comprehensive survey of the need for Government office buildings (Ch. 6/452). It seems to us that a programme which is not based on such a comprehensive survey is seriously defective.

131. We are also convinced that the technique of programming can be used for expenditure other than that on capital works. The maintenance of works and buildings seems an obvious example. It would be especially valuable too for such payments as social security benefits since it would give a basis for gauging the cost of new policies and proposals.

132. Our comments are not necessarily critical of Treasury itself. Although it must take the main responsibility for the development of programming, it may have progressed comparatively well in this direction. The same problems are being faced in other countries. In Britain, in 1958, the Select Committee on Estimates expressed anxiety about:

the natural tendency, within the present system of Estimates and Accounts, to concentrate too much attention on the policy and expenditure proposals for the coming financial year with too little regard to the commitments and consequences for future years. The committee referred to the "forward looks" or forecasts for three years ahead which were used for defence expenditure, and expressed disappointment that there seemed to be little parallel effort in civil activities.

133. The Plowden Committee has now recommended, after two years' investigation of the control of public expenditure, that:

(A) Regular surveys should be made of public expenditure as a whole, over a period of years ahead, and in relation to prospective resources; decisions involving substantial future expenditure should be taken in the light of these surveys.

(B) There should be the greatest practicable stability of decisions on public expenditure when taken, so that long-term economy and efficiency throughout the public sector have the best possible opportunity to develop. (*Report* p. 7.)

134. These views set out some of our own conclusions. We choose to offer them in the language of the Plowden Committee, for three reasons. The Plowden Committee made a more extensive investigation into this subject; it included senior officials from Treasury and other departments; and it shows that New Zealand is not alone in experiencing the need for considerable intensification of the technique of programming.

135. We have said that Treasury is, in the main, responsible for the developing of programming. But the departments will have the first responsibility for making the surveys on which their own programmes are to be based, and for preparing the programmes. We have no doubt that much of the necessary survey data is already collected by departments, but much more than this remains to be done.

136. The development of the programming technique will obviously take time and study, and the Statistics Department, as well as Treasury, should be able to help departments with valuable advice. It will be necessary for instance not only to survey all the needs, and to plan how those needs can best be met, but also to forecast what funds will be available, and then to balance the various needs against one another in the light of such forecasts.

137. It is not sufficient to assume that as needs grow, revenue will grow. Some needs will grow at different rates at different times, and may be entirely out of step with the general economic growth. For example, the growth in the need for primary schools, and later for secondary schools, was related to the birth rate at a particular time, and was not related to economic growth. These needs had to be provided for, and are having to be provided for, presumably at the expense of other needs.

138. Moreover, however good the economic forecasting may become, it will never be so accurate as to ensure a completely stable expenditure. There will always be a margin of error. This suggests to us that the necessary variations in programmes should be made in selected areas of expenditure in which such variations are both more tolerable and more readily made than in others.

139. We stress these matters, not by way of instruction to those on whom the responsibility for these measures will fall, but to show that a great deal of thought and work will be necessary, and that many problems will have to be overcome before the Government will be able to base its decisions on public expenditure on fully reliable forecasts and programmes. We offer no blueprint for this development, and, indeed, the Plowden Committee was able to make only generalised recommendations. But we insist that the development is urgently needed and can be achieved.

#### *Post-expenditure Review by Parliament*

140. We have noted that a number of factors have combined to reduce the effectiveness of parliamentary control by estimates and votes. Expenditure is being increasingly based on programmes which

go well beyond those estimates; and delegations of financial authority are being further and further extended. It is appropriate therefore to seek for ways whereby the authority of Parliament may be maintained, particularly when these contribute to the efficiency and economy of the State Services.

141. It was suggested that New Zealand might well adopt the British device of a Select Committee (known as the Public Accounts Committee) which sits in the parliamentary recess to examine critically and in detail the previous year's operations of State departments. A number are selected each year, and are subjected to exhaustive examination. (There is also in Britain a Select Committee on Estimates, which corresponds more nearly to the New Zealand Public Accounts Committee.)

142. This, of course, could not recover money wastefully spent in the past, but it could (and should), if wasteful expenditure were found, compel such improvements as would tend to prevent a recurrence. Although only a selection of departments could be reviewed in any one year, the knowledge that such a review might take place would help to ensure higher standards of responsibility.

143. A post-expenditure review has the important advantage that it can be carried out when Parliament is in recess; whereas, in New Zealand, the Public Accounts Committee has to complete its work in a very limited period, while Parliament is sitting and committee members have other urgent claims on their time.

144. There would seem to be other benefits apart from those of ensuring higher standards of responsibility:

- (a) Greater attention could be paid to expenditure on continuing items, which now tend to be neglected.
- (b) The existence of such a review would increase the justification for greater delegation to individual Ministers and Permanent Heads.
- (c) The operation of such a review would help to reveal those areas where greater delegation would be proper, and those areas where closer Treasury supervision was necessary.
- (d) Members of Parliament would be brought into closer and mutually beneficial touch with departmental officials, and would gain a better insight into the work of the State Services.

145. We understand that this proposal, which was put forward in the Auditor-General's report to Parliament for 1961 (B. 1 [Pt. II] pages 6-8) is being examined by a Select Committee of Parliament. It may, however, be helpful to record our view that its adoption would tend to improve the machinery of government, and would agree well with the other recommendations which we have made.

## RECOMMENDATIONS

We recommend that :

- (12) Consideration be given to further delegation of financial authority to Ministers and Permanent Heads (par. 109–124), such further delegation to be based on the principles stated in paragraph 122.
- (13) The ability of departments to exercise adequate control of financial expenditure be fostered and improved along the lines suggested in paragraphs 118–124.
- (14) Every effort be made by Treasury and by departments to develop and extend the techniques of programming expenditure on the basis of surveys or forecasts both of the anticipated needs for such expenditure, and of the prospective resources (par. 125–139).
- (15) Consideration be given to providing for post-expenditure review of the financial operations of departments by a Select Committee of Parliament, to strengthen Parliament's control of finance and to ensure higher standards of financial responsibility in departments (par. 140–145).

## THE MINISTRY OF WORKS

146. As is the case with both the Public Service Commission and the Treasury, the Ministry of Works has several control functions, each in principle distinct, but complementing the others, and tending in practice to overlap and to become confused. At the same time the Ministry of Works, unlike the other two authorities, is a very large operational department, the activities of which fall properly within the subject-matter of Chapter 4 below, and are dealt with there. However, they tend to intrude on the control functions. They will therefore be discussed here as far as is necessary. The Ministry's evidence did not distinguish the two sets of functions, and indeed left the impression that they were regarded as indistinguishable.

147. The Ministry appears to derive its general powers of control from the following legislation :

(a) *Public Works Act 1928, s. 7 (1)* :

The Minister [of Works] shall as soon as conveniently may be after the opening of each session lay before Parliament full and detailed estimates of the expenditure proposed to be made upon all Government works during the financial year; and no such works shall be undertaken unless Parliament appropriates money for the execution thereof. . . .



(b) *Ministry of Works Act 1943, s. 2 (2):*

The Minister shall be charged with the administration of the principal Act and with the execution of all Government works. . . .

(c) *Ministry of Works Act 1943, s. 3 (1):*

There may from time to time be appointed a Commissioner of Works . . . who shall advise and assist the Minister in the exercise of his functions and shall exercise and perform such other powers, duties, and functions as may be conferred or imposed on [him].

148. The then Commissioner of Works stated in evidence before us that "under the provisions of the Ministry of Works Act 1943 the functions of the Ministry of Works have been prescribed by Government". Of those prescribed functions the following are relevant to this part of our inquiry :

(a) *Supervision of State Works:*

To make or arrange a thorough investigation from the general planning, economic, engineering, architectural and other relevant aspects of all proposed schemes of construction involving expenditure of State funds, and in respect of such other proposals as the the Minister may require from time to time.

(b) *Coordination of State Works:*

To organise and promote the undertaking of all works approved by Cabinet and to coordinate the activities of State Departments in the construction field, and where necessary of other bodies in carrying approved schemes into effect.

(c) *Priorities of State Works:*

To recommend the order of priority in which State works should be carried out, having regard to the available resources.

149. We are given to understand that the functions which the then Commissioner stated had been "prescribed by Government" were in fact laid down for the Ministry by the Minister of Works in 1944, presumably under section 3 (1) of the Ministry of Works Act 1943. It must be assumed that Governments since then have accepted these as being the functions of the Ministry.

*Priorities of State Works*

150. We take the primary control function of the Ministry to be that of recommending the order of priority in which State works should be carried out, having regard to resources available. We have already seen that Treasury is responsible for advising on priorities of

State *expenditure*. It must be assumed that the responsibility of the Ministry of Works is distinct from that of Treasury. We proceed, therefore, on the basis that :

- (a) Treasury's function is to advise the Government on the financial implications of proposals, and on the general priorities of different kinds of expenditure.
- (b) The Ministry's function is to advise the Government on the implications of works proposals taking into account such resources as labour and materials, and on the priorities indicated by such implications.

151. Several points need elaboration. First, the Ministry must advise the Government, so that it may so control the programme of works that resources are not over- or under-committed. The final decision on this matter rests with Cabinet, which can also decide how much advice is needed from the Ministry or any other control authority.

152. Second, State works are not alone in making demands on national resources: the State competes with local authorities and industry. The Ministry's advice would therefore be incomplete if it could not at least estimate these other demands. When resources are limited, Cabinet's control of State works would obviously be impaired if there were no way of controlling the demand from local authorities and industry. When controls are imposed – as through the Local Authorities Loans Board, Capital Issues Committee, and the like – the Ministry of Works is given the further task of advising the control body concerned.

153. Third, labour resources must be assessed having regard to the particular skills needed (engineering, designing, architectural, draughting, trades) and to the particular location of the proposed works. The assessment of material resources must take account of the source of materials, especially what demands will be made on overseas funds. A further responsibility may arise from these matters – that of advising changes in programmes or projects to make use of the resources most readily available (for example by adopting a different kind of construction).

154. We are satisfied of the necessity and importance of this function of advising on the priorities of State works having regard to available resources. Nor did any witness dispute this matter. We are also satisfied that the function can only be carried out by a department which has competent professional and technical staff. But it is not so clear whether the control department should necessarily carry out extensive operational activities engaging professional and technical staff who will thus be available for control duties. There are obvious advantages in this arrangement, but there are also objections and we shall discuss the problem later.

155. We have assumed that the priority-advising function of the Ministry is distinct from that of the Treasury. Nevertheless, they are obviously closely related, and must be closely coordinated, as indeed they are. The Secretary to the Treasury said that an excellent liaison between the Ministry of Works and Treasury had been built up.

156. The priority-advising function is carried out mainly through the preparation of the works programmes referred to in paragraph 129 above. We had evidence (principally from Treasury) showing in considerable detail the procedures adopted in planning these programmes. It is only necessary to say here that :

- (a) Investigation by Treasury and Ministry of Works and approval by the Cabinet Works Committee are necessary before a department can have a project placed on the works programme. This, the first step only, indicates that the general desirability of the project is accepted; that it is placed tentatively in an order of priority; and that further steps (such as the acquisition of land, or the drawing up of more detailed plans) may proceed, or should be deferred for a stated time.
- (b) Towards the end of each calendar year, the Ministry of Works and Treasury assess the works expenditure which can reasonably be made during the coming financial year. A joint submission is made to the Cabinet Works Committee, which determines the overall limits of what is known as the Annual Works Programme.
- (c) On the basis of this, departments are advised of their allocation. They state their particular needs for the year (which are expected to fit into their allocation), and these are examined by Ministry of Works and Treasury, and discussed with departments. Detailed programmes are then submitted to the Government for approval.
- (d) On the basis of the Government's decision on these detailed departmental programmes, the estimates of expenditure are prepared. Financial controls then come into play (par. 103) with the Ministry of Works acting as the technical adviser to Treasury on these, but at the same time exercising its own further control function of supervision.

157. This is a broad summary of priority control by works programmes.\* There are variations for different kinds of works. For instance, on hospital programmes a hospital works committee, representing the Treasury, the Ministry of Works, and the Health Department, reviews hospital building projects and acts as a statutory advisory committee to the Minister of Health.

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\*A fuller description of the procedures is found in Polaschek, *Government Administration in New Zealand* pp. 260-270, 226-227.

158. The system of determining works priorities appears in general to be effective and well coordinated. Nevertheless, we heard the following criticisms:

- (a) Delays take place owing to the Ministry's inability to carry out the necessary investigations promptly.
- (b) The investigations are more detailed than is necessary.
- (c) Priority control should not be exercised by a department that is putting forward plans which it has itself prepared and for which it is seeking priority.
- (d) Forward planning is inadequately encouraged or provided for.

159. We shall discuss these criticisms after dealing with the Ministry's other control functions, to which they are also relevant. It is enough to mention now that the pattern of criticism is broadly similar to that made about two other control departments—the Public Service Commission and Treasury.

#### *The Supervision of State Works*

160. The Ministry is required "to make or arrange a thorough investigation . . . of all proposed schemes of construction involving expenditure of State funds . . ." (par. 148). It is apparent that the Ministry must investigate all proposed schemes to determine priorities; but for that purpose, the investigation needs to be only "thorough" enough to determine its implications for material and labour resources. The Ministry is not (or at least we think it should not be) concerned with the intrinsic merits of a proposal (for instance, whether a prison is needed) except where it is given departmental responsibility, as distinct from a control responsibility, as it is with hydro-electric works. One control authority, the Treasury, is enough for that purpose.

161. It is also apparent that the Government needs to be assured that any proposed construction is economical and is technically sound. For many State works the Ministry itself undertakes on behalf of the department concerned the designing, planning, and sometimes the construction. The Ministry's responsibility is, in that case, that of doing these jobs well, and not of investigating them—that is, an operational, not a control responsibility.

162. It follows that the function of supervision or investigation (apart from its relevance to priority determination) must be intended to relate to works designed, planned, or built by someone other than the Ministry. As it must be assumed that the planning and designing will be done, and the building supervised, by qualified engineers and architects, the question arises as to how thorough the Ministry's investigation need be.

163. We think it important that this question be clarified. If the Ministry is directed to make (or arrange) a thorough investigation, then we must assume that it will do so, even though the work to be investigated is in the hands of competent people. Thus valuable and scarce labour may be expended on needless investigation while urgently needed designing and planning for the Ministry's other commitments are delayed. We cannot be sure that this takes place, but there was evidence suggesting that it might.

164. In assessing what ought to be the Ministry's function in such cases, it is pertinent to consider a similar situation in private industry. A commercial or industrial concern needing a new factory or office would consult directly with engineers or architects, who would design and plan the structure, call tenders, and supervise the construction. A State department, in our opinion, is no less competent than a commercial company to carry through such consultations. Some, such as the Post Office, are indeed better situated as they have professional or technical staff who are qualified to assist in these matters.

165. The Government's need to be assured that construction is economical and technically sound can be protected if the Ministry of Works lays down standards, ensures that State construction is placed only in the hands of competent and reliable consultants and contractors, and takes adequate account of their professional competence and reliability when examining the projects and costs involved. The evidence given to us by the Director of Roading indicated that this is the attitude taken by the National Roads Board and by the Roading Division of the Ministry of Works in their dealings with local authorities.

166. We conclude that this particular function of the Ministry of Works should be re-examined to make certain that it properly meets the Government's requirements. It would, we think, be consistent with the views which we express elsewhere about the responsibilities of control authorities and of departments respectively if the Ministry were required merely to ensure that the construction of State works is economical and technically sound, and were given power to make any necessary investigations.

### *The Coordination of State Works*

167. The Ministry is required "to coordinate the activities of State departments in the construction field" (par. 148). This co-ordination is achieved, to some degree, by the exercise of the two functions which we have already discussed. However, there is need for some further coordination than that which is brought about in the course of determining priorities or ensuring economical and technically sound construction. For example, in considering one

department's proposals it is necessary to consider implications for other departments. The Ministry is in a better position to appreciate these implications than is the proponent department.

168. The Ministry's ability to act in this way as a coordinator derives from its technical resources, from its knowledge of the plans of all departments, and from its own activities in town and country planning. It is helped both by its structure, with the various divisions (civil engineering, housing, architectural) coming together not only under the Commissioner of Works but under District Commissioners, and by its membership of a host of inter-departmental committees.

#### CONCLUSIONS

169. Restricting the Ministry's function of supervising State works to what we think are the actual needs, would, to the extent that supervision has in the past involved unnecessarily detailed investigation, allow the Ministry to concentrate more attention on other work. Thus, the first two criticisms (par. 158) would be partly met.

170. We recognise that there is substance in the third criticism – that the Ministry's priority-control responsibility is inconsistent with its specific responsibility for projects for which it seeks priority. Indeed, discussing Treasury (par. 111–112), we were opposed to an approach which would confuse operational responsibilities with those of control.

171. Nevertheless it is possible that a relatively small department would not be effective as a control authority in the construction field. For its control work, such an authority needs the services of professional and technical experts of many kinds, but it may find it difficult to keep them fully employed on this work. The position might be otherwise if the scale of operations needing to be controlled were much greater than it is at present in New Zealand. Another factor is that the supervision of construction includes field work as well as office work. For these reasons, a department which for other purposes employs throughout New Zealand large numbers of the kinds of staff required is far better equipped to carry out the responsibilities of control over construction. It seems to us therefore that, in the light of the present scale of constructional operations in New Zealand, the balance of advantage lies in leaving both control and operational functions in the one Department. That is not to say, however, that the Ministry of Works should continue to carry out all of its present operational functions to the same extent as it does now. We deal with this aspect in Chapter 4.

172. There are disadvantages which are inherent in combining control and operational functions in one organisation and these remain to be dealt with. There is a danger that in the allocation of priorities the needs of other departments will be subordinated to the Ministry's own needs. There is a danger that staff will be employed

on the Ministry's projects when they should be investigating the proposals put forward by other departments. There is a danger that, in recommending priorities, the Ministry will have more regard to its own resources than to the national resources. There is a danger that its construction duties will be used as a control, so that a client department, instead of being master, finds itself dictated to—a possibility only if the Ministry is in the position to say that no one else shall carry out a department's designing and building.

173. We are not convinced that these are more than potential dangers. But they should be guarded against. The State Services Commission can help ensure that departments (and therefore the efficiency of the State Services) do not suffer from any misuse of the Ministry's various control functions. The State Services Commission might well adopt for the Ministry the practice which we suggested in respect of the Treasury (par. 123), that is, convening conferences to discuss matters relating to the operation of its controls.

174. We have fully discussed the fourth criticism, the lack of provision for planning, in connection with financial controls (par. 125–139). We need only add that the Ministry of Works will necessarily have a major part to play in developing and extending the techniques of programming expenditure.

## RECOMMENDATIONS

We recommend that:

- (16) The role of the Ministry of Works as a control department be re-examined to ensure that it is in accordance with the Government's requirements.
- (17) In this examination, particular attention be given to:
  - (a) Distinguishing the Ministry's responsibility to advise on the priorities of State works having regard to the available resources, from the general responsibility of the Treasury to advise on priorities of State expenditure (par. 150–159).
  - (b) Defining more clearly the Ministry's responsibility for investigating proposed schemes of construction so that due regard may be paid to the proper purposes of such investigation; to the professional competence and reliability of consultants and contractors; and to the degree of confidence which can and should be reposed in departments (par. 160–168).
- (18) The State Services Commission ensure that controls imposed in respect of State works are not operated to the detriment of efficiency in the State Services (par. 173).

## THE DEPARTMENTS OF STATE

175. The prime responsibility of a department is to carry out efficiently those duties which are imposed by statute or by the instructions of the Government. As we have noted, economic and social developments have thrown many new responsibilities on departments, and have considerably inflated the volume of services required of them.

### *Permanent Heads*

176. A number of Permanent Heads who appeared before us complained that the work of their departments was hindered by what they regarded as the unnecessarily detailed and inflexible requirements of the main control authorities – the Public Service Commission, the Treasury, the Ministry of Works. It was obvious that many Permanent Heads felt irritated and frustrated by the time and energy taken in meeting those requirements. Some contended that, in particular, the procedures for gaining Commission or Treasury support for any new proposal were unduly onerous and led to misunderstanding, frustration, and compromise. We are concerned lest the onerous detail of these procedures might tempt a Permanent Head to eschew change.

177. One Permanent Head described his frustration in these words:

If the Permanent Head in the interests of efficiency wants to get even the lowest of his employees a rise in pay he needs the approval of the Public Service Commission. If he wants to obtain a fountain pen for his own use, or the use of a member of his staff, he needs the approval of the Government Printer. If he wants to advertise in the newspapers for basic grade staff he needs the prior approval of the Public Service Commission. If he wants to purchase an item of office equipment or an article of furniture, in excess of £10 in cost and not covered by a specific Stores Board contract, he must forward a requisition to the Purchasing Officer, Ministry of Works, who will tell him what make of article etc. he may buy, what he is to pay for it, and from whom he is to buy it. If he wishes to purchase virtually any type of office mechanical equipment, apart from the "run of the mill" types and those costing under £15, he must obtain the sanction of Treasury. Once having obtained the sanction of Ministry of Works (office fittings, furniture etc.) or the approval of Treasury (office mechanical equipment) he must then obtain his Minister's concurrence to spending more than £100 on office furniture or £500 on mechanical office appliances. If he requires an extra copy of the *Public Service Official Circular* for any purpose he must write to the Public Service Commission who will then, if convinced of the necessity for the extra circular, arrange with the Government Printer for its issue.

178. State servants must accept the activities of control authorities as inevitable. Governments cannot control their administrative machine except by these means (Ch. 2/91). The possibility of in-



efficiency, over-zealousness and a tendency to "empire-build" is always present. It must be combated. But granted that controls are necessary, so is forceful and efficient administration by Permanent Heads.

179. How then should these necessary controls be applied? We have already recommended that a State Services Commission should delegate more of the detail of personnel administration to Permanent Heads. We should hope, in time, to see the larger Public Service departments gradually gaining an autonomy in staff matters approaching, if not equalling, that now held by the Post Office and the Railways Department. We have also recommended (par. 119-122) that, wherever possible, financial control should be strengthened within departments rather than applied directly by Treasury. In these and other ways, we should like to see developed a form of control lighter than the present; a control which, by relying on periodical checks to ensure that efficiency and economy are maintained, encourages initiative at senior levels and matches responsibility with authority.

180. In an earlier section (Ch. 2/83-85) we concluded that Permanent Heads must be responsible to their Ministers for the efficient and economical operation of their departments and that the existing confusion of responsibility between the Permanent Head and the Public Service Commission caused by regulation 31 of the Public Service Regulations 1950 should be eliminated. It follows that this regulation should be replaced by a statutory provision which states positively that a Permanent Head's responsibility for the efficiency and economy of his department shall be to his Minister. At the same time, legislative recognition and definition should also be given to the Permanent Head's duty to supply such reports and information as the State Services Commission may require, and to make his department constantly available for Commission inspection. Such recognition and definition should apply to the Permanent Heads of the Post Office, the Railways, and the Legislative Departments as well as to those in the Public Service (par. 60, 65 above).

181. Permanent Heads should be chosen not only for their technical efficiency but also for their ability to carry responsibility. Trust should be reposed in a Permanent Head until he shows that trust misplaced. But if Permanent Heads are to be given greater freedom from detailed control, it is only proper that they should accept, in a real way, responsibility for shortcomings in the administration of their departments. The position of a Permanent Head carries in this country considerable rewards in status and in pay. We believe that these rewards should entail a live, personal responsibility for efficiency and economy, that a Permanent Head should be allowed to remain in his position only as long as he continues to maintain a high standard of efficiency. In our opinion it is not justifiable to permit a

Permanent Head, who has failed to measure up to the full requirements of his office, to remain to enjoy its fruits until he retires. The proper thing to do is to relieve him of his position and transfer him to duties suited to his ability, even though that may entail paying a salary for those duties beyond what they would normally carry. This may seem an unjustifiable waste of money; we suggest it is preferable to, and less expensive than, leaving the officer in a position he is not completely fitted to hold.

182. One aspect of the Permanent Head's role needs special emphasis. In paragraph 62 we place with the State Services Commission a responsibility for continual review to ensure that functions are properly allocated among departments, that unnecessary activities are discontinued and duplication of work minimised, and that patterns of responsibility are clear. The Commission, to discharge this responsibility, must partly rely on objective information being made available by the various departments. The value of this information will be determined by the effectiveness and regularity with which the Permanent Head reviews the operations and functions of his department.

#### *The Coordinating Role of Boards and Committees*

183. Although the control departments have responsibilities for coordination in government administration, this does not relieve departments and their Permanent Heads of the responsibility for ensuring that their activities are as far as possible coordinated with one another. It would be irresponsible for a Permanent Head to take action which clearly had important implications for another department, without consulting that department.

184. The need for such consultation arises continually and at all levels of administration. We do not doubt that informal consultations take place and must continue to take place on innumerable occasions, but, in addition, formal provision is made for this activity through a host of boards and committees.

185. During the last 30 years, such boards and committees have been increasingly used. There are boards to administer certain properties or trusts, boards to advise, committees to coordinate, committees to investigate, and so on. They can be a great help in coordination and control, particularly where many separate administrative units are involved. We recognise their value, and indeed recommend some further committees. But we have also been impressed with the enormous number of existing boards and committees which draw so heavily on the manpower and time of departments. For example, the Lands and Survey Department services 20 boards or other bodies, and is represented on another 13. There are 35 joint committees to coordinate the Navy, Army, and Air Force. Treasury

is concerned with 30 boards and committees; the Department of Education with over 70; the Department of Health with almost as many. We appreciate that many of these bodies meet only seldom and do not entail a great deal of work.

186. It may well be that all of these boards and committees are necessary. But some Permanent Heads of large departments complained strongly of the burden they impose. It was urged that some machinery be set up to consider, from time to time, whether each board or committee is necessary.

187. If a committee exists within a department itself, the Permanent Head should decide whether it is necessary or not. But different considerations apply where several departments are concerned, or where the board or committee is set up by statute (a board administering a trust, for example). The State Services Commission should deal with such cases. We suggest that departments be instructed to review their participation in such bodies, and, where warranted, to recommend to the State Services Commission either that the body be dissolved or that their participation be dispensed with or provided at a lower departmental level. It is clear that many boards and committees set up for definite purposes outlive their usefulness and that reviews are required at fairly regular intervals.

## RECOMMENDATIONS

We recommend that:

- (19) The responsible character of the role of Permanent Heads in the machinery of government be reinforced by:
  - (a) Repealing regulation 31 of the Public Service Regulations 1950 and replacing it by a statutory provision stating that a Permanent Head's responsibility for the efficiency and economy of his department shall be to his Minister and, at the same time, imposing an obligation on all Permanent Heads (including those of the Post Office, the Railways, and the Legislative Departments) to supply such reports and information as the State Services Commission may require and to make their departments constantly available for inspection by the Commission (par. 180).
  - (b) Delegating to Permanent Heads greater authority in matters which come within the scope of control departments thereby matching responsibility with authority (par. 179).
  - (c) Establishing systems of control which enable the control departments to rely on periodic checks, thereby encouraging initiative within departments (par. 179).

- (20) Along with this increased authority, Permanent Heads accept a more lively personal responsibility for efficiency, and, in the event of their failing to measure up to the requirements of their position, be transferred to other duties (par. 181).
- (21) Permanent Heads regularly review the operations and functions of their departments and supply reports to the State Services Commission to aid its continual review of the machinery of government (par. 182).
- (22) The State Services Commission establish permanent machinery to review regularly the need for, and composition of, boards and committees (par. 187).

## THE AGENCIES OF THE EXECUTIVE GOVERNMENT

188. Bearing in mind the wide range of Government agencies in New Zealand, we decided at first that our inquiry was properly concerned only with those State corporations which carry out a function falling traditionally in this country within the province of Central Government, or which are subject to some degree of direct control by the Government. These would include, for instance, the Broadcasting, National Airways, and Tourist Hotel Corporations and the Reserve Bank. We requested and received information about the way in which (if at all) the policies, finances, and staffing practices of such agencies were controlled or coordinated by the Government. However, we finally decided that it would be more in line with the broad purposes of our inquiry if we concentrated our attention on the departments of State (Ch. 2/44). Hence we have excluded agencies of the Executive Government from the definition of State Services used in our report, and have no specific recommendations to make about these bodies. Several of our recommendations could affect some at least of those agencies, especially our suggestion that the State Services Commission might, on the instruction of the Government or at any agency's request, investigate its efficiency in whole or in part.

189. It is desirable, however, to discuss the implications of corporation status for control and coordination in the machinery of government.

190. A few years ago it was commonly believed that a State corporation was something very different from a State department, and that it was a more suitable form of organisation for undertakings (such as State-owned commercial enterprises) requiring greater free-

dom from the various political and administrative controls than would be appropriate for departments of State. There remains a residue of truth in these beliefs. If, for instance, it is felt that a broadcasting service should be removed from direct political control, a corporation may help to symbolise this relationship. Such freedom from control is, however, a matter of degree, the extent of which (and, indeed, the necessity for which) it is easy to overemphasise. The Government Life Insurance Office, the State Fire Insurance Office, and the Public Trust Office, for instance, have found it possible as departments of State to engage successfully in competitive business. And if these departments have proved less inhibited than theorists had feared, various State corporations have proved less free than their sponsors had hoped.

191. Events have shown that, though a State corporation may be theoretically free from direct Ministerial control, Ministers have in practice found themselves obliged to answer public criticism of the corporation, even on matters of detail. The persistence of political control over the Government Railways, even in the periods when its constitution approximated that of a corporation, illustrates the point.

192. Corporations can be free from the more detailed aspects of Treasury control; but so are some departments engaged in competitive trading. Furthermore, the Government commonly requires a Treasury report on a corporation which runs at a loss or which needs State funds or Government approval to expand its activities. Freedom from Public Service Commission control is more of a reality. Corporations can generally hire and fire without having to submit to a statutory appeal mechanism, and have greater flexibility than State departments in determining salary scales. But it is usual for an almost standard clause to be written into any Act establishing a State corporation requiring that its board should have regard to the representations of the Minister in Charge, and must give effect to any written instructions of the Minister. In practice, therefore, such State agencies can be brought under strict Government control. In the Broadcasting Corporation Act 1961 the control provisions are more detailed. It requires the Corporation to obtain Ministerial approval for specified financial matters and to consult with the Public Service Commission on salary scales, allowances, and other conditions of employment of corporation staff.

193. Notwithstanding such restrictions on State corporations' freedom to act independently, their existence does tend to diminish the area of Government activity for which Ministers can be held to be fully accountable in Parliament. To that extent, corporations escape the mechanisms of political control. They may also escape the administrative checks exercised by the Government's control authorities.

194. We conclude therefore (a) that, while State corporations may be appropriate in some circumstances, there is no general presumption in favour of that type of organisation; (b) that the degree of freedom enjoyed in practice by corporations may not be as great as is sometimes assumed; (c) that in deciding whether to establish a corporation rather than a department, proper weight must nevertheless be given to any consequent weakening of political and administrative controls; and (d) in the event that a corporation is preferred, the degree of freedom granted it, particularly in determining salaries, also requires careful consideration.

## *Chapter 4.* DISTRIBUTION OF FUNCTIONS

Item II of our Warrant reads :

Any major functions that should be redistributed among Departments and Government agencies, or that should be transferred to or from any new or existing agency or body.

### INTRODUCTION

1. Some hundreds of submissions, raising or commenting on proposals for redistribution of major functions (either by way of amalgamation of departments or of transfer of individual functions) were submitted for our consideration. In addition, we received a number of proposals which fell outside the scope of our inquiry, either because they did not relate to a major function, or because they did not involve redistribution, being concerned only with the internal organisation of departments. Examples of such proposals are<sup>1</sup>— that the responsibility for passports and visas be transferred from the Internal Affairs to the External Affairs Department; that a different pattern of decentralisation be instituted within the Department of Health. Such matters are important and should be kept in mind; but they are not for us. They would, however, fall within the jurisdiction of the State Services Commission.

2. We could deal with the proposals which do come within our province in one of three ways. First, we could ask for more time and examine them all fully. Such a detailed examination would probably result in our report not being available for a very long time. Second, we could submit our report on the other items of our Warrant and recommend that we remain in office to make a detailed examination of the proposals for redistribution. Third, we could select those proposals which seem to us most urgent and significant and direct our energies towards making specific recommendations on them; distinguish others which after a brief examination we recommend for further investigation by some other body; and finally make some reference to the remainder where we consider no recommendation is called for.

3. We decided that the third course is the most consistent with our interpretation of our Warrant (Ch. 2/15) — namely, that we should undertake a broad inquiry and complete it within a reasonable time.

4. It must be appreciated that we had brought to us more than a decade's accumulation of proposals for redistribution of functions and amalgamations of departments; many more will arise as time goes by. Royal Commissions such as ours, occurring infrequently, are not the best means of dealing with such a developing situation. The evidence of the experienced administrators who appeared before us was almost unanimous that a wise decision on the merits of a suggestion for the transfer of a major function (let alone the amalgamation or dismemberment of a department) requires an intensity of study which we could not give to more than a few cases. Our experience confirms this.

5. What surely is needed is machinery within the State Services themselves to keep such matters under continual review, and, as well, the placing of responsibility for recommending changes to the Government. We have already recommended that suitable machinery be established within the proposed State Services Commission, and that the Commission be given responsibility for recommending changes (Ch. 3/62). Our second group of proposals (those meriting further examination) should therefore be dealt with by that Commission.

6. Before examining any specific proposals, we shall first discuss the scope in New Zealand for amalgamating departments, and the considerations which we believe should be taken into account when deciding questions of amalgamation or allocations of functions.

## THE SCOPE FOR AMALGAMATION

7. It has often been said, and is, we think, popularly believed, that there are too many Government departments in New Zealand. This view has been expressed many times by the Public Service Commission itself, for example in its 1947 annual report to Parliament. "Over 40 separate Departments should not be necessary in New Zealand and increased efficiency would probably follow from judicious amalgamations. . . ." In its evidence to us, the Public Service Commission stated that it "still adheres to the opinion that there are too many departments of State . . .", and it quoted to us the [United States] President's Committee on Administrative Management which declared "There should be the smallest possible number [of departments] without bringing together in any department activities which are unrelated or in conflict with each other". Sir William Dunk, in his report, was "in no doubt that the administration would be strengthened by a policy of departmental amalgamation".



8. On the other hand, the idea of amalgamating existing departments into larger units ran into considerable opposition. Much of this came from departments whose separate existence was threatened, or from organised groups in the community which preferred a single-purpose department primarily designed to service them. It is not unnatural that proposals for amalgamation should evoke opposition of this kind.

9. We examined the various arguments advanced, studied the distribution of functions among departments in some other countries and the writings of those who had made a special study of the subject in New Zealand. We conclude that there is no standard scheme or universal rule which can be applied. The most common generalisation is that departments should embrace a grouping of similar or related functions. But even this is a vague and ambiguous maxim.

10. The difficulty with all such generalisations is that their scope and limitations become apparent only in the course of examining particular practical problems; consequently, the correct procedure is to develop principles which fit the situation, not to change the situation to fit preconceived principles. Thus, we shall not attempt to summarise and to balance the various arguments for and against amalgamation, and then to apply our conclusions. Rather, we shall investigate the existing situation, allowing the conclusions to emerge in the course of the discussion.

11. Five major amalgamations have been carried out since 1946. Although the Public Service Commission said that it had not achieved as much as it wished to in this direction, amalgamations have taken place in the following divisions and departments: Employment Department with the Department of Labour; Stamp Duties Division with Land and Income Tax Department to form Inland Revenue Department; Lands and Deeds Division with the Department of Justice; Mental Hygiene Department with Health Department; Rehabilitation Department with Internal Affairs Department and later with Social Security Department.

12. Forty-one departments remain. At one extreme there are the Post Office, the Railways Department, and the Ministry of Works, employing among them well over half the State servants. The present size of these departments is itself an argument against further enlargement. Is there then an optimum economic size for a department? We suspect that there is – that beyond a certain point the economies of large-scale administration may be more than offset by the added layers of management needed for control and coordination. Where that point is to be found will depend not only on size but also on the degree of complexity; an organisation with many functions takes more managing than one with few. The three departments concerned are already

complex, and we do not contemplate adding to their functions. Indeed we give some consideration later in this chapter to the possibility of reducing the functions of the Post Office and Ministry of Works.

13. At the other extreme there are nine small and specialised departments ranging in size from 20 to 420 (table 3). These include three control departments: the Public Service Commission, the Treasury, and the Audit Office. As we noted in the previous chapter, there are objections in principle to linking control with operational functions in one department. Furthermore, it is as well if those whose duty it is to prevent empire building and waste are not themselves part of a massive organisation. Then there are the Prime Minister's Department (containing the Cabinet Secretariat), the Crown Law Office, the Statistics Department, and the Valuation Department: these should remain independent of the larger departments with which they might be linked, in order that their integrity in providing their particular services shall be beyond doubt. Finally in this group there are the External Affairs and Legislative Departments, each of them highly specialised, neither of them sharing with another department similar or related functions on which an amalgamation might be based.

14. Specialisation is also a characteristic of a group of five trading departments ranging in size from 300 to 1,200: the Public Trust Office, the Government Life and State Fire Insurance Offices, the State Advances Corporation, and the Printing and Stationery Department. The possibilities of amalgamating the Insurance Offices, of merging Printing and Stationery Department with Internal Affairs Department, and of abolishing the State Advances Corporation, are briefly considered later in this chapter.

15. We recognise that amalgamation has often been regarded primarily as a means of achieving more economic administration. Generally speaking, however, we are doubtful of the wisdom of combining essentially different departments merely in order to reduce their overheads. In the first place, there are limits to what can be cut from overheads. If the activities are different, as the Public Service Commission has pointed out:

. . . the department absorbed will be merely a specialist division within a larger department, retaining its own records, accounting and inspecting facilities on the grounds that its work is significantly different from other branches or divisions within the department . . . . Under these circumstances the amalgamation of smaller departments with larger units is less likely to promote efficiency or produce economies.

Second, as far as it is possible to reduce overheads, this may be done by means other than amalgamation, such as by sharing common services provided by a single department.

16. If this is accepted, the argument for amalgamation centres on better coordination, rather than on reduced overheads. What scope is there for better coordination among the remaining 24 departments? Six are concerned with social policy (Education, Health, Island Territories, Justice, Maori Affairs, Social Security). Six are concerned to regulate and to encourage certain types of economic activity (Agriculture, Industries and Commerce, Labour, Marine, Tourist, and Transport). Four are directly engaged in developing national resources (Electricity, Forest Service, Lands, and Mines). Three (Navy, Army, and Air) are concerned with defence, and two (Customs and Inland Revenue) with the collection of taxes. Within each of these groups, some coordination (both of policy and of its implementation) is needed, and in some cases this is at present insufficiently close, as we shall show in our subsequent examination of specific problems. Amalgamation should therefore be seen not as an end in itself but as one possible means of achieving better coordination in such problem areas as transport, defence, and fuel and power.

17. The advantages of an amalgamated department for this purpose are that, within it, lesser issues can be dealt with at a lower level, so that fewer matters require the Minister's attention, and on these he can be given properly coordinated advice, based on more effective research. These advantages are, however, purchased at a price, which the Minister (and the Government) may be unwilling to pay. Because fewer matters require his attention he is not in such close control of the execution of policy; and while it is impossible for a Minister to control in detail the whole administrative machine, he may well wish to supervise carefully the provision of a new or politically contentious service, to ensure that the declared aims of the Government are quickly and effectively achieved. Again, in receiving properly coordinated advice, he may no longer be aware of the clash of views between different interests. This is a central issue in our discussion of overseas trade, as is the allied political problem of satisfying certain groups within the community that proper attention is paid to their interests, if within the administration no department is primarily concerned with them.

18. Even if these political difficulties can be overcome, other factors remain to be considered before amalgamation can be decided on. We have already noted that organisations must be thought of as people, not just as machinery. The effects of amalgamation on staffing cannot therefore be neglected. On the one hand, an amalgamated department should provide better career opportunities, and better facilities for training, than could any of its constituent parts. On the other, the high morale of a small department with a special purpose which evokes the enthusiasm of its staff (like Island Territories) may suffer if the department is combined with another having wider and less definite purposes, unless the change is well prepared.

19. There are in addition certain practical difficulties which, though pedestrian, must be borne in mind. Few advantages will flow from amalgamation unless the constituent parts are located together and properly integrated. To make suitable provision for this means planning well ahead, in view of the present and prospective shortage of office accommodation in many centres.

20. Our conclusion is that further amalgamation is in most cases a long-range aim rather than a short-term remedy. For the time being, better coordination must in general be sought by other means – by reallocating particular functions among departments, by grouping portfolios under a single Minister, and by establishing machinery for improving consultation and cooperation between departments such as we propose in a number of places later in this chapter. By paying constant attention to these matters, and by exerting constant pressure, the State Services Commission could achieve a great deal in the long run. We, in our short time, can accomplish little in this field.

21. But however much may be achieved by grouping together related departments, problems of coordination will still remain. Of the 24 departments referred to in paragraph 16 above, 21 have been discussed. The remaining three (Police, Internal Affairs, and Scientific and Industrial Research) do not fall into any of the groups we have described, and the last two raise – and will continue to raise – problems of coordination in local government matters and in scientific research respectively, however the remaining departments are grouped. These problems too are discussed below.

22. In the next section we discuss the proposals on which we make a specific recommendation; in that following, those which we recommend be referred to the State Services Commission for further investigation; and in the final section we refer briefly to those concerning which we consider no recommendation is called for.

23. The topics dealt with in the first of these three subdivisions are Transport, Marine, Trade, Defence, Scientific Research, Valuation, National Library, Tourism, Works, and Social Welfare Work. The order of presentation must not be taken to be an order of urgency or of importance.

## TRANSPORT

### SUMMARY OF SUBMISSIONS

24. Sir William Dunk favoured the enlargement of the Transport Department:

The present Department of Transport has a staff of 500. From a functional point of view it seems quite logical that the Civil Aviation responsibility now with the Department of Air should be transferred to the Department of Transport. There is another small department, the Department of Marine, which employs 280 staff and which could also be merged into Transport unless it is considered by Cabinet to be better placed under Customs.

It is clear that these proposals stem from a disposition to amalgamate small departments which are functionally related. The Secretary for Marine noted that, if honorary employees (harbour-masters and inspectors of fisheries) and casual employees are taken into account, the staff belonging to, or serviced by, the Marine Department is twice as big as Sir William stated it to be. It remains true, however, that Marine is one of the smaller departments, and that the enlarged Department proposed by Sir William would be of a manageable size.

25. The Public Service Commission holds the view "that, in any regrouping of the work of the Public Service, the establishment of a Ministry of Transport should receive high priority". Its proposal resembles that of Sir William Dunk (save that some branches of the Marine Department would not be included in the new Ministry); its reasons are, however, different. In summary they are:

- (a) That transport is of immense economic importance as it affects the location and cost structure of primary and secondary industry:
- (b) That public funds (which provide the bulk of the capital expenditure on transport facilities) are invested, either directly or in the form of subsidies, by several State departments and agencies; in some cases these funds are invested without any coordination, and in all cases without the aid of a comprehensive report to Cabinet from a single Ministry of Transport:
- (c) That numerous attempts have been made for over 30 years to find suitable coordinating machinery, indicating both that the need for coordination is recognised and that it has not yet been met:
- (d) That the best way of meeting it is to establish a Ministry of Transport capable of giving to Cabinet comprehensive and balanced advice on all transport issues.

26. Sir William's contention that the activities of the Transport Department, Marine Department, and Civil Aviation Administration are functionally related was challenged by the Commissioner of Works and by the Commissioner of Transport. "Each of the three departments," the latter stated, "is made up extensively of staff who possess specialised knowledge and qualifications within a narrow field and there is nothing in common or interchangeable between the duties of the specialists in these departments."

27. The Commissioner of Transport recognised, however, the force of the Public Service Commission's arguments: "there is a vital need," he declared "for some authority to be set up to guide overall transport policies at a level below Cabinet but above that of the present sectional departments." He considered that this aim could best be

achieved, not by amalgamation, but by establishing a separate Ministry of Transport to coordinate transport policy, leaving the existing departments intact, each to confine itself to administration in its distinct field.

28. The need for a degree of coordination, particularly of capital investment in such facilities as roads, railway lines, airfields, and harbours, was admitted by almost all witnesses. In some cases, however, the admission was made subject to certain qualifications:

- (a) "Continuous coordination is impracticable . . ." (Air Secretary).
- (b) "it is . . . most difficult to plan on any valid economic bases development of one form of transport vis-a-vis the others . . ." (quoted by Air Secretary).
- (c) "New Zealand enjoys a greater degree of coordination of transport, on an operating basis, than is generally realised . . ." (General Manager of Railways).

29. It was explained to us that capital investment in transport facilities other than roads was subject to the usual checks of Cabinet Works Committee and Treasury, and that major projects (such as the Cook Strait ferry) might be referred to a specially set up Committee of Inquiry. Most of the Permanent Heads concerned agreed that the machinery for this purpose should be strengthened, and our attention was drawn several times to the conclusions of an Inter-departmental Committee on Coordination of Transport whose report of 24 June 1960 recommended, *inter alia*:

That the present Inter-departmental Committee be retained to investigate transport trends and problems and to report to the Cabinet Transport Committee. That any new major transport proposal, wherever initiated, and which may affect alternative transport interests existing or pending and which involves the expenditure of public moneys be examined by the Cabinet Transport Committee and a policy determined. . . .

We understand that no action has been taken on these proposals.

30. The General Manager of Railways pointed out that one difficulty in the way of securing coordination through an inter-departmental committee was the present status of the National Roads Board. The proposals of that Board are submitted for review neither to Treasury nor to the Cabinet Works Committee.

31. The Commissioner of Transport considered that an inter-departmental committee would be a less satisfactory instrument of coordination than would the type of Ministry he favoured. "I feel that there are too many conflicting interests in the inter-departmental committee, and that you will not get an overall impartial advice," he declared. "You will finish up with a compromise on the views of the various departments concerned." This conclusion was challenged by the Air Secretary.

32. In criticising the Public Service Commission's proposals, the General Manager of Railways commented:

the mere gathering together of three departments associated with certain transport regulatory functions falls short of establishing a single Ministry competent to advise on all transport issues.

He drew attention specifically (par. 30) to the significance of the position of the National Roads Board. The Secretary for Marine noted similarly the importance of the Railways Department, and stated that "its inclusion should be a condition precedent to the formation of any such Ministry". It is clear that the relationship between a Ministry of Transport, on the one hand, and the Railways Department and the National Roads Board on the other, needs examination.

33. The Treasury's proposals are interesting in this connection. They postulate both a Transport Control Authority, responsible to a Minister of Transport and concerned with policy aspects of all forms of transport, and an enlarged Transport Department, in which the present Transport Department, Civil Aviation Administration, and some or all of the Marine Department would be amalgamated. The Transport Control Authority is the Ministry of Transport contemplated by the Commissioner of Transport (par. 27), while the enlarged Transport Department is the Ministry of Transport contemplated by the Public Service Commission (par. 25). It is suggested that the State transport operating authorities (the Railways Department and the State airlines) would be responsible to the Transport Control Authority, as would the enlarged Transport Department, and it is recognised that the National Roads Board would also have to be "integrated in some form" below that Authority. The Treasury submission acknowledges, however, that the Railways Department is of such a size that there is a case for continued direct access by its General Manager to the Minister responsible for it.

#### ANALYSIS OF SUBMISSIONS

34. We do not underestimate the degree of coordination so far achieved in the transport field. We are, however, impressed by the amount of agreement among the officials concerned that the machinery for coordination can and should be improved, and we believe furthermore that current trends in road, rail, sea, and air transport will require increasing use of such machinery, particularly in working out transport policy and in controlling public expenditure on transport. For instance, there is need for urgent action to cut down the time taken to carry our export produce from the farm to the

final consumer. This is a matter of general transport policy, involving not only harbours and shipping but also rail and road services. At present it is nobody's responsibility to look at this problem.

35. Regulation (that is, prescribing which services may be operated) has been so far the main method of coordinating the transport services. We wish to emphasise that in our view the aim of closer coordination should be less regulation of this kind rather than more. We accept, as a general principle, the remark of the General Manager of Railways: "I think a person has a perfect right to determine whether he will go by road or rail, and if rail can't do it cheaper than road, why should rail be in the business?" We recognise, however, that this principle can only be made fully effective if competition is fair (which entails considering the degree of governmental assistance given to different forms of transport), and if precautions are taken to limit the creation of excess capacity which could lead to cut-throat competition and thence to renewed regulation. The purpose of improving the machinery for coordination should be, therefore, to give to the Government the best advice on:

- (a) Questions of general transport policy:
- (b) Public investment in transport facilities:
- (c) Fiscal and expenditure policy affecting the fairness of competition among different forms of transport:
- (d) Such other policies as may continue to be necessary for regulating competition (in charges and otherwise) among different forms of transport.

36. At Cabinet level coordination will be easier if one Minister holds all the transport portfolios. Even so, a Cabinet Committee on Transport will continue to be necessary so that the Minister of Finance, the Minister of Works, and possibly the Ministers of Agriculture and of Industries and Commerce can contribute to the formation of policies for transport development. The present Cabinet Committee does not deal in any continuing way with such issues, mainly because the supporting departmental machinery is not geared to present them in an appropriate form. If this situation were corrected, the Cabinet Committee on Transport might well become responsible for works programming in the field of transport investment.

37. What improvement in machinery is needed among departments? A procedure is necessary by means of which the Government can be given a single, unbiased recommendation, based on full information and on a sound technical appreciation of the facts. The proposals for a Ministry of Transport, and for an inter-departmental committee, must be tested against this standard.



38. The Public Service Commission's proposal for a Ministry of Transport can be criticised on the grounds that it fails to provide a channel through which the necessary information and technical appreciations on matters affecting the Railways Department and the National Roads Board can pass through the Ministry to the Minister. The National Roads Board would not even appear to be within the jurisdiction of the Minister of Transport. It is apparently contemplated that the Permanent Head of the Ministry of Transport would make recommendations on railways policy. But to the extent that these were heeded, the Ministry would have power over railways development, without responsibility for the financial result; while to the extent that they were not heeded, coordination would be ineffective.

39. Similar objections can be levelled, even more forcibly, at the Ministry of Transport conceived by the Commissioner of Transport. Instead of a single unbiased recommendation there would be as many departmental recommendations as there are now, as well as one from the Ministry. The last might be unbiased, but it would be based on only such facts as the officials of the Ministry could glean (lacking right of access to departmental records), nor would it be founded on a technical appreciation stemming from departmental experience.

40. On the other hand, an inter-departmental committee would (through each of its members) have access to all the facts and to departmental experience. There is no guarantee, however, that it would reach agreement; and even if it did, its conclusion might reflect no more than a compromise among departmental interests (as pointed out in paragraph 31).

41. The only proposal which satisfies the test is that put forward by Treasury. By concentrating responsibility for all the transport departments and corporations (including the National Roads Board) in a Transport Control Authority immediately below the Minister, it allows all information and all technical appreciations to flow to, and all policy recommendations to flow from, a single point. Such an Authority would in effect control a single super-Ministry. Unfortunately, as the Treasury spokesman recognised, the Railways Department is too big to be swallowed in this fashion. It is unrealistic to expect that the Government would deprive the General Manager of his right of direct access to the Minister.

#### CONCLUSIONS

42. We are forced back, therefore, to some form of interdepartmental committee in an attempt to ensure that technically sound and agreed-on recommendations are available to the Minister. It then becomes a question of making such a committee as close an approximation of a Transport Control Authority as possible.

43. The chairmanship poses a key problem in establishing such a committee. We understand that the 1960 Committee on Coordination of Transport (par. 29) intended that members would take the chair in turn. This procedure would not solve the problem of possible bias and would have the added weakness of diminished responsibility; any thorny issue could be held over until the following year, when some other chairman would be exposed to the temptation to avoid it. In our view, a coordinating authority of this sort should have a permanent chairman, who should be charged with the responsibility of formulating (in consultation with his colleagues) an overall transport policy for recommendation to the Minister. The chairman should have sufficient research and secretarial staff to enable him to carry out this function.

44. We recommend, therefore, the establishment of a body to be called the Transport Commission, to be chaired by a Chief Commissioner for Transport, and to include as Assistant Commissioners, the General Manager of Railways, the Director of Civil Aviation, the Chairman or Deputy Chairman of the National Roads Board, the Secretary to the Treasury (or his representative) and the Commissioner of Works (or his representative). This Commission is to tender advice (through the Chief Commissioner) to the Minister of Transport on the matters referred to in paragraph 35 above (namely, general transport policy, public investment, taxing and spending policies, and regulatory policies in the transport field) and on such questions as may be referred to it by the Minister or by the Cabinet Committee on Transport.

45. The Chief Commissioner of Transport, in addition to being chairman of the Transport Commission with the responsibilities outlined in paragraph 43, should be Permanent Head of a new Department of Transport. The existing Transport Department would form one division of this, concerned with the regulation of road transport. A second division would consist of that part of the present Marine Department which is concerned with mercantile marine activities and harbours, since in our view such a division would not be of a size to warrant full departmental status. (par. 56). The head of the Marine Division should, however, attend meetings of the Transport Commission when advice and information on shipping and harbours are required. A third division would provide administrative services for the Road Transport and Marine Divisions (and eventually for Civil Aviation Administration – par. 47), and also the research and secretarial staff required by the Chief Commissioner.

46. The General Manager of Railways must be a member of the Transport Commission if coordination is to be effective. It is our conception that the Railways Department should have as much freedom as possible as a transport *operator* engaged in competitive trading.

The Transport Commission should consider such investment matters as the building of a new line, or the closing of an existing one, but not (for instance) the replacement of locomotives or rolling stock. The Commission should, however, be kept informed of such policies, the better to assess the needs of the remainder of the transport system.

47. The Director of Civil Aviation should be a member of the Transport Commission, and the Civil Aviation Administration (together with the Meteorological Service) should become an independent department. Its size, and the growing importance of civil aviation, persuade us that it should not be amalgamated with the Transport and Marine Departments as Sir William Dunk and the Public Service Commission have recommended. On the other hand, we believe that the time has come (or soon will come) for it to break away from the Air Department. The future of civil aviation lies with transport, not with defence, and we oppose the continuance of a system in which the Air Secretary is responsible to two Ministers -- to the Minister of Civil Aviation as well as to the Minister of Defence. The Director of Civil Aviation should have all the powers of a Permanent Head: right of direct access to the Minister, to the Public Service Commission, and to Treasury; control over policy (subject to the Minister) and over staff; and a separate vote. We should favour, however, the continued provision by Air Department of administrative services for Civil Aviation until such time as it can be housed close to the proposed new Transport Department. The administrative division of Transport Department could then take over this responsibility, thereby avoiding the expense of a fully self-contained administrative division in Civil Aviation Administration itself. We have carefully considered the objections of the Air Secretary to such a separation. They fall under two heads; importance of common "housekeeping" services (which have been discussed above), and coordinated functions. It is undeniable that in a number of fields (for example, air traffic control, radar and radio engineering, inspection of accidents) the Director of Civil Aviation and the Air Secretary must continue to work closely together. But it does not necessarily follow that the former must be subordinate to the latter.

48. The National Roads Board, in deciding where main roads are to be built, is responsible for an important segment of transport policy. From this fact, certain conclusions follow. First, the Board should be represented on the Transport Commission. It would of course be inappropriate for the Minister of Works (who is at present *ex officio* chairman of the Board) to belong to an officials committee of this sort; accordingly we suggest that so long as a Minister is chairman of the Roads Board, its deputy chairman be its representative on the Transport Commission. But if the Roads Board is to continue to have a Ministerial chairman, it would be more in line with our views on

the grouping of related Ministerial offices (Ch. 3/10) if he were Minister of Transport. Second, the Board would have the duty, as at present, of formulating proposals for roading investment, but we think it essential that major roading proposals should be subject to the same oversight by the Transport Commission and the Cabinet Committee on Transport, as will be proposals for airports, harbours, and railway extensions. Furthermore, we believe it to be wrong that, at a time when the supply of capital for public investment is short, the National Roads Board should be in the privileged position of receiving a guaranteed sum for investment, without even having to show what the return on that investment is. We accept the point made by the Director of Roading that large-scale capital investment must be planned ahead for a longer period than a single financial year. This argument applies not only to roading, however, but equally to other transport facilities. What is needed is a capital programme for transport which covers a period of years and is brought up to date each year. Our contention is that in devising this programme it should be proved that the final million pounds spent on roads will yield a greater benefit to the country than the same sum spent on airports or harbours or railways. We recognise that this would require a change in legislation; it would also require more research into the economics of roading. As the Director of Roading has observed (*Public Service*, August 1961, p. 11) :

especially where roads are concerned, such economic studies as have been made, have been mostly engineering comparisons. There seems to be a need for economic studies of much wider scope. These would take into account not only the immediate cash benefit to users but the long-term effect on the productivity of the nation as a whole.

We note that a research unit has recently been established for this purpose.

49. The Secretary to the Treasury (or his representative) and the Commissioner of Works (or his representative) should be members of the Transport Commission, so that the economic and the engineering aspects of proposed investments in transport facilities can be adequately considered before proposals are submitted to the Cabinet Committee. In addition, Treasury and the Ministry of Works have to advise the Local Government Loans Board on proposed capital undertakings of local authorities, including those affecting transport, so that their representation on the Transport Commission would make possible some coordination of Central and local Government investment.

50. We have suggested that there should be research staff in the office of the Chief Commissioner of Transport, engaged especially in studies of transport economics. However, there are – and should continue to be – research teams in the Railways Department and

Civil Aviation Administration, as well as in Treasury and the Ministry of Works. To the extent that the problems facing the Transport Commission are technical, progress in resolving them will depend on consultation between the experts in the departments concerned. The Transport Commission should therefore establish inter-departmental working parties to undertake particular investigations. It can be expected that the cost of the research staff in the office of the Chief Commissioner of Transport will be offset by the reduction in overhead expenses through providing common housekeeping services for the Road Transport and Marine Divisions. Moreover, transport in New Zealand is such a big business (absorbing over 20 per cent of the gross national product, and involving in recent years an annual capital investment of approximately £50 million) that even if increased research and improved coordination achieved no more than a slight increase in efficiency, the cost of the extra staff would be recouped many times over.

51. The Transport Commission cannot plan effectively without knowing the views of transport operators and users. We suggest that these views be brought to the notice of the Commission by advisory councils. For instance, there might well be a Marine Advisory Council, representing shipping companies, harbour boards etc., and a Civil Aviation Advisory Council, representing operators (public and private) and airport authorities. Because we think their views can be more appropriately expressed through such channels, in the same way as those of private operators, we have not recommended direct representation of National Airways Corporation or Tasman Empire Airways Limited on the Transport Commission.

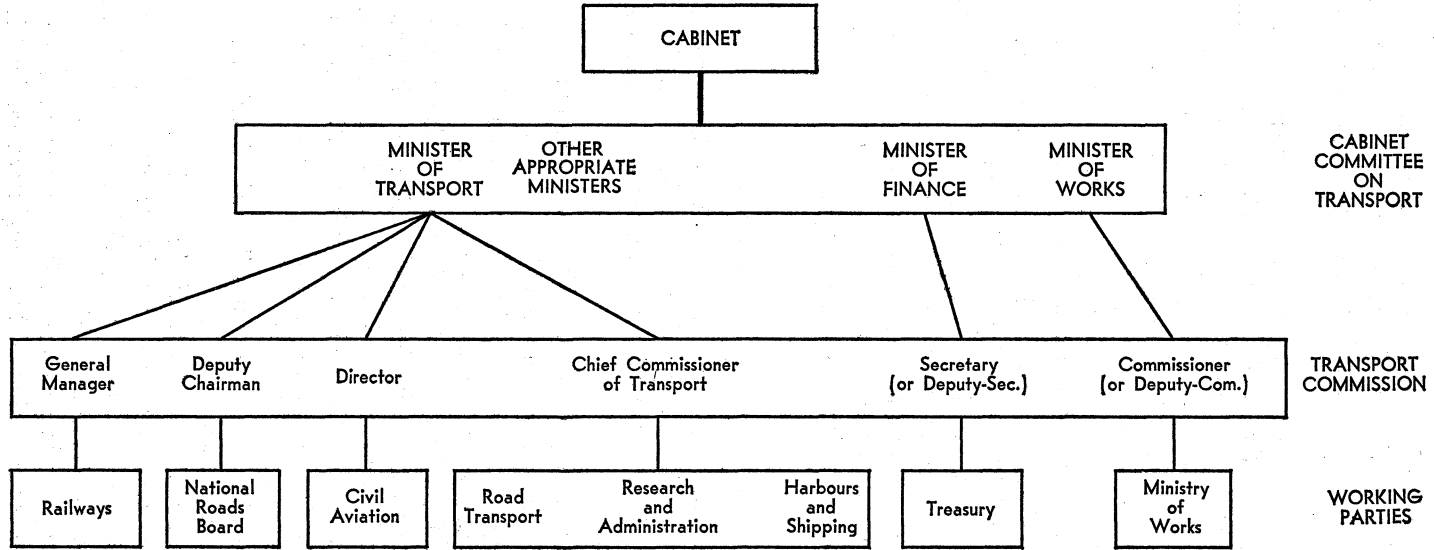
52. Table 7 illustrates the organisation we have suggested.

## RECOMMENDATIONS

We recommend that:

- (23) The machinery for coordination of transport should be improved to advise the Government on general transport policy, on public investment in transport facilities, on fiscal and expenditure policy affecting the fairness of competition among different forms of transport, and on such other policies as may continue to be necessary for regulating competition (in charges or otherwise) among different forms of transport. And to achieve this improvement, that:
- (a) One Minister hold all transport portfolios, and be Chairman of the National Roads Board (par. 36) :
  - (b) The Cabinet Committee on Transport continue in existence (par. 36) :

Table 7  
COORDINATION OF TRANSPORT



(c) A Transport Commission be established in terms of paragraph 44 above, chaired by a Chief Commissioner of Transport, and aided by advisory councils comprising transport operators and users (par. 51) :

(d) A new Department of Transport be established (with the Chief Commissioner of Transport as Permanent Head) comprising three divisions formed from the present Transport Department, part of present Marine Department, and a servicing division (par. 45) :

- (24) The Civil Aviation Administration (with the Meteorological Service) be detached from the Air Department and made an independent department serviced administratively by Air Department until it is economical and convenient for the new Transport Department to take over this servicing (par. 47).
- (25) Major roading proposals be subject to the oversight of the Transport Commission and the Cabinet Committee on Transport (par. 48).

## M A R I N E

53. Our recommendation for a new Department of Transport which would include a Marine Division (par. 45) necessitates the abolition of the present Marine Department and a redistribution of its functions.

54. The Marine Department is responsible for :

- (a) Mercantile marine activities including the control of the engagement and discharge of seamen, investigation of deaths at sea, examination of masters, mates, and engineers, surveys of ships, provision of navigational aids and notices to mariners, schools of navigation, registration of ships, search and rescue work, and the operation of the Bluff ferry service :
- (b) Harbour duties including liaison with harbour boards, direct operation of some harbours, safety on the waterfront, and control of small craft :
- (c) Pollution Advisory Council work aimed at avoiding pollution of harbours and rivers :
- (d) Ross Sea Dependency administration :
- (e) Fisheries work including the development of fishing resources, licensing of fishing boats and fishermen, and encouragement of commercial sales of fish :
- (f) The safety inspection of boilers, lifts and cranes :
- (g) The examination of land engineers, enginedrivers, etc.

55. All functions except (e) fisheries work, could be easily reallocated – (a), (b), (f) to the Marine Division of the proposed Department of Transport; (c) to the Health Department; (d) to the Department of External Affairs; and (g) to the Department of Labour.

56. *To the Marine Division – Department of Transport*: Functions (a), (b), and (f) should be transferred to the Marine Division of the proposed Ministry of Transport. (a) and (b) patently fit into that division. Indeed, they provide the reasons for its existence. Their location in a division especially designed for the work involved should answer the objections raised by the Harbours Association against interference with the present Marine Department. (Those objections were based on the desirability of having a special body whose prime concern was with harbours and shipping.)

57. The placing of (f) within this division needs to be explained, for on the face of it those matters might seem to have little present relation to marine activities. They have, however, been associated with the Marine Department for a long time, and the technical link between marine engineers and the inspection of such equipment as boilers, lifts, and cranes still exists in New Zealand, as it does in other countries. There are good staffing reasons why these duties should remain with a Marine Division. The Marine Department is obliged to maintain a Marine Surveyor of Ships at each sizable port. The surveying of ships in minor ports is not a fulltime job, and it is convenient to employ the Marine Surveyor to inspect boilers, lifts, and cranes. In the main centres these duties could easily be reallocated to, say, the Department of Labour. But such reallocation would cause considerable working difficulties in other ports. Thus, we conclude that this work should be done for the time being by the Marine Division. The State Services Commission could review and report if in future there should be a need to transfer some or all of this work to the Department of Labour.

58. *To the Health Department*: Function (c) is defined in the Water Pollution Act 1953 and is related to, and within the range of, functions carried out by the Health Department. It should go to that Department.

59. *To the Department of External Affairs*: Function (d) is no longer appropriate to the Marine Department and should be transferred to the Department of External Affairs which already is responsible for the administration of the Antarctica Act 1960.

60. The functions (e) are more difficult to place. Some of them, such as the registration and the inspection of marine fishing craft and fishermen, should go to the Marine Division of the new Department of Transport. However, the Department of Industries and Commerce must take an increasing interest in developing the country's sea-food resources, especially the processing of the catch. The



significance of these resources is becoming better understood. A department designed to encourage industrial development could help considerably to make fuller use of those resources.

61. On the other hand, industrial promotion has little or no concern with fresh-water fishing. There the problem is rather one of research and regulation. There is a case for transferring both research and regulation to the Department of Internal Affairs or even, perhaps, to the Department of Lands and Survey or to the New Zealand Forest Service. We shall discuss this matter later in the chapter, and we shall suggest that the question where these activities would best be placed needs further investigation before a decision can be made.

62. For these reasons, we believe that the distribution of all the functions grouped under (e) should be considered by the State Services Commission and a recommendation made to the Government on their final placement.

63. *To the Department of Labour:* Function (g) could be properly discharged by the Department of Labour.

## RECOMMENDATIONS

We recommend that:

- (26) The Marine Department be abolished and its main functions distributed among the Marine Division of the proposed Department of Transport, the Health Department, the Department of External Affairs, and the Department of Labour, in the manner mentioned in paragraphs 55 to 63.
- (27) The future location of the Department's various functions in relation to sea- and freshwater-fishing be the subject of investigation and report by the State Services Commission (par. 60-62).

## TRADE

### PRELIMINARY

64. "Trade is in every way the keystone of the national economy", remarked Sir William Dunk. The number of submissions made to us on the subject demonstrates how important it is recognised to be that New Zealand should increase and diversify its overseas trade, and use the machinery of government to that end. Many specific suggestions were put forward, reflecting very different approaches to

the problem. In presenting our conclusions we shall not try to consider in detail every suggestion made, but shall concentrate upon questions of principle.

65. The main question we have to answer is whether or not the responsibility for overseas trade should be separated from the closely related responsibility for the development of local manufacture: or, more concretely, whether the Overseas Trade Division should be detached from the Department of Industries and Commerce. If we do not favour separation, then we must consider how within a single department the interests of overseas trade and industrial development can be properly balanced. If we do favour separation, then two other questions arise: first, how to ensure the necessary close liaison between separate departments of overseas trade and local industry; and, second, whether the proposed trade department should stand alone or be amalgamated with the Department of Customs. While it is convenient to present the various questions in this way, the answer to the main question must largely depend on the practicability of the alternatives posed by the subsidiary questions.

#### THE ARGUMENTS STATED

66. The propositions which were urged on us can readily be stated, but they are far from easy to reconcile. Indeed, we found this subject one of the most intractable and contentious of all we had to examine. These are the main arguments, reduced to their simplest terms:

- (a) Overseas trade and internal industrial development are so intimately associated at so many points that there should be the closest possible coordination of policy and administration affecting them.
- (b) There is in New Zealand such a conflict of interest between the expansion of overseas trade and the fostering of internal industrial development that any decision which has the effect of promoting either at the expense of the other should be made at Ministerial or Cabinet level, in the light of expert advice given independently by officials specialising in international trade matters and by officials specialising in industrial development.
- (c) The expansion of New Zealand's export trade is of such vital concern that a single-purpose Department of State should be enabled to give its whole attention to that purpose, undistracted by other responsibilities.

In the succeeding paragraphs these points will be elaborated and their validity assessed.

(a) *Close Policy Association Between Overseas Trade and Local Industry*

67. "Industry and trade are almost as inseparable as the head and tail of a coin", declared the General Secretary of the New Zealand Manufacturers' Federation. In explaining this close relationship, the Secretary of Industries and Commerce and other witnesses mentioned six key points:

- (i) While one of the main aims of industrial development is to save overseas exchange by reducing the need for imports, some forms of industrial development might so damage trade relations with countries which provide (or may in future provide) export markets for New Zealand's primary products that more might be lost in export earnings than is gained in import savings.
- (ii) It is important that internal industrial development be guided with an eye to the establishment of export markets for goods manufactured in this country, to which end our overseas Trade Commissioners' advice on market prospects is necessary to the Development Division of the Department of Industries and Commerce.
- (iii) This liaison between the Trade Commissioners and the Development Division is helpful also in attracting to New Zealand suitable overseas investment in local industry.
- (iv) The Trade Commissioners assist local industry not only by helping to find markets for its products but also by supplying information on the availability and prices of the materials and equipment it requires, on technical developments, and so forth.
- (v) The requirements of overseas trade and of internal industrial development need to be balanced in advising the Government on tariff policy.
- (vi) Similarly, those interests must be balanced in making recommendations to the Government on import licensing policy, and in applying that policy to particular cases concerning the importation of raw materials or equipment by local manufacturers.

For these reasons it was argued that a single department should continue to be responsible for the development of both overseas trade and local industry. Sir William Dunk, the Public Service Commission, and the New Zealand Manufacturers' Federation shared this view.

(b) *Conflict of Interest Between Overseas Trade and Local Industry*

68. The contrary view was expressed by the Treasury, for the following reasons:

- (i) New Zealand relies predominantly on the export of primary produce – “over 98 per cent of our export income comes from farm and forest products” – and, even taking into account such prospects as an aluminium industry, a high ratio of primary produce in our exports will continue for the foreseeable future.
- (ii) The attempt to develop local industry behind protective barriers necessarily conflicts with New Zealand’s efforts to develop new markets, since countries which may be prepared to buy primary products from us will expect in return that we should be willing to import their manufactures.
- (iii) To give a single department responsibility both for industrial development and for encouraging overseas trade “implies the settlement of conflicting objectives at departmental level in most instances . . . Where major issues are involved and important conflicts of interest emerge, decisions should be made at Ministerial or Cabinet level. In such cases Ministers are best informed where the opposing issues involved are represented by separate Departments”.

Treasury’s conclusion that overseas trade and industrial development should be handled by different departments was supported by the United Kingdom Manufacturers’ and New Zealand Representatives’ Association, the New Zealand Retailers’ Federation, the New Zealand Wholesale Softgoods Federation, and the Associated Chambers of Commerce of New Zealand.

#### *(c) Need for a Single-purpose Department*

69. Witnesses who favoured the separation of overseas trade from the department responsible for industrial development did not distinguish clearly between the argument based on conflict of interest (set out in the paragraph above) and the argument based on diffusion of energy. The Treasury noted, however, that “a department’s subsidiary functions tend to be neglected to some extent and do not generally attract the most talented people. Responsibility for the promotion of New Zealand’s export trade is too important to be made a subordinate function of any department”. The New Zealand Wholesale Softgoods Federation claimed that “the weight of policy-content in the case of a Department of Overseas Trade justifies the establishment of a new and separate Department”, while the Associated Chambers of Commerce considered that “at every level far more effective action is needed in the export field and that this calls for an adequate and permanent Governmental administrative structure”. From these passages we draw the conclusion that in considering what form of organisation may be appropriate, we must have regard to its capacity for effective action.

## REVIEW OF THE ARGUMENTS

70. To deal with the last point first: we received no evidence which would justify the conclusion that the Department of Industries and Commerce is neglecting its function of promoting New Zealand's exports. The department has been increasingly active in this field in the past few years, and the growing public awareness of the importance of export markets may indeed be due in considerable measure to the department's own efforts. It was, however, suggested in evidence before us that such organisations as producer boards might not cooperate wholeheartedly in export promotion with a department which was also fostering industrial development. Nevertheless, dislocation must result (temporarily at least) from removing the Overseas Trade Division from Industries and Commerce and possibly attaching it to another department. Bearing this in mind, it is questionable whether the increased vigour in the export drive which can reasonably be expected to follow such a reorganisation is sufficient in itself to warrant that move.

71. It may still be warranted, however, by the "conflict of interest" argument. Not that all manufacture conflicts with overseas trade. Some indeed is essential to it; many of the primary products which provide over 98 per cent of export income are processed goods, and the value of the processing is included in that percentage figure. Nor do new industries necessarily jeopardise new markets; they alter the nature and origin of imports, but the effect of those changes on exports will vary from case to case. Nevertheless, the possibility remains – and the submissions show that it is generally accepted – that some types of internal industrial development could hamper New Zealand's efforts to open new overseas markets for its primary produce. We think that the converse would also be recognised: that some types of trade policy could hamper industrial development. It follows that, at some point, the implications for both industrial growth and trade prospects should be weighed before a decision is made on any such proposal. We think it would also be generally agreed that, in regard to major proposals, the appropriate point for balancing these interests is at Ministerial or at Cabinet level.

72. As the Treasury has pointed out, "Advice tendered by a department to its Minister usually concludes with a single recommendation based on the information available and the final judgment of the Permanent Head. In this way conflicting opinions within a Department are resolved and the Minister is freed from the added difficulty of considering alternative proposals based on the data available. In most cases this is highly desirable . . ." It is, however, Treasury's opinion (par. 68) that the conflicts of interest between overseas trade and industrial development are too important to be

resolved in this fashion by a Permanent Head, and that the Minister or Cabinet should be fully informed of them before reaching a decision. We think this principle is sound.

73. The main justification for splitting Industries and Commerce into two departments, from an administrative point of view, is thus to ensure that the proposals of each of them are appraised by the other, so that the Minister and the Government may make their decisions in the light of independent advice on the industrial and trade aspects. The onus of deciding on which issues advice should be sought from both departments would rest on the Minister. But cannot the Minister ensure that, on issues of major importance, he receives advice on both the industrial and the trade aspects of a proposal, even if Industries and Commerce remains a single department? It is open to the Minister (or to Cabinet) to direct that, on every substantial project for industrial development, a report be prepared by the Overseas Trade Division. The Minister is entitled to ask to see any such report. He may hold a conference on any such issue at which both the Permanent Head and the head of the Overseas Trade Division are present. We are satisfied that, in preparing a report or in expressing an opinion, it is the responsibility of any officer even though subordinate to the Permanent Head, to advise the Minister to the best of his ability, and we believe that senior officers can be relied on to do so in an independent fashion, when their advice is sought. It is moreover open to the Minister to arrange that any particular proposal for industrial development be referred to the Cabinet Committee on Economic and Financial Questions, if he feels that an even wider scrutiny would be appropriate. *Mutatis mutandis*, similar points can be made about any proposal dealing with overseas trade. To sum up: it is the responsibility of the Minister to ensure that both aspects are properly considered; it would continue to be his responsibility, even if the department were split; and if he wishes to do so, he can secure independent advice from the appropriate specialists within a unified department.

#### ADMINISTRATIVE CONSIDERATIONS

74. The administrative difficulties which might arise from splitting the department can be illustrated by considering what would happen to an application for a licence to import machinery which could increase the output of an existing industry or create a new one. At present, such an application can be appraised in the department in the light of its impact both on industrial development and on trade (the two aspects may be almost inseparable), and a recommendation made which in most cases constitutes the decision. If there were two departments, each making an independent recommendation from a

different point of view, at no level below that of Ministers could a balanced decision be reached whenever disagreement occurred.

75. This illustration identifies the two principal administrative problems in separating control of overseas trade from that of industry. The first is that more matters must be taken to a higher level in order to reach a decision. Where major issues are concerned, this may be an advantage; according to the Treasury it is indeed one of the virtues of the proposal that important questions could not be decided at departmental level (par. 68 (iii)). But matters of less importance would also be affected. To prevent their time being wholly absorbed in settling disputes over minor matters, the Cabinet or the Minister would have to lay down a general policy, and to authorise some departmental officer or officers to use their judgment in applying that policy to certain kinds of cases.

76. That being so, the better machinery from a strictly administrative point of view would appear to be a single department covering both industry and trade. The alternative is to leave those kinds of cases – for example, applications for licences to import machinery – either to a department responsible for fostering local industry, or to one responsible for overseas trade. In the former instance, decisions would become less sensitive to the need to increase exports, expressing in consequence an autarchic, “protectionist” attitude. In the latter, they would become less sensitive to the need to reduce the manufactured content in imports, expressing in consequence an “anti-industry” attitude. In neither is there likely to be a balanced view on issues which do not reach Ministerial or Cabinet level, since each department exists to promote a single objective. This is the second main administrative problem in separating control of overseas trade from that of industry. It is likely, moreover, to arise at many points, reflecting the many inter-relationships (par. 67) between them. Those inter-relationships entail, at present, liaison between the Overseas Trade Division and the other divisions of Industries and Commerce. Such close and continuing consultation may be much more difficult to achieve between different departments than within a single department.

77. It follows that, if administrative considerations are paramount, the Department of Industries and Commerce should retain responsibility both for industrial development and for overseas trade. It should be borne in mind, moreover, that in countries such as Australia and Canada where industrial development has progressed further than it has in New Zealand, and where the export of primary produce is relatively less significant, such a unified department has been found to be both administratively desirable and politically acceptable. If New Zealand’s development follows a similar pattern, the administrative desirability can be expected to persist, and the political opposition to diminish.

## OTHER CONSIDERATIONS

78. At the present moment, however, such a unified department is clearly unacceptable to many groups, as is plain from the references we have already made to the evidence we received. There are two reasons for this state of affairs. First, New Zealand is still at a stage of development in which the alternative ways of achieving a balance of payments – by increasing exports, or by increasing local production to reduce the need for imports – divide farming interests from manufacturing interests. The political pressures generated by this division appear to be greater than those which occur in more highly industrialised countries, where the division tends to be between the manufacturers who produce for export and those who supply the home market.

79. Second, the Department of Industries and Commerce is associated in the public mind with industrial development rather than with export promotion. This is partly a result of the responsibilities given to producer boards for export promotion, and is partly a consequence of the policies pursued by the department, no doubt at the direction of Government, before, during, and after the Second World War. We do not say that different policies could or should have been adopted by the Government of the time. Our point is merely that, for historical reasons, the department is identified with industrial development. Consequently, those groups whose interests are identified with expanding the export of primary produce lack confidence in the ability of the department adequately to promote those interests, and indeed fear that its responsibilities for industrial development may lead it to sacrifice them.

80. It may well be that, in the long run, this is a mistaken view – that countries which increase their industry, also increase their overseas trade. But (in Lord Keynes's words) in the long run we are all dead. These suspicions exist at present. They are significant for two reasons. First, they may reduce the support which non-governmental organisations are prepared to give to Government policies, implemented by the department, to increase exports. Second, even if the Government takes steps to ensure that on all major projects for industrial development the views of the Overseas Trade Division are sought and given full weight, the suspicion may persist that this is not being done. To separate the administration of overseas trade from Industries and Commerce would demonstrate that the Government was taking exporters' interests fully into account; and it might help to secure their cooperation in coordinated efforts to promote export sales.

81. It is possible that such suspicions could be dispelled, and such cooperation gained, in other ways – for instance, by fuller consultation with the groups concerned, giving them confidence that their



views are heard and that due account is taken of them in shaping policy. The steps recently taken to set up a Tariff and Development Board and a Trade Promotion Council should be of value in this regard. To develop close contacts of this sort between the Government and the public is, we feel, desirable in all spheres, not merely in this one. Whether in the present case sufficient confidence and cooperation can be achieved by such means, we are not in a position to say.

#### CONCLUSION

82. It is apparent that any decision on the question of detaching the Overseas Trade Division from Industries and Commerce depends on the weight one gives to the conflicting considerations set out in the preceding paragraphs. What weight is appropriate is a matter of judgment, on which we as a Commission are not wholly agreed. Nor do we believe that by taking more evidence we could reach agreement; the problem is not one of fact but of the importance one attaches to different facts. On the one hand, the criticisms made by the Treasury (par. 68) are strongly supported, and consequently the separation of the Overseas Trade Division from Industries and Commerce is favoured. On the other, greater emphasis is given to the administrative disadvantages of that step, and while recognising the possibility that other considerations might properly be held to be over-riding, it is felt that those considerations are so political in nature that no authority short of the Government itself is competent to assess their importance, and to weigh them against the administrative considerations. The balance of opinion among us is that, unless in the Government's view the confidence and cooperation of the public require it, the department should not be split. Indeed, at least one of us takes the view that splitting the department would effectively prevent the balanced development of trade and industry.

#### A DEPARTMENT OF TRADE AND CUSTOMS?

83. Recognising, in the light of the preceding discussion, that the Government may decide to remove from Industries and Commerce its responsibilities for overseas trade, we have examined how this might best be done.

84. The arguments in favour of such a course appear to us to point to a similar separation of responsibilities at the Ministerial level. If the issues concerned involve such conflicts of interest that separate Permanent Heads should advise on the industrial and trading aspects respectively, it seems logical that different Ministers should present each side of the case to Cabinet.

85. It is vital, however, that there should be the closest liaison between the Ministers and the departments concerned. This need

could be met only in part by establishing machinery for inter-departmental consultation. It is also important that, wherever possible, officers in each of these departments should spend some time working in the other department, in the same way that officers are at present given experience in the different divisions of Industries and Commerce. Perhaps that aim could be realised through a system of temporary exchanges or secondments of staff. The problem would have to be investigated by the State Services Commission in conjunction with the Permanent Heads of the two departments, and a suitable scheme prepared.

86. Some witnesses suggested that the necessary liaison could be secured if a National Development Council composed of experienced individuals drawn from commerce, manufacturing, and farming were given some over-riding authority over the departments concerned. In our view, while such a board or council may serve a very useful function in a purely advisory capacity (like that of the recently established Trade Promotion Council), it must form an additional source of advice to Government, and not be interposed between Permanent Heads and their Ministers. Furthermore, such a high-policy group could neither ensure, nor eliminate the need for, day-to-day cooperation at lower levels between the departments involved.

87. If the Overseas Trade Division were detached from the Department of Industries and Commerce, it could either be made into a separate department, or amalgamated into a Department of Trade and Customs. The first alternative was favoured by the United Kingdom Manufacturers' and New Zealand Representatives' Association, the New Zealand Wholesale Softgoods Federation, and the Associated Chambers of Commerce of New Zealand. The second alternative was favoured by Treasury, the Department of Agriculture, and (in a modified form) by the New Zealand Retailers' Federation. The issues involved are easy to state: a separate Department of Overseas Trade could concentrate on a single objective, but it would be very small and might in consequence lack influence; whereas a Department of Trade and Customs would carry greater weight, but would have a wider range of purposes. Since none of these purposes would conflict with that of trade promotion, we feel that the advantages of greater size and strength are conclusive; indeed we doubt whether a separate Department of Overseas Trade would be viable.

88. We wish to make it quite clear that by establishing a new Department of Trade and Customs we do *not* mean merely incorporating the existing Overseas Trade Division into the existing Customs Department. As Treasury has pointed out, "The trend in recent years has been for the part played by Customs Department in the field of external trade policy to recede in importance and this development has been reflected by a loss of suitably trained and

qualified officers". It is our impression, moreover, that in recent years the Customs Department has been less attractive to recruits of outstanding ability and qualifications than was the case, for instance, a generation ago. To link Overseas Trade and Customs would, in the long run, remedy this situation; but in the meantime we are convinced that an appreciable number of highly qualified officers would need to be brought into such a Department of Trade and Customs (and in particular into the policy-advising positions) when it was first established if the requirements of overseas trade are to be given due emphasis in interdepartmental and Cabinet discussions. The task of designing and staffing the new department would of course be one for the State Services Commission.

89. Any such Department of Trade and Customs should have the primary but not the exclusive responsibility for overseas trade policy, including trade relations, trade promotion, import licensing, and tariff policy. The responsibility could not be exclusive, since so many trade questions impinge on the work of such departments as External Affairs, Treasury, Agriculture, and Industries and Commerce. The existing inter-departmental machinery for determining policy—the Cabinet Committee on Economic and Financial Questions, with its Officials Committee and Working Party—provides an opportunity for all departments affected to exchange views in the course of tendering advice to Government. We are sure that this is a valuable opportunity. The machinery appears to work smoothly, and we recommend no change in it.

90. A further question, however, needs to be considered. It was suggested in evidence that it is unnecessary and wasteful for each of these departments to contain a section dealing with trade matters, and that the staff concerned should be transferred to the department primarily concerned with trade policy. On reflection we consider that the balance of advantage may well lie with leaving these sections where they are. For example, we think it useful that there should be an economic unit in the Department of Agriculture. It would be proper for such a unit to concern itself, in part though not exclusively, with overseas trade problems, for two reasons. First, it would assist the department's spokesmen to present the agricultural point of view more effectively in the inter-departmental discussions on overseas trade to which we have just referred. Second, and perhaps more importantly, it would help the department to appreciate the trends in overseas markets which may require significant changes in our pattern of primary production and processing, and to modify its domestic policies accordingly. Similar arguments apply to the other departments concerned. We recognise, indeed, that the Department of Industries and Commerce would certainly need an economic unit of this sort if the Overseas Trade Division were detached from it.

## RECOMMENDATIONS

We recommend that:

- (28) Early consideration be given by the Government to the issues raised in paragraphs 70-82, to determine whether the Overseas Trade Division is to remain within the Department of Industries and Commerce.
- (29) In the event that it be decided to detach the Overseas Trade Division from the Department of Industries and Commerce, a new Department of Trade and Customs be established, as outlined in paragraphs 87-90.

## D E F E N C E

91. The need for coordinating (or even amalgamating) the Navy, Army, and Air Departments was extensively discussed. It was generally accepted that the coordinating mechanism needs to be strengthened, though there were wide differences of opinion about the degree to which present machinery is inadequate, and about the form which improvements should take.

92. Each of the Service departments, Navy, Army, and Air, is at present constituted by statute to include both the armed forces and civilian staff. Each is placed under the administrative control of a Service Board consisting of the Minister of Defence as chairman, three or four serving officers, and a civilian secretary. A Chiefs-of-Staff Committee, consisting of the three Chiefs of Staff, stands beside the Service Boards and has the prime responsibility of advising the Minister of Defence on matters of defence policy common to the three Services. The Secretary of External Affairs usually attends meetings of the Chiefs-of-Staff Committee but is not a member of it. Other senior officials, such as the Secretary to the Treasury, may be invited to attend for specific matters. The committee is supported by a number of other joint-Service committees on matters dealing with, for example, personnel administration, supply and logistics, planning, and intelligence. It has a small secretariat of serving officers who are attached to the Prime Minister's Department. Finally, both the Treasury and the Department of External Affairs maintain important sections concerned with defence, the former not only dealing with the financial implications of defence expenditure, but also advising the Government on proposals affecting pay, allowances, and conditions of service in the Armed Forces. The defence section of External Affairs Department is primarily concerned with the international aspects of defence, New Zealand's treaty obligations, and the coordination of defence with overseas affairs.

93. It seems that the future departmental structure of the Service departments cannot be considered properly without some view of the role of the Services themselves. There is unanimous agreement that in any future hostilities, New Zealand Services will most likely not fight alone but in close partnership with the forces of allied countries, especially Australia. The outstanding question is: in any such operations, would units of the three New Zealand Services be combined into more or less self-contained national units of a commando type, or would each of the New Zealand Services combine with its Australian or allied counterpart? The latter seems the more probable. In that case, there are limits to the extent to which the three New Zealand Services can be fused into a single integrated whole at the national level. And if that be so, there are probably limits, too, to what could be accomplished by fusing their three civilian staffs into a single national Defence Department. In other words, the problem must be seen (for the present at least) as one of improved coordination rather than of amalgamation.

94. New Zealand's defence commitments have greatly expanded since the Second World War. In 1938-39, £2½ millions were spent on defence; now the annual figure is roughly £29 millions. There are 12,500 men in the permanent Armed Forces, and about 3,000 civilian staff in the three departments, a total of over 15,000 (excluding territorial forces). In March 1939 the total was less than 2,300. New Zealand's overseas commitments are no longer determined exclusively by the policies of the British Government. Moreover, defence is merely one area in which New Zealand is developing independent external relationships. For these reasons decisions on higher defence policy must continue to be made in Cabinet.

95. Although the Minister of Defence holds an important portfolio, the Prime Minister is required, both in peace and war, to take a close interest in higher defence policy. In conferences within and outside New Zealand he is involved in frequent discussions on defence topics. There are as well other Ministers who are necessarily concerned with such matters. Thus there has for many years been a Cabinet Committee on Defence. Its importance and effectiveness have varied from time to time. It is for the Prime Minister to decide to what extent this committee should be used; but we think it of great potential value, as it permits a frank exchange of views among Ministers and senior officials of the various interested departments. It was urged upon us (and we agree) that the Prime Minister should if possible be chairman of the committee. If not chairman, he should certainly be a member, and the Minister of Defence be chairman. The Ministers of Finance, External Affairs, and Labour might well be among the other members.

96. The Minister of Defence, the sponsor of most of the matters going to the Cabinet Defence Committee, can himself achieve some coordination among the three Service departments since he is responsible for each of them singly. He is assisted by the Committee of the Chiefs of Staff through which efforts are made to bring together the various Naval, Army, and Air Force proposals into a common programme of defence. However, we gained a clear impression that, on the most important issues of national defence and their implications for the allocation of expenditure between the three Services, the Minister has been left too often to resolve major issues without the benefit of all necessary advice. For no matter how excellent the advice about the needs of the individual Services, he does not always receive a general and unified evaluation of the political and military aspects of national defence. Such an evaluation should take account of diplomatic and of budgetary considerations and should be designed to assist in fixing priorities in defence spending and in allocating finance among the three Services. The Minister is consequently less a Minister of Defence than a Minister for the Navy, the Army, and the Air Force.

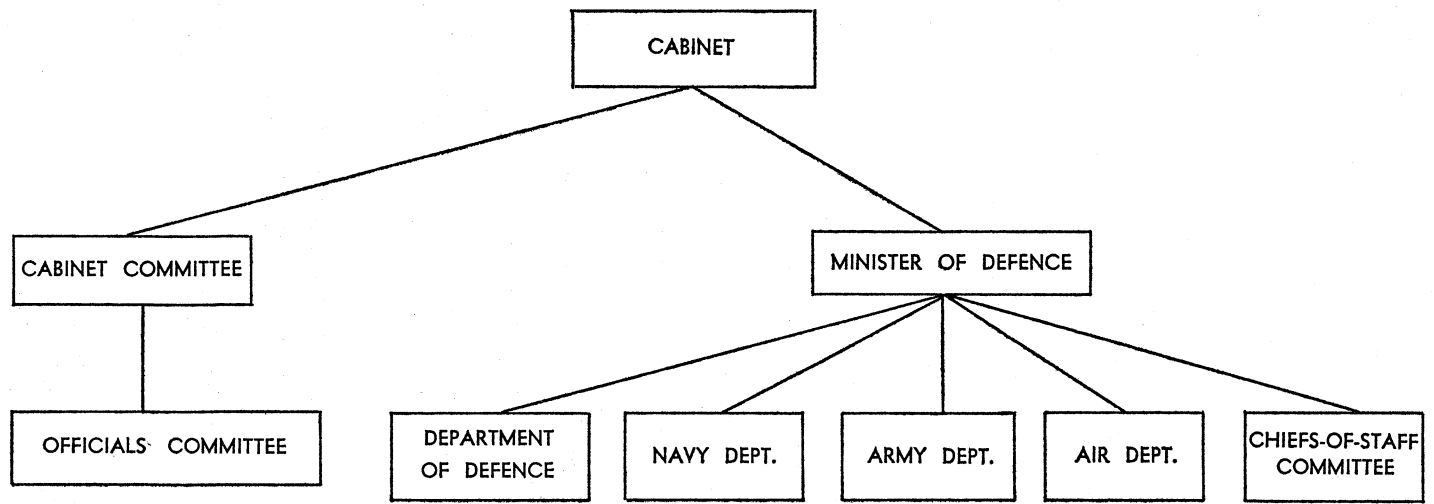
97. This is not to say that the *Government* lacks information on the diplomatic and financial aspects of higher defence policy. We have already noted that there are defence sections both in External Affairs Department and in Treasury. These sections advise their respective Ministers on these matters, particularly when the Budget is being prepared. The weakness is that Cabinet or its committee has to hammer out a unified defence policy based on advice from at least five different departments. Machinery for coordinating *officials'* views on higher defence policy should be strengthened to eliminate this weakness.

98. The organisation chart in table 8 (p. 124) illustrates our recommendations for the coordination of defence. The Officials Committee, the Chiefs-of-Staff Committee, and the Department of Defence to which it refers are discussed in detail in subsequent paragraphs.

#### AN OFFICIALS COMMITTEE

99. We recommend that an Officials Committee should be set up to investigate, examine, and report upon such matters as may be referred to it by the Cabinet Committee on Defence. It should consist of the Secretary of Defence (referred to in paragraph 103) as chairman, the three Chiefs of Staff, the Secretary to the Treasury, and the Secretary of External Affairs. If this committee were established there would no longer be any need for the Secretary of External Affairs or other civilian officials to attend the meetings of the Chiefs-of-Staff Committee.

Table 8  
COORDINATION OF DEFENCE



## CHIEFS-OF-STAFF COMMITTEE

100. It is no disparagement of the professional competence of the Chiefs of Staff, or of the Chiefs-of-Staff Committee, to suggest that their outstanding ability to advise on military matters does not necessarily make them the best qualified to reconcile other vital interests with purely military aspects. Nevertheless, the present status of the Chiefs-of-Staff Committee should be maintained; it should continue to enjoy the right of direct access to the Minister of Defence (and, where necessary, to the Prime Minister) and to express a military judgment on all defence proposals.

101. Some witnesses advocated the appointment of an independent chairman to the Chiefs-of-Staff Committee as is the practice in the United Kingdom and Australia. While we see some advantages in this practice, we are not convinced that such an appointment is at present necessary in this country.

## DEPARTMENT OF DEFENCE

102. The machinery for coordination among the three Forces, and among the military, diplomatic, and financial departments, has developed since the Second World War. It is not as extensive in New Zealand as it is in other Commonwealth countries with similar defence commitments. There are, of course, important differences between New Zealand and Australia, Canada, or the United Kingdom, not only in the scale of defence expenditure but also, for example, in defence industries, and in defence research. Merely to copy their defence machinery in detail would therefore be unwise, and unnecessarily expensive. It is significant, however, that in each of these overseas countries (and in others) an organisation (variously called a "department" or a "ministry") has been established to study national defence requirements in a continuing way, and to recommend defence priorities and programmes, not only from a purely military viewpoint, but from political and economic viewpoints which must affect strategy. There is need in New Zealand for such continuing study and widely based recommendations. Allowing for the differences in size of country, they could be achieved in our view with only a very small increase in staff, provided that there is some reorganisation.

103. We recommend the establishment of a Department of Defence under a senior official to be known as the Secretary of Defence. We further recommend that this Department should:

- (a) Advise the Minister of Defence on defence commitments, the broad programme of defence expenditure for the present and the immediate future, and the allocation of defence funds among the Armed Services:



- (b) Advise the Minister on matters of joint-Service activities, integration, and conditions of service in the Armed Forces:
- (c) Provide staff and facilities for joint-Service activities, especially to serve the Chiefs-of-Staff Committee and any committees attached to it.

It would be for the Minister of Defence to issue the instructions which would make these functions effective and to ensure that the Department of Defence is given essential information and kept advised of all proposals with which it should be concerned. Much of this information would, of course, come to the notice of the officers of the Defence Department automatically, in consequence of their membership of various inter-Service committees; and we note in passing that it is in part this fact which makes a small coordinating department practicable in this field, whereas it would probably not be so in, for example, the field of Transport (par. 39-45).

104. Most of the people needed for this new department are already engaged in similar work in the Defence Secretariat in the Prime Minister's Department and in the defence sections of the Treasury and External Affairs Department. (Navy, Army, and Air departments do some of the secretarial work for the joint-Service committees.) We do not suggest that the defence sections in the Treasury or in External Affairs Department would no longer be needed after a Department of Defence is established. Both departments will have to maintain an interest in defence matters to be able to advise their own Ministers. But some adjustment should be possible when the Department of Defence is established. The present Defence Secretariat would move completely to the new organisation, and the secretarial work now being done by the departments could be taken over with appropriate staff. The Secretary of Defence would be a new appointment, and some extra staff would be needed. Nevertheless, we expect the increase to be small.

105. We have outlined what we think the new Department of Defence should do. We stress that there is nothing novel in our proposals. Similar organisations in the United Kingdom, Canada, and Australia do similar work - which, in general terms, covers the formulation of a unified national defence policy, and is distinguishable from the implementation of that policy by separate Armed Services departments. Experience overseas has shown that such a distinction is not only valid and practical, but essential. We see no reason why a Department of Defence cannot be added to the present machinery of government concerned with defence without encroaching unreasonably on the functions of the present departments and Service Boards. With a good Secretary of Defence, the organisation should show a return in efficiency justifying the cost of its establishment, and this improved efficiency should be

reflected in better advice and information to the Minister of Defence and, through him, to Cabinet. Two of the Service Boards, the Public Service Commission, the Treasury, and the Department of External Affairs supported the general proposal for a small Department of Defence.

#### INTEGRATION

106. The evidence on the question of integration was sharply divided. The more we examined this evidence the more we became convinced that integration of either the Armed Services or their civilian staffs cannot profitably be discussed in the broad terms of complete amalgamation. Any proposals for integration must be examined in particular areas of activity which the three Services have in common. If, as we propose above, the machinery for co-ordination is strengthened, there would be a basis for integration to the extent found desirable and practicable. There are activities which would be better and more economically undertaken by the three Services together, or on the basis of one providing facilities for the other two. It is not our intention to investigate in detail these activities since we believe that they are matters for continual review by some such body as a Department of Defence rather than for the occasional attention of a Royal Commission. We therefore recommend that the questions of integration and joint use of services be kept under constant study. Not only would the establishment of a Department of Defence give impetus to the examination of the possibilities of integration; it would also make it easier for the Minister to appreciate those possibilities. We stress however that while this should be an important part of the work of the department, its main work must be to keep the Minister advised on matters of broad defence policy.

#### RECOMMENDATIONS

We recommend that:

- (30) The Cabinet Committee on Defence be retained (preferably with the Prime Minister as chairman) supported by an Officials Committee chaired by a Secretary of Defence and including among its members the Secretary to the Treasury, the Secretary of External Affairs, and the Chiefs of Staff of the Armed Services. The Officials Committee should investigate, examine, and report upon such matters as may be referred to it by the Cabinet Committee on Defence (par. 95, 99).

- (31) The Chiefs of Staff Committee be retained with the right of direct access to the Minister of Defence (and, where necessary, to the Prime Minister) to express a military judgment on all defence proposals (par. 100).
- (32) A small Department of Defence be established under a Secretary of Defence to:
  - (a) Advise the Minister of Defence on defence commitments, the broad programme of defence expenditure for the present and the immediate future, and the allocation of defence funds among the three Services:
  - (b) Advise the Minister on matters of joint-Service activities, integration, and conditions of service in the Armed Forces:
  - (c) Provide staff and facilities for joint-Service activities, especially to serve the Chiefs-of-Staff Committee and any committees attached to it (par. 103).
- (33) The possibility of integrating some of the activities either of the Armed Forces or of the civilian staffs should be kept under constant study by the Minister of Defence advised by the Service Boards and the Secretary of Defence (par. 106).

## SCIENTIFIC RESEARCH

107. The necessity for scientific research calls for no emphasis. Nor does the fact that New Zealand is caught by this necessity and must conduct research of its own, particularly in relation to its own industries, notwithstanding the aid which it can and does receive from research carried out in other countries. It was thus inevitable that we should hear evidence relating to some of the problems of scientific research in New Zealand especially as nine-tenths of its cost is now borne by the State. Witnesses representing a number of scientific societies made some forceful adverse criticisms of the conduct of research in this country. These criticisms were supported in many details by the evidence of the Secretary of the Department of Scientific and Industrial Research ("D.S.I.R.").

108. These criticisms may be briefly summarised:

- (a) Scientific research is being held back in New Zealand primarily by insufficient financial support from the State. Too small a part of the gross national product is given over to such research (for some years 0·35 per cent compared with usually more than 2 per cent in Western countries with high standards of living). The State must increase its aid if New Zealand is to maintain its national prosperity.

- (b) There are not enough competent scientists to carry out the required research.
- (c) The present organisation of scientific research in New Zealand has some avoidable weaknesses.

109. The first of these criticisms is in the main outside the scope of our inquiry. It is not for us to say to what extent, or in what manner, the Government should support scientific research. We must, however, investigate whether the existing machinery enables the Government to secure proper advice about the financial and other needs of scientific research, how available money can best be spent, and whether or not research in New Zealand is properly coordinated. We shall consider these matters when we discuss the third criticism.

110. The second criticism also lies in part outside the scope of our inquiry. To the extent that the lack of competent scientists is attributable to a failure to train sufficient young people in the sciences (as the evidence indicates it is in some substantial measure) the matter does not directly concern us. But we are concerned if New Zealand is losing too many qualified scientists because of inadequate conditions of employment (as was suggested by some witnesses), and we shall refer to these conditions in various parts of our report.

111. The third criticism deals with matters which lie wholly within our inquiry. We are obliged, because of the tremendous importance of scientific research today, to give them especially careful consideration.

#### COORDINATION OF RESEARCH

112. The Council of Scientific and Industrial Research ("the Council") expressed itself as being "deeply concerned about the coordination of research on a national basis". It said further that:

. . . the major weakness of the present procedures lies in the lack of a central authority charged with the responsibility of advising Government on the establishment of priorities and the coordination of research programmes on a national basis.

The Royal Society of New Zealand urged the establishment of a

. . . coordinating administrative body in the form of a research council, to formulate policy, allocate finance and receive moneys from Government and outside organisations, and generally coordinate the activities of the many organisations [involved in research].

This need for greater coordination received support from a number of witnesses including the Secretary of D.S.I.R.

113. The Council was first established by section 6 of the Scientific and Industrial Research Act 1926 (now section 8 of the 1952 Act). It consists of a chairman and not less than eight other members appointed by the Governor-General, no more than two of whom may be officers employed in the service of the Government. The term

of appointment is not to exceed four years but members may be reappointed. The Council's functions are purely advisory though it exercises, in addition, a general supervision over the work of D.S.I.R. Its chief duties are to consider and report to the Minister in Charge of Scientific and Industrial Research on scientific aspects of all proposals made to D.S.I.R., to submit annually a programme for the scientific institutions and services under the control of D.S.I.R., to make recommendations about the expenditure of money by D.S.I.R. in grants for scientific research, and to advise the Government on the scientific aspects of any proposals made by other departments of State and referred to it for its consideration. It is serviced by D.S.I.R.

114. The evidence establishes that the Council has functioned effectively in relation to the operations of D.S.I.R. However, it has not effectively discharged its function of advising on proposals made by other departments, because almost no proposals made by other departments of State have been referred to it for consideration. This has limited very markedly the Council's effectiveness in advising the Government on the priorities and coordination of a national research programme.

#### CONDUCT OF RESEARCH IN NEW ZEALAND

115. Several State departments, the universities, and a number of other organisations in New Zealand are engaged in scientific research. The Secretary of D.S.I.R. presented a table setting out the estimated expenditure on scientific work in New Zealand for the year ending 31 March 1962 - £4,813,000 (Appendix 7). This appendix shows the large number of various organisations engaged on scientific work, the interrelations among them, and their interrelations with other non-scientific bodies. (The universities, for example, draw their funds from many different sources.) It also demonstrates that scientific work, as distinct from technology, is a very marginal interest (judged by percentage of vote devoted to science) in many departments which include scientific work in their annual estimates. As accurate figures are often not available, it has been necessary to estimate substantial sectors of expenditure. It is claimed, however, that the figures shown are of the right order of magnitude.

116. These figures do not include any amounts for engineering or technological servicing work performed by such departments as the Post Office, Railways, or Works. The figures do however include scientific services provided by D.S.I.R. for many departments (for example, Agriculture, Health, Mines, Police, Works), for certain State agencies (for example, the New Zealand Steel Investigating Company), and for some local bodies. Such services absorb approximately £250,000 of the annual D.S.I.R. vote and generally no charge

is made. Recoveries from industry and other sources total approximately £60,000 a year. But this money is paid directly into the Public Account; which means that D.S.I.R. cannot use it to offset the cost of providing such services.

117. An examination of the table makes it clear that D.S.I.R. is the major State agency for scientific research in New Zealand. It engages in research in many fields, and, through its vote, grants are made to universities and non-State research agencies. It is also clear that some other State organisations spend large amounts of money on research.

118. Coordination within D.S.I.R., and between it, the universities, and other bodies assisted by its grants, is sought through the Council and through the membership of the Secretary of D.S.I.R., or his nominees, on the various research committees (for example, the University Research Committee, the Management Committees of the Research Associations, and the Cawthron Institute Board).

119. But coordination of these research programmes with the programmes of other State departments which do not come under the purview of the Council is much less definite and is largely informal and inadequate. This is especially true in the overall field of agricultural research where soil, plant, and animal relationships are covered in both D.S.I.R. and the Department of Agriculture, with main stress on soils and plants in the former and on animals in the latter.

120. The Council, though it urges better machinery for coordination, considers that at present there is little unjustifiable over-lapping between the research programmes of the different State departments. But not all of the evidence which we have heard leads to that conclusion, and some points plainly to undesirable duplication.

#### *Proposal for a National Research Organisation*

121. The Council recommended the establishment of a National Research Organisation into which would be gathered the main research functions of the Government. It would be a statutory body employing its own staff, making an annual report to Parliament, and receiving an annual appropriation of funds. It would be administered either by (a) an executive National Research Council responsible to its own Minister (the Prime Minister or a Minister for Science), or (b) its own executive responsible to the Minister (as the Secretary of D.S.I.R. is now) with an advisory National Research Council. The Council of Scientific and Industrial Research prefers the former of these alternatives; the Secretary of D.S.I.R., the latter. The duties of the National Research Organisation would be, in general, to plan and coordinate research on a national basis, to initiate and carry out all research required by the Government, to make grants in aid to other organisations, to provide the scientific services required by State

departments or other organisations, and to act generally as an adviser to the Government on scientific and technological matters. It would thus be both executive and advisory. In its executive functions it would undertake the scientific research at present carried out by the departments of Scientific and Industrial Research, Agriculture, Forestry, Internal Affairs, and Marine. Any research that would still need to be undertaken within a State department would be carried out by officers seconded from the National Research Organisation. In its advisory functions it would replace the existing Council of Scientific and Industrial Research.

122. We strongly believe that greater coordination is necessary and that the functions of the existing Council and the use made of them need to be considerably extended. The conception of some kind of advisory National Research Council therefore commends itself to us, and in the next paragraph we shall recommend accordingly. But the Council's proposal for a National Research Organisation goes further, and entails the consolidation of all State research within a single agency. We shall discuss this aspect in paragraphs 133-137.

123. It is apparent that the Council of Scientific and Industrial Research has been considered by departments (and even perhaps by Ministers) as merely a body promoting D.S.I.R. As a result, it has sometimes been viewed with suspicion. So that it can act as the advisory machinery which we are convinced the Government requires, and so that full use can be made of it, we recommend that it be reconstituted as a National Research Council consisting of, (i) not fewer than five members appointed by the Government, among whom should be the chairman and the deputy chairman; and (ii) four official members representing D.S.I.R., the Department of Agriculture, the Department of Industries and Commerce, and the Treasury. It would increase the effectiveness of the Council if it were responsible to a Minister of Science who should also be Minister in Charge of D.S.I.R. The Minister should be a member, and possibly chairman, of a Cabinet Research Committee which could include the Ministers of Finance, Agriculture, and Industries and Commerce, and which could deal with the financial provision for a research programme in much the same way as the Cabinet Works Committee now deals with the works programme. The National Research Council should be serviced by D.S.I.R.

124. The suggested inclusion of departmental officers in the National Research Council should help to reconcile departments to its extended influence. Treasury's representation is particularly desirable. Various witnesses complained to us of an alleged lack on the part of past Governments of proper appreciation of the financial needs of scientific research. Some blamed Treasury for this. Its presence in the National Research Council should enable those needs

to be better understood by those responsible for advising the Government in financial matters and, at the same time, should enable the other members of the Council to see their needs against the background of the general availability of Government finance. We contemplate that departmental proposals for the extension of research would be submitted to the Council following a procedure similar to that operating in the preparation of the works programme. The establishment of a Cabinet Research Committee (which should need to meet only once or twice a year) including the Ministers of those departments which, outside D.S.I.R., are likely to be most concerned with scientific research, should lead the Government to treat the Council as its national scientific adviser and to ask for advice knowing that it will not be unduly persuaded to the case of any one particular department or organisation. At present, the Minister of Agriculture is no doubt the Minister most deeply concerned. There would be advantages in having a common Minister for Science and Agriculture.

125. The advice which could be given to the Government by such a Council would cover, at least:

- (a) The overall needs of research in New Zealand, taking into account the scientific and technological needs of New Zealand industries and the utilisation of national resources.
- (b) The planning and coordinating of research on a national basis, including:
  - (i) The allocation of available funds (including grants in aid) among research projects or organisations:
  - (ii) The avoidance of duplication and overlapping in research:
  - (iii) The award of studentships and fellowships, and the encouragement of the training of research workers:
  - (iv) The association of the Government with industry in the promotion of fundamental and applied research:
  - (v) The promotion of research associations.
- (c) The maintaining of liaison with other countries in matters of scientific research.

126. Provision should be made in the legislation establishing the National Research Council for the receipt and use of bequests (including endowments) for scientific work. We were told that at present any money so received must be paid into the Consolidated Fund. This naturally discourages gifts from outside sources, for although the money given may in fact be used for the intended purpose, that may not be seen to be so. We consider that the Council should be entitled to receive gifts and to use them in the development of research. Such gifts should not in any way reduce the State's liability to contribute to research, and the Council should endeavour



to ensure that if moneys from these gifts are made available to State departments for some special research programme, the payments are received upon the condition that the departmental vote is not reduced as a consequence.

127. Two further and related questions were raised by the Council of Scientific and Industrial Research and supported strongly by some, but by no means all, of the scientists who came before us. These were (i) whether all major research now conducted in departments of State should be consolidated within one organisation, and (ii) whether D.S.I.R. should be converted from a department into a statutory corporation. For reasons which will be apparent later, it is more convenient to deal with the second of these first.

#### A DEPARTMENT OR CORPORATION?

128. The witnesses supporting the transformation of D.S.I.R. into a statutory corporation advocated one broadly similar to the Commonwealth Scientific and Industrial Research Organisation in Australia. Such a corporation, they contended, could be organised and administered more flexibly than a purely departmental organisation would allow. This flexibility would encourage the recruitment and retention of really able scientists. This view was supported by the Secretary of D.S.I.R., though some of his officers, including senior scientists, favoured the existing departmental structure.

129. The main difficulties alleged to be associated with research in a Public Service department are:

- (a) The present form of the appeal system can make it difficult or impossible to appoint the best qualified applicant, especially if he should be outside the Public Service.
- (b) There are certain practices associated with the promotion system (for example, personal reports marked to a rigid distribution curve, and the publication of classification lists) which are irritating and inappropriate.
- (c) The principle of relativity in salary rates among different sections of the Public Service holds scientific salary scales for outstanding men below world parity. It is difficult, therefore, to retain these men in New Zealand.
- (d) The Public Service system is not designed to deal with the outstanding man. It is based on limited rates of promotion and on maximum salaries which are less than those paid overseas.
- (e) Treasury and stores control are particularly frustrating to scientists intent on research.

It was claimed that a statutory corporation could eliminate these difficulties and it was pointed out that many Government research organisations overseas are constructed in that form.

130. We accept that it seems more difficult to recruit and retain outstanding professional men in a department than in a more autonomous statutory corporation. The distinguished professional man is resentful of irritating restrictions. His training and his cast of mind tend to make him independent in outlook and somewhat intolerant of rigid control. And controls seem to be more rigid in a department than in a corporation. However, it is apparent that the Public Service Commission has already gone a long way towards meeting the difficulties of scientific officers in the Public Service in the matters mentioned. No doubt the difference between salaries paid to scientists in the New Zealand Public Service and those paid overseas still exists, and hinders retention. But this difference is not wholly a result of the departmental structure. It is not only in State-employed scientific and other professional groups that salaries are lower in New Zealand than in some countries overseas. We believe, however, that if our recommendations for greater freedom and autonomy in departments, classification by occupational groups, appeal rights, and salary fixation are accepted and put into operation, the difficulties complained of should at least be further reduced, perhaps greatly so. We should add that even if a corporation were established the Government might still wish to maintain reasonable control over the salaries paid to the corporation's officers, and that the formation of a corporation does not necessarily avoid other Governmental controls.

131. We have already recognised the fact that many scientists seem happier outside a departmental structure. It seems, too, that there is a special need in a research organisation to select and promote rapidly young men in whom the management has confidence. To gain the best results, it is often necessary for the management to support its judgment by promoting particular persons in special ways. Again, there is sometimes a need to free the organisation of officers who, though reasonably competent, have failed to produce the results expected of them and who would be better employed in a different organisation. These results can probably be more easily obtained in a corporation, and to some extent that is an argument in favour of a corporation.

132. Nonetheless we conclude from the matters we have discussed that the evidence does not justify the destruction of the departmental identity of D.S.I.R. and the conversion of the department into a statutory corporation as long as research is fragmented among a number of departments. In particular, the re-creation of D.S.I.R. as a corporation while research officers are spread over many departments of State would lead to differences in conditions of employment

which would outweigh any balance of considerations which might lie in favour of corporation structure. If, however, a decision is made to assemble all major research conducted by the Government into one organisation, the case for a statutory corporation may be very much stronger. It is necessary, then, to consider whether we should recommend the gathering together of all that research into one agency of the Government.

#### CONSOLIDATION OF GOVERNMENT RESEARCH

133. Many eminent scientific witnesses considered the present system of spreading research among departments wasteful, and conducive to inadequate direction. They advocated unification within D.S.I.R. or a National Research Organisation. This was the official view of the Council and of D.S.I.R. Opposing this view were other scientists (some from D.S.I.R. and, more particularly, the Department of Agriculture) who considered this course undesirable and impracticable in a New Zealand setting.

134. The problems involved in this question are obviously most complex and would require detailed investigation in the departments and sections involved. It would be necessary, first, to distinguish "fundamental research" from extension and servicing work, and to decide on which side of the line each of the various branches of "applied research" should fall. It would then be necessary to decide, for each branch of research which it is proposed to transfer, whether the advantages to be gained from consolidation would be offset by increased difficulties in extension and servicing work. There seems to be general agreement that a close working association must be maintained between research and production. Whether any specific transfer of research from one department to another would hamper this close association is a question which (in our view) cannot be answered in terms of broad principle. It needs careful and detailed investigation of the present and prospective lines of communication between the producers and the research workers concerned.

135. We lean in favour of the consolidation of Government research, particularly in agriculture, but the question is obviously one on which we should not make a firm recommendation, not only because of the detailed investigation needed but also because it raises issues about which only a body having strong scientific representation in its membership could express a confident and useful opinion. We are not such a body and any recommendation which we might make could be harmful. Though these issues call for specialised consideration, the question finally is one of the allocation of functions in the machinery of government, a matter which we have already said is properly the function of a State Services Commission to advise upon. We recommend therefore that this whole question of the consolidation

of scientific research now conducted within State departments be taken up by the State Services Commission. As that Commission will not itself have the necessary scientific knowledge, this will be a proper case for it to establish a special advisory body composed of select and suitable persons. (We have recommended this general procedure in Chapter 3, paragraph 57.) The State Services Commission would, no doubt, seek to have included in the advisory body the members of the proposed National Research Council, or a sub-committee of them, supplemented if necessary by such other scientific personnel as may be wanted. We do not wish it to be thought, however, that we consider that the problem is necessarily one for scientists alone. The primary industries and others closely affected (or who have special knowledge) must be considered when the advisory body is constituted.

136. If the advisory body which we have suggested in the preceding paragraph is established, it should be asked, in the event of it recommending consolidation of research, to go further and consider whether the organisation wherein the consolidated research is to be conducted should follow the form of a State department or a statutory corporation.

137. While we have recommended that the consolidation of Government research and, if necessary, the constitution of D.S.I.R. be investigated by a special body set up to advise the State Services Commission, we consider it impracticable to conduct such an inquiry in the immediate future. It is not only necessary that the State Services Commission and the National Research Council be first established; it is also important, we think, that the National Research Council be given an opportunity to effect such improvements as may flow from its closer coordination and improved planning of scientific research. Only then will it be possible to see what further advantages, if any, might be gained by administrative consolidation. The State Services Commission should in the meantime conduct such studies (for example, about the nature and frequency of contacts between scientists and extension officers) as may be necessary in preparation for an inquiry.

## RECOMMENDATIONS

We recommend that:

- (34) The present Council of Scientific and Industrial Research be replaced by a National Research Council with the membership described in paragraph 123 to advise the Government on the needs, planning, and coordination of national research (par. 123-126).

- (35) The Government consider the advisability of appointing a Minister of Science, who would also be the Minister in Charge of the Department of Scientific and Industrial Research, and a Cabinet Research Committee which would include the Ministers of Science, Finance, Agriculture, and Industries and Commerce and which would deal with the financial provision for a national research programme (par. 123).
- (36) The National Research Council be empowered to accept and disburse bequests for scientific work (par. 126).
- (37) The State Services Commission be instructed to investigate at the appropriate time (preferably with the help of a select expert committee) (a) whether research should remain distributed among many Departments of State, or whether it should be the responsibility of a single agency; (b) if a single agency, whether this should be a department or a statutory corporation (par. 135-137).

## VALUATION

138. Two distinct proposals were made concerning the Valuation Department and Crown valuation work. One does not convince us; the other appears to have considerable merit.

### AMALGAMATION WITH LANDS AND SURVEY DEPARTMENT

139. Sir William Dunk thought that the Valuation Department and the Department of Lands and Survey should be amalgamated, on the general principle (so it would appear) that small separate departments are more costly than large. However, there seems little affinity in the work of those particular departments. None of the witnesses were prepared to support the proposal; and in evidence the Valuation Department was mentioned only in the context of whether it should undertake all Crown valuations.

140. We share the view of the 1912 Hunt Commission that a valuation department is more effective if it is an independent department. The Land Valuation Court seems to be of a similar opinion, and in a judgment (*D. to G*, 2 June 1949) states that, in the interests of justice, if valuations submitted by the Crown are made by a department, then that department should be dissociated from depart-

ments concerned with State lending, and with buying and developing land. We consider therefore that the Valuation Department should remain separate.

#### A CENTRAL VALUATION AUTHORITY

141. It was argued by the Public Service Commission that a Central Valuation Authority should be established; that is, all State valuations for all purposes should be made by the same body. In our view, much more than the nucleus of a Central Valuation Authority already exists, for the Valuation Department already makes most of the valuations needed by State departments and local bodies. The main exceptions are the rural and urban valuations of the State Advances Corporation and the rural valuations of the Lands and Survey Department. These are made by officers of the departments concerned.

142. Thus, the narrower (and real) issue is whether the corporation and the department should have their particular valuations supplied by the Valuation Department as other departments do. This issue was studied in 1947 by a special committee which recommended among other things the centralisation of all State valuation work. None of the committee's recommendations was implemented.

143. Submissions made to us in support of a Central Valuation Authority rested on the saving in field staff, saving in travelling expenses, and reduction of administrative costs. Submissions against came mainly from the State Advances Corporation and Department of Lands and Survey who contended that:

- (a) There would, in fact, be no saving in staff, because the Valuation Department would need more staff to handle the extra work:
- (b) Delays in transmitting valuation requests would cause inefficiency:
- (c) Field officers of the Corporation and the Lands and Survey Department had special knowledge of land development, particularly of country being developed. Thus they could more easily and equitably fix values for this land.

144. The issue divides itself into two parts: the one concerns rural valuations carried out as the first step in land development; the other concerns urban valuations carried out by the State Advances Corporation as a prerequisite to home finance, or fixing sale or rental value of State houses.

#### *Rural Valuations*

145. The original assessment of value and the later after-care work are intimately connected. The two parts of a process of land development cannot practicably be split. Witnesses including the Valuer-General stressed the need to have the valuing officer available to

supervise after-care work, and that this need could be best met by having the valuing officer employed by the department which was responsible for developing the land, or for making loans on it. The close link between valuation and after-care work seems so well evidenced that we recommend that the State Advances Corporation and the Lands and Survey Department retain their rural valuation staff if they wish to do so.

### *Urban Valuations*

146. None of the objections in paragraph 143 can be sustained in respect of urban valuations. Most urban work is already done by the Valuation Department which values almost all real estate in New Zealand once in every five years, and inspects records and compiles values of all properties, including those separately valued by State Advances Corporation. It already gives a valuation service to other lending organisations. The Valuer-General considered that his department could undertake all Crown urban valuation work completely and promptly. This would entail transfer of some present Corporation staff to the Valuation Department.

147. We consider that counter-arguments (a) and (b) in paragraph 143 cannot be upheld. We therefore see advantages in transferring the State Advances Corporation's urban valuation work to the Valuation Department. Not the least of these would be the more efficient use of a corps of highly trained valuers because of a reduced number of necessary inspections, reduced travelling time and cost, and reduced duplication in records and other basic data. The recruitment, training, deployment, and management of expert staff could be simplified, career opportunities increased, and the best men more easily retained. It is noted that valuers are scarce both within and outside the Service, making it difficult to recruit and retain staff. We therefore consider that all departments should have their urban valuation work done by the Valuation Department, which would, more than now, be a Central Valuation Authority.

## RECOMMENDATIONS

We recommend that:

- (38) The Department of Lands and Survey and the State Advances Corporation retain their rural valuation work and staff if they wish to do so (par. 145).
- (39) All Crown urban valuation work be done by the Valuation Department and that appropriate transfers of valuation staff from the State Advances Corporation to the Valuation Department be made (par. 146-147).

## NATIONAL LIBRARY

148. A National Library, if it has been maintained, would reduce expensive duplication of resources and finance, and provide better central services. Two special committees have already studied the proposal to set up a National Library which would integrate the services of the present State libraries in Wellington. The first, an inter-departmental committee, was set up in 1956 by the Public Service Commission on the Prime Minister's instruction; the second was the Parliamentary Select Committee of 1958. Both recommended unanimously that a National Library be established.

149. The evidence we heard supports the conclusions reached by these two well qualified committees. We are content to accept their unanimous views on the need for a National Library (preserving nevertheless the separate identity of the Alexander Turnbull Collection) and turn our attention to two important subsidiary questions of the organisation and autonomy of such a library.

150. Is it desirable to establish a National Library system before the constituent units (the General Assembly, Alexander Turnbull, and National Library Service Libraries) can be housed, for the most part, in a single building? Though a single building is necessary to the fully effective working of a National Library, we consider that the setting up of the library organisation should not be delayed until the building is erected. Matters could be immediately improved by legislating for and appointing the National Librarian, the administrative organisation, and the advisory council recommended by the Parliamentary Committee of 1958. These three should plan the exact scope and development of the National Library, including the type and size of the building needed.

151. Should the National Library be an autonomous body, or should it be located within a department of State? If the latter, which is the more suitable – the Department of Education or the Department of Internal Affairs?

152. We favour placing the National Library with an existing departmental organisation, for the creating of a small autonomous body does not seem warranted when a large department can supply many necessary services. It is a moot point whether the library would be better placed with Education Department or with Internal Affairs Department, for there are arguments in favour of each. We follow both the special committees in recommending that it should be attached to the Department of Education, as the National Library Service is now. The arguments in favour of the Department of Internal Affairs do not justify our differing from these committees, and recommending that the present connection with the Department of Education be disrupted.



153. Although we consider that for administrative convenience the library should be placed with the Department of Education, it should, nevertheless, be given substantial autonomy. We believe that the National Librarian should have direct access to the Minister of Education (as the Director of the National Library Service now has), to the State Services Commission, to the Treasury, and to any other relevant control authorities. We would see him free to prepare his own estimates, and to defend them before the Public Accounts Committee, even though it may be necessary, for procedural purposes, to include them in the estimates of the Department of Education. The National Librarian should, like the present Director of the National Library Service, be responsible for formulating and carrying into effect the policy of the library, subject to Cabinet and Ministerial control, and aided by the advisory council.

154. It will be apparent that the attachment of the National Library to the Department of Education is intended primarily to enable it to draw on the services which a large department can provide. Thus the National Librarian should have the status of a Permanent Head. He should be appointed under the procedure which we later recommend for Permanent Heads (Ch. 6/224-229), and his appointment should not be subject to appeal (Ch. 6/284-288).

## RECOMMENDATIONS

We recommend that:

- (40) A National Library be created and a National Librarian be appointed, along with an advisory council, to organise and control the library (par. 150).
- (41) For administrative convenience the library be associated with the Department of Education, but the National Librarian have the degree of autonomy stated in paragraph 153 and the status of a Permanent Head (par. 154).

## TOURISM

### PRELIMINARY

155. New Zealand's outstanding scenic attractions should make tourism a considerable source of national income. But this has not happened. Indeed, New Zealanders travelling overseas take much

more money out of the country than visitors to New Zealand bring in.\* There are no doubt many causes of this situation. An experienced observer, H. G. Clement, Vice-President of Checchi and Company, Consulting Economists, of Washington, D.C., recently expressed his views on them in a report based on a survey of tourist potential in the Pacific and Far East and prepared for the United States Department of Commerce. He wrote :

From the point of view of tourism, New Zealand is not well located geographically. With the exception of its position *vis-a-vis* Australia, which is its major source of tourism, New Zealand is poorly situated with respect to distance and cost of transportation to major world markets. And probably the country evokes no particular "image" in these markets. Moreover, the system of control by the Tourist Department as to what can and cannot be paid to travel agents abroad apparently provides little incentive for these agents to route their customers to New Zealand.

Within the country itself, there is, in our opinion, widespread disinterest in international tourism, an attitude that is reflected in important Government circles. As a result of this disinterest, there is little sympathy with the complaints of tourists, even though such complaints are very often justified. There is, for example, a critical shortage of first-class hotel rooms at key points. Existing hotels are all too often unattractive, badly run, and staffed with personnel that gives antagonistic and poor service because it confuses service with servility.

The tourist is surrounded with regulations, governmental and otherwise. He is restricted as to the hours when he can eat (serving hours in hotels are rigidly set and of short duration), where he can eat (first-class restaurants are a rarity), what he can eat (the food suffers from sameness and *a la carte* menus are practically nonexistent), when he can drink (until 6 p.m. outside of his hotel and not at all in restaurants), where he can drink, and what he can do. With the exception of outdoor sports and sightseeing, there is little for a tourist to do. Public transport stops on Sundays, and weekends for the tourist can be dull. Nightlife is nonexistent. Shopping is indifferent and in some cases expensive.

156. Some of these assertions appear to be overstated, and some of the matters mentioned have been improved since the report was written (for example, some restaurants have been granted liquor licences and some hotels extended and modernised). But an impartial person must admit that there is some substance in Mr Clement's comments. They do not stand alone. Other critics have said much the same; and it is evident that commercial and Government circles are disturbed at the state of the tourist trade. Indeed, it was mainly

\* (a) Reserve Bank travel receipts for 1961, £3.9 million.

(b) Reserve Bank travel payments for 1961, £14.9 million.

(The Department of Statistics assesses the latter figure at about one-third spent on business trips and about two-thirds on pleasure travel.)

(c) It is Government policy to increase travel receipts to £10 million. At the present rate of growth (not allowing for transport developments which could radically alter trends) it is hoped to reach this between 1968 and 1970.

this disquiet, it seemed, which led to submissions to us inviting a consideration, and even a reallocation, of the functions of the Tourist and Publicity Department.

#### THE FUNCTIONS OF THE TOURIST AND PUBLICITY DEPARTMENT

157. These functions may be grouped broadly in this manner:

- (a) To promote tourism – this is discharged by (i) providing a Travel Commissioner Service in selected posts overseas; (ii) operating bureaus in New Zealand and Australia (Melbourne, Sydney, and Brisbane) selling travel to, and within, New Zealand; (iii) managing gardens, playing fields, reserves, and national spas in such places as Rotorua and Queenstown.
- (b) To administer the Rotorua Electric Supply Authority.
- (c) To administer a publicity division which is mainly concerned with providing information, publicity, and other general promotional services for the Government, departments of State (including the Tourist Department), and approved private organisations. It does this through a corps of journalists, the National Film Unit, and the National Publicity Studios.

#### SUGGESTIONS FOR REFORM

158. Many suggestions were made to us regarding the promotion of tourism and its administration. Witnesses appeared concerned that New Zealand was not earning enough through its tourist attractions. The discussion concentrated on the question of the organisation best suited to increase the earnings.

159. The Public Service Commission considered that the functions of the Tourist and Publicity Department could now be redistributed without adversely affecting tourist promotion. It proposed (i) that the Tourist Hotel Corporation (a Government agency), or private booking firms should take over the ticket-selling activities of the bureaus, both in New Zealand and overseas, and that the publicity work carried out by New Zealand Tourist Officers overseas be transferred to the Trade Commissioner service of the Department of Industries and Commerce; (ii) that the administration of gardens, spas, etc., be placed with the Lands Department or with local bodies; (iii) that the Rotorua power supply be handed over either to the New Zealand Electricity Department or to a local body; and (iv) that the Publicity Division be transferred to the Prime Minister's Department.

160. The Department of Industries and Commerce supported the Public Service Commission's coupling of tourism with the development of other aspects of trade, and thought that it could be promoted vigorously overseas through the network of Trade Commissioners. However, unlike the Commission, it advocated that it should also

absorb the Publicity Division. Private witnesses gave some support to the assertion that promotion of trade and promotion of tourism overseas were related and needed unified and energetic leadership, preferably within the Industries and Commerce Department.

161. The Tourist Hotel Corporation opposed all these suggestions. It advanced a case for its own reconstruction as a "Tourist Corporation of New Zealand", and the consequent gathering to itself of the tourist side of the Tourist and Publicity Department. It would carry out all necessary tourist promotion within New Zealand and overseas, and, while retaining the overseas bureaus at least temporarily, would proceed to transfer to private agents all ticket selling within New Zealand. In effect, its case was to take over the tourist-promotion activities of the present department. It had no wish to absorb the Publicity Division.

162. Treasury considered that there was no clear advantage in dismembering the department; it should be left as it is, at least for the time being. The New Zealand Travel and Holidays Association Incorporated took a similar view. It maintained that there should be a strong department devoted primarily to the fostering of New Zealand's tourist potential on behalf of the industry as a whole; that that department should include the Publicity Division (as at present) but that the Tourist and the Publicity sections should both come under one Minister instead of two. The association would like to see the Department relieved of the Rotorua power supply and the administration of spas and reserves. It would also have it gradually give up ticket selling.

163. The Prime Minister's Department opposed putting the Publicity Division once again within its organisation. It argued that much of the Division's work is technical and not appropriate to a Prime Minister's Department. The Internal Affairs Department claimed that it could efficiently administer the work of the Publicity Division, if it were required to do so.

164. The Tourist and Publicity Department itself wished to remain independent, and keep its present main responsibilities. It agreed that it should be relieved of incidental functions such as the various reserves, spas, and the Rotorua Electric Supply Authority. It thought that there would be serious practical difficulties in disposing of its ticket-selling business and saw no compelling reason for doing so. It believed the best administrative arrangement to be a separate department mainly concerned with promoting tourism, and that there were advantages in keeping the Publicity Division within it.

#### AN APPRAISAL

165. We considered these proposals, and, as far as we could, surveyed the past development and assessed the future expansion of

tourism in New Zealand. (For convenience we shall refer to the tourist "industry", but in point of fact several industries are concerned in the tourist trade.)

166. We had to answer a number of pertinent questions. Would any of the proposals eventually increase tourist income or give greater returns for expenditure, make for better publicity overseas, better services to the tourist, or better coordinated advice to the Government? Is a small enthusiastic department with a single purpose likely to give more energy to promoting tourism than a small division of a large multi-purpose department? Would New Zealand's tourist promotion be regarded suspiciously by overseas agents if the Tourist Hotel Corporation absorbed the work of the Tourist Department? Would this added activity slow down the Corporation's efforts to develop tourist hotels—its main purpose? Has the industry yet reached the stage where tourist promotion would be improved by passing to an independent organisation a responsibility similar to that exercised by the British Travel and Holidays Association?

167. In the course of considering these questions, we came to the conclusion that, though the administration of tourism could be improved, the main hindrances lie elsewhere—for example, in national attitudes and in some provisions of the laws of the country. The administrative changes we shall propose are unlikely by themselves to transform the situation, but they should provide better means of attacking the more substantial obstructions.

168. To do this, we believe that a combined effort by the Government and private industry is necessary. This is one reason why we think the Tourist and Publicity Department should, for the present, remain a separate departmental organisation. The New Zealand Travel and Holidays Association Incorporated, a promotional organisation formed by those associated with the industry and supported both by a Government grant and by private subscription, has recently shown commendable activity in joining with the department to seek better coordination within the industry. The joint committees set up for this purpose seem to be working satisfactorily. They should be given reasonable time to prove themselves before any decision to disband the department is made. The recommendations which we shall make for alterations in the structure of the department should stimulate the trend towards greater cooperation between the Department and private industry. We think that that is the route which should be followed.

#### PROPOSALS

169. There is today a world wide desire to travel. The main task of a tourist organisation is to gain for New Zealand the greatest possible advantage from this situation. To do this, it must succeed in its

two primary functions – publicising New Zealand's tourist attractions abroad, and developing tourist facilities in New Zealand. Success in the first will call for something more than the dissemination of well conceived publicity about New Zealand's tourist attractions. It will mean gaining the goodwill and help of travel agents and transport organisations. Success in the second will probably be more difficult to achieve. As well as working to change public attitudes, the organisation will need to encourage more imaginative travel programmes, improved hotel standards and services, simpler entry and departure procedures, and improved service and amenities.

170. The British Travel and Holidays Association seems to us a tourist organisation whose manner of operation would very closely suit New Zealand's long-term needs. The association has a large board drawn almost wholly from different sectors of the industry. The board works, in the main, in a series of subcommittees. It has staff both at home and abroad. It has considerable status and prestige, and is accepted by the British Government and industry as a very competent and successful organisation despite a comparatively modest budget of approximately £1.3 million, four-fifths of which comes from a Government grant-in-aid and the remainder from subscriptions, donations, sale of publications, and various other sources. We know that the New Zealand Travel and Holidays Association aims to follow the pattern of its British counterpart. But at present it lacks the experience and the status to gain all the support necessary to carry the full responsibility for tourism. Nevertheless it can help the industry considerably if it continues to develop as it has in the past.

171. The immediate need is for the Government to continue to provide the administrative organisation for fostering tourism but, at the same time, to associate it very closely with the whole tourist industry, so that the combined efforts can then be used to the best advantage. The relationship should be such that if, in the future, it is decided to hand the promotion of tourism wholly to an organisation like the British Travel and Holidays Association, the transition can be smoothly accomplished.

172. We therefore propose that the Tourist and Publicity Department be retained but that an Executive Board be created in the Department with the Minister as chairman. Its members should be drawn, in the main, from outside the State Services and should include representatives from various branches of the tourist industry. We are aware of the arguments against board control of a department; but we believe that there is in this instance particular justification for that form of control. Not only is it desirable because of the need for close cooperation between the Government and private sectors of the industry, but through its membership, such a board

should bring to the promotion of New Zealand's tourist attractions abroad and the development of tourist facilities in New Zealand, a considerable wealth of informed opinion and ability.

173. The Board should be concerned with formulating policy and seeing that it is carried out. We see it operating in much the same manner as the Land Settlement Board within the Lands and Survey Department. The General Manager (as Permanent Head) and his officers will be responsible for implementing the decisions of the Board.

174. The Board on appointment should rid itself of those responsibilities which might divert energies from what we consider to be the major purpose of the Department. Those responsibilities are:

- (a) *Ticket Selling in New Zealand and Australia*: Notwithstanding the department's opinion (par. 164), we are satisfied that the linking of ticket selling with national tourist responsibilities has undoubtedly been a handicap to tourist promotion abroad, particularly in the United States. Ticket selling could be done by private booking agents or could be transferred to a separate State-owned company or even to the Tourist Hotel Corporation. It would be for the Board, subject to the approval of the Government, to decide on the best course.
- (b) *Control of Reserves, Spas, Walks, and Gardens*: Where appropriate this should be placed with the Lands and Survey Department, the Tourist Hotel Corporation, or local authorities. The National Parks Authority (serviced by the Lands and Survey Department) could perhaps maintain and develop many of these attractions as it is already doing with some National Parks.
- (c) *Operation of Rotorua Electric Power Supply*: This is the residue of the wider public responsibilities which the Department once had in Rotorua but which now have been handed over to local authorities. It seems that the difficulty of reaching agreement with the local bodies concerned has prevented the transfer of the power supply. If necessary, the New Zealand Electricity Department could no doubt administer the supply.

#### PUBLICITY DIVISION

175. The functions of the Publicity Division should not come within the control of the proposed Tourist Board. This division will continue to provide publicity services for the Tourist Department; but it will also provide similar services for a number of other departments.

176. Suggestions that the Publicity Division should be separated from the Tourist Department and relocated with some other department have already been mentioned. A further possibility is that it should become a separate department. The present arrangement is by no means ideal. One Minister is responsible for the tourist side of the Department and another for the publicity side. The Permanent Head, if he is to devote his energies to the development of tourism, cannot be expected to take a great deal of interest in the publicity policies and needs of other departments. Yet these—for instance, those of Trade and External Affairs Departments—are important.

177. Nevertheless, the present arrangement has administrative advantages. The Publicity Division is located with its biggest user, the Tourist Department. If it were elsewhere, coordination problems would be greater. If it were with one of the other departments which use it extensively, it might be dominated to the disadvantage of other departments.

178. There is no urgent need for change, but if the promotion of tourism is eventually taken over by an organisation like the British Travel and Holidays Association, the Publicity Division will have to be relocated. We consider that the State Services Commission should keep the matter under review.

## RECOMMENDATIONS

We recommend that:

- (42) The Tourist and Publicity Department be retained and strengthened by the appointment of an Executive Board within the department, with the Minister as chairman and members drawn substantially from outside the State Services, and including representatives from various branches of the tourist industry (par. 172).
- (43) The Board, when appointed, dispose of the department's incidental functions and concentrate on the central functions of promoting New Zealand's attractions abroad and developing tourist facilities in New Zealand (par. 174.)
- (44) The Publicity Division be retained within the department but not under the control of the Board, and the question of relocating it be kept under review by the State Services Commission (par. 175–178).



## WORKS

179. In Chapter 3 we discussed the Ministry of Works as a control department, and noted that it was also a very large operational department. Witnesses adversely criticised its operational work on three main counts:

- (a) The Ministry is too big to be managed efficiently:
- (b) The Ministry undertakes work which should be left to private enterprise:
- (c) The Ministry undertakes work which properly belongs to other departments. (However, the Commissioner of Works considered that the Ministry should properly have charge of certain work which is now done by other departments.)

180. We shall discuss these main points, and refer to specific detail only as may be necessary to illustrate the principles concerned.

### SIZE OF THE MINISTRY

181. The Ministry of Works Act 1943 provides in section 2 (2) that the Minister of Public Works shall be charged with the administration of the Public Works Act, and with the execution of all Government works. "Execution" is defined to include "the establishment, constitution, and undertaking thereof". The Public Works Act in turn places on the Minister a host of specific powers and responsibilities for roading, bridges, railways, defence, drainage, irrigation, mining, electric power generation and reticulation, aerodromes, and the taking of land for these and other purposes. Other legislation places on the Minister additional responsibilities for such matters as the design and construction of State houses and flats, town and country planning, geothermal energy, and the Waikato Valley Authority.

182. Thus, the Ministry as the Minister's agent, has wide statutory responsibilities, apart from those which are given it under administrative arrangements. The increased pace of development involves the State in extensive construction work, much of it on a large scale; and at the same time there is the growing task of maintaining completed works.

183. The Commissioner of Works told us that the Ministry controls directly almost 75 per cent of the total State works programme. For the year to 31 March 1961, it spent almost £73 million. Thirty years ago the Department spent £8 million, and it was said that the ratio of the two expenditure figures is a reasonably true measure of the increased amount of work done, for the depreciation in money values has been more than offset by the reduction in construction costs through new techniques and mechanisation.

184. The Ministry carries out this huge amount of work, and also the control responsibilities described in Chapter 3, through a permanent professional, technical, and administrative staff of 4,800, and 8,500 temporary employees and workmen. This 13,300 would seem a large staff. But it comes into perspective when compared with the Post Office's 25,000, the Railways Department's 24,000, or (if indirect responsibility is taken into account) the Education and Health services' 31,000 and 30,000 respectively. It is clear that the Ministry is not too big for efficient management merely on the basis of the number of staff controlled.

185. It may be, however, that the type of work which has to be done, or more truly the diversity of the types of work, is more important in this connection than the mere numbers employed. Though the references we have made to the Ministry's statutory responsibilities give some indication of this diversity, it may be better appreciated from the brief summary which the Commissioner submitted showing the classes of work carried out by the seven Divisions of the Ministry:

(a) *Civil Engineering Division*

Survey, investigation, design, research and construction of engineering works, including railways, irrigation schemes, water supply, opencast coal mines; land drainage; maintenance and construction of aerodromes, lighthouses, harbour works, roads and highways, defence works and housing services; engineering services to other departments and local bodies. This includes structural engineering for major building works and public health engineering.

(b) *Power Engineering Division*

Investigation, research, design, and construction of major Government electric supply schemes, whether hydro, geothermal steam, or coal-fired steam stations. In addition, the Division undertakes major laboratory testing, some special design work on major structures.

(c) *Mechanical and Electrical Division*

Responsible for plant, machinery, motor vehicles, and mechanical services for all divisions of the Ministry of Works; heating, lighting, ventilation, and air conditioning and other building services in public buildings, defence installations, and military camps; special lighting for aerodromes; consulting and advisory service to other departments and local authorities.

(d) *Architectural Division*

Conception and functional planning followed by design, construction, and maintenance of a very wide range of buildings; advice on building matters to other Government departments, local authorities, and semi-Government organisations including fire prevention.

(e) *Roading Division*

Specialised roading considerations such as standards, materials, and road structure, the geometry of roading, statistics, road safety, and traffic engineering. This Division serves the National Roads Board.

(f) *Housing Division*

Design and construction of State rental houses and flats and land development for housing, construction of houses for other Government departments, planning and development for commercial and industrial blocks; servicing group housing schemes.

(g) *Administration Division*

Finance; staff and stores control; land acquisition; legislation and other legal work; contracts and tenders; administrative co-ordination and servicing; programming; inspections and investigations. This includes stores purchasing and land purchasing for other Government departments.

186. It is obvious that the effective control of such a variety of operations of such magnitude must present major problems of organisation. But that is not to say that such problems cannot be overcome, nor indeed that they have not been overcome. Some of the critics of the Ministry claimed that other countries separated these various types of activity and entrusted them to different organisations. The Commissioner, however, pointed out that his organisation had counterparts operating effectively in the United States and other places overseas.

187. There is no doubt that the Ministry's organisation is designed to overcome the problems to which we have referred. Although there are seven Divisions, they are coordinated both at the top, under the Commissioner and Deputy Commissioners, and at the district level, under District Commissioners. The Divisions are not water-tight compartments, but are dependent on one another. Thus the Power Engineering Division is assisted by all of the other Divisions in various ways, for example by:

- (a) Architectural Division in designing powerhouses:
- (b) Housing Division in planning and building villages:
- (c) Civil Engineering Division in designing bridges:
- (d) Mechanical Division in procuring plant:
- (e) Roothing Division in constructing access roads:
- (f) Administration Division in purchasing land, procuring stores, and accounting.

188. What is not clear, is whether the administration achieved by this form of organisation is as efficient and economical as it could be, or whether it is as efficient and economical as is likely to be achieved by some other form of organisation. We can see the difficulties

hindering the pursuit of efficiency which are inherent in the kind of work undertaken by the Ministry. We can see that the organisation is designed to overcome those difficulties. But the technical nature of the work makes it impossible for us to decide whether efficiency and economy are in fact achieved.

189. We heard a number of complaints of delays said to arise from both the control and the operational functions of the Ministry. The present Commissioner and his predecessor replied to these, claiming generally that the Ministry was not to blame. Certainly there have been delays. Our lack of technical knowledge prevents us from deciding to what extent these could have been avoided. In some cases, no doubt, they are accounted for by the shortage of qualified staff to which we refer more fully in Chapter 6.

190. However, even if the Ministry were not short staffed, it would find it difficult to meet promptly every demand made upon it. Because it operates within a career service, its permanent staff establishment of draughtsmen, engineers, architects, and the like tends to be static. A sudden surge of demand from a particular direction (for example, for additional power stations or aerodromes) cannot immediately be met by staff expansion in the particular categories needed. Some delays are almost inevitable. The present form of organisation within which different Divisions, under unified command, can quickly help one another, seems on the face of it to provide for this difficulty better than separate departments could. However, a technical appreciation of the various skills required is necessary to assess whether in fact the organisation is as flexible as it should be. We return to the problem of assessing technical efficiency after discussing the other headings of criticism.

#### THE USE OF CONSULTANTS AND CONTRACTORS

191. A number of organisations made representations to us on the theme that greater use should be made of private consultants and contractors. It would be easy enough to dismiss these representations as being less concerned with the efficiency of the State Services than with the well-being of the consultants and contractors. But we do not do so. Such people see the State Services from a different point of view from that of the State servant. They look at them – and at him – with a critical eye. It was precisely that different, critical point of view that we sought when inviting submissions.

192. It was urged on us that the use of private consultants and contractors leads to efficiency, because they operate in a competitive field and are therefore vitally interested in saving time and

reducing costs. Their reputations and their continued success depend on satisfying their clients, in this case a Government department; and the importance of the State as a client ensures that their best efforts will be directed to satisfying it. State construction would also benefit from a greater variety of ideas. Moreover, more use of outside firms would give greater flexibility and would help to overcome the difficulties arising from staff shortages and surges of work of particular kinds. In respect of contractors, it was pointed out that the State obtains the advantage of competitive tendering, and of knowing in advance what the cost will be.

193. In fact, the Ministry of Works does make considerable use of private consultants and contractors. Some of the examples given were:

- (a) At a certain time in 1961 private architects were commissioned for 40 jobs, estimated to cost £4½ millions.
- (b) On roading, 90 per cent of sealing is done by private contract, 55 to 70 per cent of earthworking and general formation, and virtually all road metal supply.
- (c) The major portion of earthworks is carried out by contract, or by plant hired from contractors. Contractors' plant used on hire, in proportion to departmental plant used, increased, we were told, from 1:4 to 1:2 in five years.
- (d) More than half of the overburden removed in opencast mining in the year ended 31 March 1961 was done by contract.
- (e) Housing construction is almost entirely done by contract.
- (f) Excluding housing, 849 contracts of all types were let during the year ending 31 March 1961, 273 of them exceeding £5,000.
- (g) Of these, 297 contracts were let for buildings, 91 of them being for amounts exceeding £5,000.

194. Nevertheless, the general tenor of the Ministry's submissions indicated a resistance to increasing private industry's share of construction work. The main reasons given for this were:

- (a) It is necessary to maintain the Ministry's operational role to serve as a basis for its control role.
- (b) The Ministry can do the work more economically partly because the need for its supervision remains even when work is done by others.
- (c) Private industry is itself overcommitted. There were nearly twice as many cases in 1960-61 as in 1959-60 where fewer than two tenders were received for contracts of over £5,000.
- (d) Private concerns can, in certain cases, accept more State work only if they can attract skilled men from the Ministry, thus leaving the Ministry shorthanded both for its control work and its proper share of operational work.

195. We have already acknowledged (Ch. 3/171) the advantages derived when an operational role supports the control role in work of this kind. It is open to question, however, whether the Ministry's present operational role is not, in some spheres, more than adequate for that purpose.

196. We cannot judge whether the Ministry can in fact economise by doing work itself. We understand that it does certain classes of work only if it is satisfied that money will be saved by doing so. In other classes, however, the Ministry seems to proceed on the assumption that no one else can do the work as well or as economically. It may be correct; but again we cannot judge.

197. We think that certain principles should be observed. The need for economical and sound construction is indeed paramount, but the Ministry's control functions, rather than its constructional activities, must be regarded as the principal means of securing this. The need to maintain an organisation which can effectively discharge those control functions naturally follows. But there is also a need to ensure that the capacity of the construction industry generally is such that it can play its proper part in the country's development.

198. The balancing of these considerations is by no means easy, and it is obvious that views will differ, possibly at times for political reasons. We suggest that the guiding principle should be that the State's main role is in control and administration. The operational role, while reinforcing the main role as far as is necessary, should be subordinate.

199. We consider, too, that there is room in the construction field for more consultation between the Ministry and the industry. Such consultation would be designed not only to gain better understanding and increased efficiency, but to give the industry more knowledge of probable developments, and therefore a better basis for its own planning.

#### THE RELATIONSHIP OF THE MINISTRY TO OTHER DEPARTMENTS

200. Departments of State require various buildings and other works – hospitals, prisons, schools, dams, workshops, offices, bridges, and roads. We discussed in Chapter 3 the Ministry's control functions in respect of these needs. It also has a servicing function. It advises departments how best to obtain what they need, it designs the structure, and sometimes builds it. If it does not do the construction itself it calls for and lets tenders, and supervises the work. This servicing function extends also to the maintenance of existing works.

201. If there were no Ministry of Works – or if the Ministry were confined to its controlling role – each department could no doubt arrange its own construction by employing expert staff or by using

consultants and contractors. The justification for the Ministry's operational function is that, as a general rule, a department which is staffed and organised to handle construction as its main purpose can do so more efficiently and economically than can a department the main aim of which is, say, the administration of justice, and for which construction is only incidental.

202. The greater competence of the specialist construction department springs from its organisation, which is geared to meet the specific problems of construction, and from the greater variety of skills which it can command from its own staff. If this greater competence be the sole criterion, it is more efficient and economical for the construction department to do all the construction work of all departments. The Ministry tended in its evidence to us to regard it as the sole criterion; and therefore not only resisted suggestions that other departments should handle construction work but also sought to have more entrusted to itself.

203. However, we do not believe that the criterion we have mentioned is the only one which should be applied. It is also necessary to ensure that the aims of the various departments are served by construction, and do not become subservient to it. These aims are best understood by the departments which are responsible for them. They should not be defined by the department which has construction as its speciality and as its aim.

204. The two criteria need to be balanced, the one against the other, according to the circumstances affecting different cases. On the one hand, however desirable it may be for a department to undertake its own construction, it should not do so unless it can do so efficiently and economically. On the other hand, the ability of a department to undertake its own construction (or any phase of it) does not justify its being allowed to do so if the construction department, the Ministry of Works, can do the job more competently and without impairing the client department's aims.

205. We shall, in the light of these observations, discuss two specific cases which illustrate the principles and problems concerned. The first relates to the design and functional planning of airports. The Commissioner of Works of the time considered that there was a lack of coordination between the Ministry of Works and the Civil Aviation Administration, and to some extent a duplication and conflict of function. He said, "Without question these functions should be controlled by one body and it is clear that Ministry of Works is the best equipped organisation to undertake this airport planning, design, and construction work from start to finish."

206. The Director of Civil Aviation, however, pointed out that the planning of a modern airport involved the operational planning of air traffic control and other aviation requirements, and the functional

planning for economical handling of air and ground traffic and for effective disposition of terminal facilities. He claimed that these were aviation problems, rather than construction problems, and were properly handled within an aviation administration.

207. In this case it seems to us that Civil Aviation can more effectively and economically employ the specialist staff needed to plan the airport having regard to the aviation objectives. These objectives take precedence over purely constructional considerations, except as far as those considerations impose a physical limitation on aviation objectives. However, the Ministry of Works can more effectively and economically carry out the construction. There could be room for differences of opinion about which department should do the designing which comes between planning and construction, but the Director of Civil Aviation did not seek to have it taken away from the Ministry.

208. The second case concerns electric power development. The New Zealand Electricity Department is responsible for the generation of electricity and for its transmission to electric supply authorities. The General Manager said, "This involves forward estimating of loan and finance, and planning of development well in advance of requirements. It also carries with it the onerous task of endeavouring to ensure that the plans are carried through to fruition." He added, "planning, design, and general control is carried out in Head Office," and that the department's engineers "are responsible for the conception, design, construction . . . of power schemes," while the Ministry of Works acts as "civil engineering consultant and civil construction agent for the Department."

209. On the other hand, the Ministry told us that the Power Engineering Division of the Ministry of Works "is responsible for the investigation, design, construction . . . of power stations". There would, on the face of it, appear to be a conflict or at least a duplication of function here. We were assured that in practice this is not so. The General Manager of the Electricity Department said that "Duplication of functions is avoided by close collaboration between the department and the Ministry of Works . . .". The Commissioner of Works said that "the degree of coordination which exists between Ministry of Works and New Zealand Electricity Department has been achieved over a period of many years and has been developed to a stage where the functions of the two organisations are blended into a single entity with a common purpose—the development of the country's power resources. The close liaison with the New Zealand Electricity Department provides for maximum efficiency".

210. The impressive development of hydro-electric power in New Zealand since the last war would appear to justify this claim. Nevertheless, there is a fundamental difference between the Electricity



Department's description of the Ministry as its consultant and agent, and the Ministry's conception of its role as being "responsible for investigation, design . . .". There is also a strong body of informed opinion to the effect that the organisation which has the responsibility for selling electricity should also be responsible for planning and building power stations, on the ground that such an organisation is much more cost conscious than a construction department.

211. In paragraph 187 we refer to the interdependence of the various Divisions of Ministry of Works, with particular reference to the Power Division. There are obvious advantages in the present situation, and coordination difficulties would be increased if the Electricity Department built up its staff to carry out the investigation and design of power installations. The margin of advantage in efficiency may be heavily in favour of this work being done by the Ministry. It may also be that the Ministry does in fact restrict itself to the role of a consultant and servicing department and that construction considerations are subordinated to the objective of the economical production of power. The point is that this is an important area of potential conflict and the efficiency of Government administration demands that there should be no doubt that the most efficient and economical course is being followed.

#### CONCLUSIONS

212. In this section we have discussed the size of the Ministry of Works, and its relationships with outside firms and with other departments. We have offered opinions about the basis on which various questions should be determined, but we have come to no definite conclusion whether or not changes should be made.

213. Other questions were raised with us which we do not discuss here: whether the Town and Country Planning Branch is properly located or adequately used within the Ministry (par. 250-252); as to the costs of services; and about the full utilisation of valuable plant. All of these questions, those we have discussed and those we have not, ultimately concern efficiency. The Commissioner, as departmental head, is responsible to his Minister for the efficiency of his department. But the Government will be also entitled to have an objective assessment of the Ministry's efficiency from the State Services Commission.

214. The difficulty which will face that Commission in making such an assessment is fundamentally the same as that which prevents us from determining whether or not certain changes should be made. The problems are technical. We are not, nor will the State Services Commission be, proficient in the techniques involved. It is possible for a lay administrator - or control department - to make decisions on

technical matters, but it is difficult to do so when all of the technical advice and information comes from one side. Nevertheless, the Government's responsibility for the overall efficiency and economy of the State Services, and therefore the State Services Commission's responsibility to the Government, must extend to technical aspects of Government administration as much as to any others. The State Services Commission must take a keen interest in the efficiency of the Ministry, and in the balance between the construction which it undertakes and that undertaken by private firms and other departments of State. The Ministry should not be the sole judge of the effect of that balance on efficiency.

215. We do not think that the State Services Commission should build up a technical staff to review the operations of technical departments such as this. A large staff would be needed to be effective, and that is open to the kind of objections we raised in relation to Treasury in Chapter 3, paragraph 111. But it could and should make more use of the Ministry's own technical inspection reports than has been made in the past.

216. But this will not be enough. Having regard to the importance of the role of the Ministry, the scale of its operations, the magnitude of its expenditure, and the difficulties inherent in making an independent audit of its efficiency, we believe that there is need of periodic reviews of its organisation and of its activities. We do not think that a sufficiently qualified, experienced, and independent investigatory committee could be found in New Zealand to carry out this task. We consider therefore that the State Services Commission should from time to time invite some overseas organisation with experience in large-scale construction and development to send to New Zealand some competent men to cooperate with the Commission in conducting an investigation of the structure, the operations, and the overall efficiency of the Ministry of Works.

## RECOMMENDATIONS

We recommend that:

- (45) In addition to the re-examination of the Ministry's control functions mentioned in Recommendations 16 and 17 and in furtherance of the responsibility for keeping the efficiency of the State Services under review, the State Services Commission from time to time invite suitable experts from overseas to assist it in conducting investigations into the structure, the operations, and the overall efficiency of the Ministry of Works (par. 212-216).

- (46) In any review of the Ministry's operations, the State Services Commission have regard to the balance between the construction the Ministry undertakes, and that undertaken by private firms and other departments of State (par. 214).

## SOCIAL WELFARE WORK

217. In the last eight years various proposals have been made for the better coordination of the Government's social welfare activities. The proposals ranged widely, from greater coordination among present departments, to the reallocation of their functions, and even to the establishment of a comprehensive Social Welfare Department embracing all the State's social welfare activities. We heard sufficient evidence relating to these proposals to convince us that the subject needs a far more detailed study than we could undertake. From the investigations previously made it is evident that it is a most complex and difficult one.

218. In 1956, the Government established an inter-departmental committee with an independent chairman to study and report on this matter. It reported in 1958, and recommended (among other things) that a Social Welfare Advisory Board be set up to coordinate State social welfare activities. The present Government adopted this recommendation in a modified form in April 1961, and established a Board consisting of the Director of Social Security (permanent chairman) and the Permanent Heads of the Departments of Education, Health, Justice, Labour, and Maori Affairs. The Board is responsible for coordinating State social welfare activities; for acting as the Officials Committee for the Cabinet Committee on Social Questions; and, with the Public Service Commission, for reporting on the rationalisation of State social welfare work and the desirability of establishing a Department of Social Welfare.

219. It was, however, urged upon us (strongly by some witnesses) that, notwithstanding the existence of the Board, we should recommend to the Government a Department of Social Welfare. Other witnesses opposed such a recommendation. It seems to us that the Board now in existence should be able to bring about improved coordination, the extent doubtless depending on the willingness to cooperate of the departments concerned. The weakness appears to lie in the fact that no member of the Board has authority beyond his own department. The State Services Commission should therefore maintain a continuing and close watch on State social welfare work, for it has a responsibility for overall efficiency and hence for recommending to the Government integration of welfare services if that

becomes necessary. We consider that the State Services Commission should be represented on the Board; indeed we would go further and recommend that the chairman be drawn from the Commission.

### RECOMMENDATION

We recommend that:

- (47) The State Services Commission be represented on the Social Welfare Advisory Board, and that its representative be appointed chairman of the Board (par. 219).

### PROPOSALS TO BE FURTHER INVESTIGATED BY THE STATE SERVICES COMMISSION

220. We now deal more briefly with those proposals which in our view should be referred to the State Services Commission for further inquiry. The evidence which we received relating to them will be available to that Commission, except that given confidentially.

#### ALIENS REGISTRATION AND ADMINISTRATION

221. The Departments of Internal Affairs, Justice, and Labour are concerned with this work. All witnesses seem to agree that the work can be more rationally organised; but that further study is needed before a proper decision can be made. Such study should take into account the views of the Director of Security. We leave it to the State Services Commission to see that the necessary study is made, and action taken.

#### CROWN LEGAL SERVICES

222. In its description of the machinery of government, the Public Service Commission included the Crown Law Office among the control authorities. Though the Office has some minor control functions, it is predominantly a department supplying a professional service to Ministers of the Crown and to State departments. In another section of our report we consider and reject a proposal for its amalgamation with the Department of Justice. In the present section we shall consider two proposals made by the Solicitor-General for enlarging the activities of his Office.

##### (a) *Centralisation of Departmental Legal Services*

223. The first of the Solicitor-General's submissions was, broadly, that the Crown Law Office should conduct all the legal business of

the Crown except that done by certain stated departments such as the Public Trust Office, the State Advances Corporation, the Maori Affairs Department, and External Affairs Department. In these departments a legal section giving specialised legal services necessarily forms part of the normal departmental organisation. The Solicitor-General would include the work at present carried out by the legal sections of the Ministry of Works, the Railways Department, and the Post Office among that which should be done by his Office.

224. This proposal if implemented would considerably enlarge the activities of the Crown Law Office; for it would appear that at present much legal work (especially conveyancing) is done within departments by departmental legal officers. The Solicitor-General would, with the exceptions already mentioned, provide all these services either from the Crown Law Office or (where the circumstances justify it) by posting his officers singly or in groups to departments. He offered two main supporting arguments. First, he considered that unfortunate results can and do arise when departments do not submit important contracts and similar documents for Crown Law Office scrutiny and advice; the consequence being that the advice is given by insufficiently experienced departmental legal officers. He considered that the building of a corps of Crown Law officers would ensure that competent legal services would always be available for the wide variety of problems arising. Second, from the point of view of the officers themselves, they would obtain a much broader experience and better career opportunities than if they remained departmental legal officers.

225. There may well be merit in the Solicitor-General's proposal, particularly in the opportunities it would provide for greater experience and career advancement. But we are unwilling to express any confident opinion on its practicability. The Solicitor-General's submissions came before us at a fairly late stage in our inquiry and did not receive as much detailed attention and examination by other sections of the State Services as did other proposals for redistribution of functions. The proposal was however opposed by the Law Draftsman (whose organisation the Solicitor-General would bring within the Crown Law Office); it was also opposed by the Civil Service Legal Society, which saw difficulties in secondment with its consequent duality of control, and in the loss of prospects of promotion to senior administrative posts within departments. It is clear to us that this matter needs further investigation, which should be conducted by the State Services Commission.

226. We wish to deal in passing with the point made by the Solicitor-General that, too often, matters having important legal implications are disposed of at departmental level without the advice of the Crown Law Office being sought. There can be no doubt that

all contracts and other undertakings which are likely to give rise to legal difficulties, especially of interpretation and enforcement, should be submitted to competent legal scrutiny. We do not go as far as to say (nor does the Solicitor-General contend) that all contracts need be considered by legal officers; nor that departmental legal officers are not competent to deal with many important matters. It is obvious that the Permanent Head and his senior officers have the responsibility of deciding what should be submitted to their own legal officers or to the Crown Law Office. Whether any suitable rules can and should be drawn to guide Permanent Heads is a matter which should be considered by the State Services Commission.

(b) *Transfer of All Crown Solicitors' Work to the Crown Law Office*

227. The Solicitor-General's second proposal was that the Crown Law Office should eventually take over (except in special circumstances which might call for the use of outside counsel) the whole of the services now performed for the Crown by those private legal practitioners who were formerly known as Crown Prosecutors but who now receive the Royal Patent and are known as Crown Solicitors. The Solicitor-General believed that the status of the Crown Law Office and the experience of its officers would be enhanced if it were to take over this work, especially the conduct of litigation in the superior Courts. No doubt this would be so, and it may be that certain economies might also result. But there are, we think, not inconsiderable disadvantages. The practice of appointing a local practitioner as Crown Prosecutor or Crown Solicitor is now well established. It is popularly approved, particularly in the smaller provincial towns where the known personality and integrity of the Crown Solicitor plays an important part in gaining the confidence of citizens in the impartial and balanced administration of justice. We doubt whether an employee of a State organisation, moving out from a central office into other districts, would command the same public confidence. But this is, we think, like many other matters brought before us, fundamentally a political problem. For the decision must largely depend on whether it is Government policy to extend State activities and employment and in consequence to restrict the engaging of the services of professional men in private practice, or whether the contrary approach is to be adopted. Therefore we have no recommendation to make on this proposal.

STATE FIRE SERVICES: COORDINATION

228. Four departments (Works, Internal Affairs through the Fire Services Council, Civil Aviation, Forest Service) have responsibilities for fire services of one kind or another. There was some agreement

among departmental witnesses that these responsibilities could be more rationally distributed among the departments concerned, and that the relationship in this field between departments and local bodies could profitably be examined. Some parts of this problem are already being studied by an inter-departmental committee. We consider that the appropriate further action should be left to the State Services Commission.

#### HEALTH DEPARTMENT: REGIONALISM

229. The Director-General of Health submitted a paper outlining his department's immediate and long-term policies for transferring activities to local or regional health authorities. He suggested the reallocation of some comparatively minor functions as soon as possible. However, the importance of his paper lay in a proposal to foster the establishment of regional authorities which, in addition to combining the operational functions of the present hospital boards, would take over the departmental maternity and mental hospitals, and possibly district health office functions. The Director-General made it clear that, although the maternity hospitals might be transferred to the present hospital boards in about five years' time, the establishment of regional authorities may not be achieved until the population of New Zealand reaches five millions, with a start being made in the Auckland region when its population is about one million.

230. While they entail a redistribution of functions, and to that extent are within our province, it appears to us that the essence of the proposals lies elsewhere. On the one hand, they affect the pattern of decentralisation within the department – an issue also raised by one of its Divisional Directors – and are thus a matter for the department itself and (as far as efficiency is concerned) for the State Services Commission. On the other hand, they affect the pattern of local government, and should thus be discussed with the Department of Internal Affairs (par. 244). We therefore recommend that the State Services Commission ensure that the proposals of the Director-General of Health be made the subject of appropriate investigations.

#### HIGH COUNTRY CROWN LEASES

231. Some 9 million acres of high country in the Southern Alps (sometimes referred to as the tussock grasslands) are farmed under leasehold from the Crown ( $8\frac{1}{2}$  million) and from education authorities ( $\frac{1}{2}$  million). The Lands and Survey Department administers the Crown leases, and gives some advice to the education authorities

on the remainder. Along with freehold tussock lands, the leasehold areas are also subject to control from catchment boards and soil conservation councils.

232. The Lands and Survey Department has long been associated with these areas and the occupiers have come to rely with considerable confidence on the expert and friendly advice and control of its officers. The working relationship has proved most successful and is reflected in the arrangement of acceptable leases with appropriate covenants as to carrying capacity and other terms aimed at economic and long-term use of the land. However, in recent years catchment boards and soil conservation councils have been given statutory responsibilities in connection with the use of high country, and the exercise of these powers (mainly through Agriculture Department officers) has tended to give a confused picture of responsibility, particularly where directions by these authorities conflict with the terms of a lease granted through the Lands and Survey Department.

233. The evidence showed that some coordination takes place between these authorities and the Lands and Survey Department, but farmer witnesses and the Tussock Grasslands and Mountain Lands Institute stressed that they were often uncertain which way to turn. They strongly advocated that the Lands and Survey Department, as landlord, should retain direct control, especially as its officers were more familiar with their particular problems.

234. The catchment boards and the soil conservation councils have been given their powers for special reasons of national importance. This was not questioned. But we accept that there is room for confusion and duplication unless the situation is kept under careful review. We therefore recommend that the State Services Commission examine the matter from time to time, giving particular attention to the possibility that the Lands and Survey Department might be made the agent of the catchment boards and soil conservation councils in those districts where it has predominant interests.

#### DEPARTMENT OF INDUSTRIES AND COMMERCE: STANDARDS INSTITUTE

235. The Standards Council is a statutory authority responsible for advising the Minister of Industries and Commerce on the specification of standards. It works through a large number of committees containing many voluntary, non-official members. The Council and its committees are serviced by the Standards Division of the Department of Industries and Commerce. The Council and the Division together form the Standards Institute.

236. The Standards Council complained that, as a result of lack of proper servicing by the Standards Division (over which it has no



executive authority), it could not adequately carry out its statutory duties. It emerged that some members of the Standards Council favoured making the Institute autonomous, with its own staff and administrative machinery.

237. This course of action was also proposed by other witnesses, but for a different reason. They felt that the Department of Industries and Commerce should be relieved of its responsibilities towards the Standards Institute, so that it might be free to concentrate on its major purposes.

238. The use of standards is not compulsory in New Zealand, but their adoption by manufacturers, State departments, local authorities, and others is widespread. We consider the voluntary work of the Standards Council and of its committees in formulating and revising such standards to be of great value, and deserving of continued financial and administrative support by the State. It is doubtful whether the present degree of support would be maintained if the Standards Institute became autonomous. It is also doubtful whether the cooperation and help now given by a number of State departments would be as readily given. For these reasons we question whether autonomy is desirable.

239. However, the Standards Council showed convincingly that its work has been hindered by administrative shortcomings. It appears from our investigations that these weaknesses arise mainly because insufficient staff and money have been made available. The Public Service Commission is prepared to provide extra staff if money is appropriated for the purpose. It is not, of course, within our province to recommend changes in priorities for staffing and expenditure.

240. We are not convinced that the Department of Industries and Commerce has been distracted from its main purposes by its responsibilities to the Standards Council; rather, it appears that urgent responsibilities in other directions may at times have hindered the Department from giving the Standards Council the services it needs. It must be recognised that the nature of the department's major functions is such that sudden heavy demands are from time to time made on its resources—for instance by import licensing. For that reason the Standards Division might perhaps be better located in some other department. Standards work seems, however, to be more closely related to the work of Industries and Commerce than to that of any other department. While the present situation is unsatisfactory, it is far from clear that transferring the Standards Division is a remedy. Therefore we recommend that the State Services Commission investigate whether the Standards Division could with advantage be located elsewhere; and if not, by what other means the Standards Council may be enabled to carry out more effectively its statutory duties.

## DEPARTMENTS DEALING WITH LOCAL BODIES: COORDINATION

241. The Secretary for Internal Affairs informed us in evidence that some 22 departments are, in one way or another, concerned with local bodies; about 12 of them have a special association with various kinds of *ad hoc* local bodies. He considered that the lack of any formally established point of coordination below the level of Cabinet gave rise to difficulties, and observed:

There is a considerable degree of more or less informal liaison between departments in everyday administration, but very often conflicting views on important policy issues arrive at the Cabinet table not only unresolved, but also in some instances not even thoroughly considered by all the departmental interests involved.

242. This matter (among many others) was dealt with by a Parliamentary Select Committee on the structure of local government, which sat in 1959–60 under the chairmanship of Mr H. L. J. May, M.P. This committee recommended a Departmental Coordinating Committee which would advise Cabinet through the Minister of Internal Affairs. The committee would comprise the Permanent Heads of the Departments of Internal Affairs and Health, the Ministry of Works and the Treasury, and would co-opt other Permanent Heads, and the chairmen of statutory boards, when they were concerned. All major policy matters affecting local government would come to this committee through the Department of Internal Affairs, the department primarily concerned with the constitution and administration of local government. The Select Committee also recommended that a Cabinet Committee on Local Government be formed as an effective aid to coordination. The Secretary for Internal Affairs in his evidence to us supported all these recommendations.

243. We accept that there is need for this greater coordination among departments, and between departments and statutory boards. The Parliamentary Select Committee was able to examine this subject far more thoroughly than we could; we must therefore accept the validity of its conclusions and recommendations. If we have any doubt about them, it concerns the practicability of imposing a further Cabinet Committee on over-burdened Ministers.

244. If the Government intends to implement the recommendations of the Parliamentary Select Committee, then we need say nothing more. But if it does not, we suggest that the State Services Commission be instructed to consider and recommend to the Government whether a satisfactory degree of coordination could be gained by conferring a coordinating role upon the Department of Internal Affairs. It could be a direction (if necessary by Cabinet) that, when policy issues touching local bodies are to come before Cabinet, the department concerned should, as a preliminary step, send a draft

of its proposal to the Department of Internal Affairs. That Department out of its long experience of local body matters and the knowledge gained in this suggested role, would then be able to advise whether there were implications which had not been considered, and what further action was necessary.

#### POLICE DEPARTMENT: CIVILIAN STAFF

245. Members of the Police Force are not subject to the Public Service Act; the civilian staff employed in the Police Department are. Sir William Dunk thought that the civilian staff could advantageously be transferred from Public Service Commission control to that of the Commissioner of Police. When this matter was before us some months ago the Commissioner of Police of the time said that he was well satisfied with the existing arrangements which, from his point of view, had certain advantages. His civilian staff had the same general conditions as the rest of the Public Service including the civilian staff of the Armed Service departments. He thought it would be difficult within the Police Department structure to provide the clerical services needed by the department, unless the clerical staff came under Public Service Commission control. For example, it would be hard to recruit suitable staff because of the limited prospects of promotion.

246. However, a former administrative officer of the department strongly supported Sir William Dunk's view, and we were told very recently by the present Commissioner of Police that he does not necessarily agree with the evidence submitted by his predecessor. Indeed, he said there are some aspects of the present situation with which he is dissatisfied. However, his immediate duties preclude him from making the more detailed investigation which he thinks necessary before expressing a final view. He asked that the matter be left open so that he can take a more definite stand later, if he wishes to.

247. In these circumstances, the only course reasonably open to us is to refer the problem to the State Services Commission, which can consider the views of the Commissioner of Police, when they are received, against the background of the evidence presented to us.

#### SAFETY SERVICES: AMALGAMATION

248. Seven departments are concerned with administering the legislation and providing services in the field of industrial safety. It was urged upon us that there is a need to eliminate confusion—especially among those obliged to comply with the legislation. An inter-departmental group under the aegis of the Public Service Com-

mission recently studied this problem and submitted a report. The Public Service Commission considers that this report fails to advance satisfactory solutions to many parts of the problem. Indeed the Committee itself recognised that the problem should be further examined.

249. We are inclined, on a cursory study of the report of the inter-departmental committee, to agree with the comments of the Public Service Commission, but we should add that if those comments are correct, then the proper step is for the committee to be reassembled, told specifically the points that need further attention, and set once again to the work before the matter has a chance to drift.

#### TOWN AND COUNTRY PLANNING

250. The Town and Country Planning Branch of the Ministry of Works has two main functions: first, it checks the town and country planning schemes of local authorities and makes recommendations thereon to the Minister; second, it engages in research into the use of land and other natural resources of the country and supplies information and advice to the several departments concerned with national development.

251. The status and role of the Branch within the Ministry of Works were strongly criticised, notably by the Town and Country Planning Institute. The President of the Institute contended that:

The branch . . . has been subordinated to the Works construction responsibilities of the department ever since its transfer from the Organisation for National Development. The administrative policy of the Ministry of Works has constantly tended to impair the usefulness of town and country planning as an instrument of Government.

He drew attention to the high rate of loss of town planning officers and alleged that those within the Branch were inadequately paid compared with town planners in local authorities. Witnesses also complained that other departments of State made insufficient use of the services of the Branch. One, stressing the research done by the Branch and the potential importance of this to the economic development of New Zealand, suggested that it should be transferred to the Department of Industries and Commerce.

252. The matter seems to us to involve two main issues: the status and future location of the Branch, and the use made of it by State departments. To decide these issues a study should first be made of the policies affecting the use of land and other resources, and of the consultation needed between departments to ensure that those policies are properly coordinated. Such a study should be conducted by the State Services Commission, which could then recommend the best location for the Branch, and the status it should be given.

## WILDLIFE ADMINISTRATION

253. Wildlife administration and research is spread over the six Departments of Agriculture, Forest Service, Internal Affairs, Lands and Survey, Marine, and Scientific and Industrial Research. There was clear evidence of the need for greater coordination and rationalisation. An inter-departmental committee considered and reported on the problems in 1959. Its recommendations were not adopted. Another inter-departmental committee was set up in 1960 to examine the coordination of certain scientific aspects in this field, but it seems that that committee went into recess when a Bill to establish a Nature Conservation Council was introduced into Parliament in 1961. The Council proposed in this Bill, which has not yet been dealt with, is merely advisory; and is, it would seem, primarily designed to enable the Government to be informed of public opinion about nature conservation generally and the effect of any proposed public works in particular, and to draw up a national policy for "the conservation of nature". It would at first sight appear doubtful whether the proposed Council will be concerned with the issues of wildlife administration and research which have been raised before us. We feel, therefore, that we should express our views notwithstanding the introduction of the Bill.

254. Although we heard much evidence about wildlife administration and its dispersal, we consider that an even more thorough and detailed investigation is required before the best decision can be arrived at. One thing, however, is clear: the need for greater coordination and rationalisation. On the evidence before us (which we stress may not be the whole evidence), it would appear that control of inland waters and fresh-water fisheries might be more properly located with the Department of Internal Affairs. That department already has wide duties related to wildlife, which include research into the habits of game birds, and the local administration of Part II of the Fisheries Act in the Taupo Trout Fishing District, the Rotorua Trout Fishing District, and the Southern Lakes Acclimatisation District. It operates fish hatcheries at Turangi, Ngongotaha, and Te Anau, and is the harbour authority for Lake Taupo and the lakes in the Rotorua area.

255. We do not wholly dismiss the submission made by Treasury that the Lands and Survey Department, with its nation-wide organisation, is particularly well placed to administer wildlife legislation, fresh-water fisheries, and inland waterways. The claims of the Forest Service also have some merit. But wildlife administration would be a minor function of the Lands and Survey Department, and to a lesser extent of the Forest Service; a function moreover which could on occasion conflict with the main policies and work of these depart-

ments. This might not be desirable. These departments, however, could act as agents of the Department of Internal Affairs in appropriate districts if that department were given the main responsibility.

256. Our observations made in the last two paragraphs might be considered when the State Services Commission investigates (as we recommend it should) the coordination and possible amalgamation of wildlife administration.

#### TELECOMMUNICATIONS

257. Two Post Office engineers separately advocated the establishment of a corporation free of the controls now imposed on the Post Office as a State department. One suggested that all the present Post Office activities, but more importantly the telecommunications work, should be transferred to this corporation. The other confined his proposal to the telecommunications branch of the Post Office, and to similar work done in some other departments. Both witnesses considered that a new telecommunications corporation raising its own loan finance would be able to carry out a more vigorous programme of expansion and modernisation. They also saw other advantages – better service to the public, the higher morale and enthusiasm which could be developed in a single-purpose organisation, and economies from more and better long-term planning. Nevertheless, each conceded that complete separation of the postal from the telecommunications work might lead temporarily at least to some duplication of the accounting and clerical services now shared.

258. The present department has developed from the merging of the Post Office and the Telegraph Department as long ago as 1881. We recognise that their long tradition of partnership cannot lightly be set aside. Moreover, the advantages which a corporation might enjoy in raising capital can easily be overstated, because State corporations are necessarily controlled by Government policies in this respect. The rate of capital development in telecommunications will always be controlled by the Government no matter what form of State organisation might be adopted. Indeed, even if telecommunications were handed over to private enterprise, economic conditions might force some restriction on the rate of development; or control over capital issues might well apply; or the importation of equipment might still be restricted by import licensing.

259. But we have little doubt that, in the long run, the telecommunications service will become independent of the Post Office, in one form or another. As new forms of communication become more technically involved, and as automatic equipment replaces manual equipment, the specialist staff needed for design, installation, maintenance, and operation are less likely to be inter-changeable

with other Post Office staff. Already the internal organisation of the department reveals a clear division between the two, except at the very top. The two branches grow apart physically as new post offices and telephone exchanges are built. And as the department increases in size to cope with greater demands, the case for dividing it on administrative grounds grows stronger.

260. We are not convinced that the case for a separate telecommunications organisation is, as yet, an urgent one. Indeed, the autonomy of the telecommunications service may still be a number of years away. It would be of value, however, if this pattern of evolution were accepted within the Post Office as long-term policy, so that plans may be laid to meet it. We therefore recommend that the State Services Commission and the Post Office keep the matter under review. We see no case for the wider proposal of a corporation embracing all present Post Office activities.

## RECOMMENDATIONS

We recommend that :

- (48) The State Services Commission further investigate the following matters :
  - (a) The better coordination of work concerning the registration of aliens (par. 221) :
  - (b) (i) The suggested centralisation of the legal business of the State Services (with certain exceptions) in the Crown Law Office ; and  
(ii) Whether any additional rules can or need be formulated to assist departments in determining when (and what) legal advice should be sought (par. 222-226) :
  - (c) The better coordination of State fire services (par. 228) :
  - (d) The development of regional administration within the Health Department, and the possible transfer of certain activities to hospital boards (par. 229-230) :
  - (e) The better coordination of the activities of the Lands and Survey Department, the catchment boards, and the soil conservation councils, in respect of high-country leases (par. 231-234) :
  - (f) The means, whether by relocation or otherwise, whereby the Standards Council may be enabled to perform more effectively its statutory duties (par. 235-240) :

(g) The coordination of departmental proposals affecting local government, through the Department of Internal Affairs (if the Government does not decide to adopt the recommendations of the Select Committee on Local Government) (par. 241-244) :

(h) The transfer of civilian staff in the Police Department to the Commissioner of Police (par. 245-247) :

(i) The better coordination of industrial safety services (par. 248-249) :

(j) The use of the Town and Country Planning Branch of the Ministry of Works by other departments, and whether its location and status should be changed (par. 250-252) :

(k) The coordination and possible amalgamation of wildlife administration (par. 253-256).

(49) The State Services Commission and the Post Office keep under review the probable eventual separation of the telecommunications and related work from the Post Office (par. 257-250).

## OTHER PROPOSALS

261. We now refer to the proposals which we consider do not call for any recommendations from us.

### CROWN LAW OFFICE AND THE DEPARTMENT OF JUSTICE: AMALGAMATION

262. Sir William Dunk recommended that this amalgamation be considered if there were no constitutional or legal prohibitions. Sir William in thus qualifying his proposal clearly saw that there might be reasons against the amalgamation. We find these contrary reasons compelling.

263. The Solicitor-General is required to make recommendations, and give advice, to all Ministers. This advice must be objective and independent. His independence would be eroded if he were incorporated into the Department of Justice which services the Courts and administers prisons, and in respect of whose actions or proposals the Solicitor-General may be required to advise. We believe that his independence must be maintained and oppose any amalgamation which would prejudice it. (We suggest in passing that the Crown Law Office and the Department of Justice could properly and economically share certain services - a common library, for example.)



#### CUSTOMS AND INLAND REVENUE DEPARTMENTS: AMALGAMATION

264. It has often been suggested that these two revenue-collecting departments should be amalgamated. The suggestion arose again incidentally in the course of our inquiry.

265. Both departments collect revenue but they have little else in common. The Inland Revenue Department is concerned with direct taxation – assessing personal and company incomes, collecting and accounting for taxation, and administering complex tax law. The Customs Department's work relates to indirect taxation levied on commodities. Import duties, sales tax, excise duties, and other taxes are collected indirectly from the consumer through manufacturers, importers, and wholesalers. It will be seen, then, that the two departments do different work; they collect their several taxes in different ways; their officers need different training; and the advice which each is called upon to give the Government turns on different considerations.

266. Integration of the two departments would be unlikely to result in economy of staff or any other substantial advantage. The merger would be nominal only, creating two separate and distinct divisions under one controlling administration. Moreover, the present arrangement whereby the two departments give independent advice to the Government appears to work quite well. The Treasury, not the revenue departments, is responsible for giving overall fiscal advice.

267. For all of these reasons we do not favour the suggestion.

#### A MINISTRY OF FUEL AND POWER

268. We were told that the development and use of the fuel and power resources of the State needs to be further coordinated. The evidence submitted to us was mainly concerned with the coordination of the use of coal and electricity. At the time of the submission of this evidence the potential of the natural gas discovery at Kapuni had not been assessed. The recent announcement of the vast potential of that discovery introduces a major additional resource to the fuel and power capacity of the country.

269. We are satisfied that greater coordination than has existed in the past is needed and that such coordination must take account of other sources of heat and power, such as fuel oil. We are satisfied, too, that there is a special need to ensure that the planning of power production is assisted by adequate research and investigation into the country's resources, and into overseas scientific developments. The presence of natural gas at Kapuni accentuates these needs.

270. The quantities of natural gas now believed to exist at Kapuni have important implications for the machinery of coordination that will be needed. The evidence given to us did not take this into account and leaves us to that extent unqualified to make a specific recommendation. Moreover, the Government itself announced on 29 May 1962 that it had decided to introduce legislation to this session of Parliament setting up a Ministry of Fuel and Power, and an advisory Fuel and Power Council, to coordinate the development of all fuel and power resources in the country. In these circumstances we make no recommendation.

#### THE DEPARTMENT OF INDUSTRIES AND COMMERCE

##### (a) *Consumer Service*

271. Several witnesses favoured relieving the Department of Industries and Commerce of its responsibilities for servicing the Consumer Service, so that it might be free to concentrate on its major purposes. The Consumer Service is relatively new, and while we understand that comparable consumer organisations overseas are financially self-supporting, it is apparent that members' subscriptions are as yet insufficient to ensure the financial independence of the New Zealand Service. As long as the Service depends on State aid, we consider there are advantages in supporting it administratively. The consumer interests made no complaint about its present location; we think that there is some similarity of function, and we doubt whether the Department's major purposes are prejudiced. Thus we have no recommendation to make.

##### (b) *Commerce Division*

272. Some witnesses suggested that a Commerce Division be established within the Department of Industries and Commerce so that traders might receive help comparable to that at present given to manufacturers. If this proposal involves the provision of new services by the State, it is a political matter with which we cannot concern ourselves. If it merely involves internal reorganisation within the department, so as to group within a new Division the staff at present concerned with such matters as trademarks, trade practices, price control, and hire purchase, again it does not lie within the terms of our Warrant, as we have interpreted them, and accordingly we can do no more than suggest that the department examine the proposal.

##### (c) *Import Licensing Appeals*

273. Proposals were made to us for the establishment of non-departmental review boards, such as exist in Australia, to hear appeals

against import-licensing decisions. Since then, the Government has decided to establish a Tariff and Development Board which can, if the Government so wishes, be used for that purpose. Thus we think it unnecessary to make any recommendation on this matter.

#### INTERNAL AFFAIRS DEPARTMENT: DISMEMBERMENT

274. A proposal was referred to us that the main work of the Department of Internal Affairs should be transferred to the Prime Minister's Department, and its other work allocated to other suitable departments. We studied a report which had been made on the subject by a former member of the Public Service Commission and which favoured the proposal.

275. We do not believe in adding new responsibilities to the Prime Minister's Department. Moreover, we see no advantage at this stage of the country's development in dismembering the Department of Internal Affairs. That department contributes to good government by specialising in varied, and often unrelated, work. There is a real need for a department of this kind to be responsible for all those activities of the Government (some minor, some major) which cannot logically be placed within a department having a dominant specific purpose. Any reallocation of Internal Affairs functions among a number of departments would, we fear, be less logical than their present grouping. Indeed, we ourselves have found it necessary to recommend that certain added responsibilities be given to the Internal Affairs Department.

276. When additional functions are given to the Department of Internal Affairs – and indeed for functions already within it – we stress the need to define the responsibility of the head of the department in respect of each function. Clearly he must have the over-riding responsibility for the administrative efficiency and economy of the department as a whole, and therefore for its constituent units. However, we incline to the view that within this department it should be possible and profitable to give to officers in charge of particular activities a status which cannot be given generally to divisional heads in other departments. A considerable degree of independence in the exercise of expert professional or semi-judicial functions, and of advice to Ministers in respect of these, would not appear to be inconsistent with the Permanent Head's over-riding responsibility for efficiency and economy. But this independence needs to be clearly defined in each case. If this were done, it might be possible to bring within the department certain functions which now reside uneasily in other departments. We commend this to the attention of the State Services Commission.

ISLAND TERRITORIES AND MAORI AFFAIRS DEPARTMENTS:  
AMALGAMATION

277. Sir William Dunk suggested that the Department of Island Territories be amalgamated with the Maori Affairs Department or with the External Affairs Department.

278. Amalgamation with External Affairs seems to us inappropriate. That department concerns itself with New Zealand's interests in foreign countries. With the granting of independence to Western Samoa on 1 January 1962 all the island peoples under the jurisdiction of the Department of Island Territories are now New Zealand citizens. We expect that the Pacific island people will not grow apart from those of the main islands of New Zealand; rather the contrary, that they will come closer together.

279. Amalgamation with the Department of Maori Affairs seems more logical if only for the reason that, with Western Samoa independent, most of the people in the remaining Island Territories are akin to the New Zealand Maoris, and have some problems in common with them. If this amalgamation of the two departments were considered correct in principle, and physically possible, we see five main advantages arising from it. (i) One Minister and one Permanent Head could control both fields. (ii) The combined department would offer better career prospects for the staff of both departments. (iii) The specialist services of Maori Affairs in welfare, building, farming, and research would be available to the Pacific Islands Administration. (iv) Pooling of domestic services could save staff and money. (v) The education, training and welfare of the two Maori populations could be more effectively coordinated.

280. One disadvantage must be stressed. The Department of Island Territories has been dedicated to its work, and has kept its vitality and enthusiasm in spite of limited resources. A small department, infused with this spirit, might in the end serve the Pacific island people better than a larger department where Pacific problems might take second place.

281. We think, however, that political considerations must dominate the decision whether the Department of Island Territories should be integrated with any other department. These considerations were stressed in detail by all the informed witnesses whom we heard. We agree with the importance placed on the political considerations, and, as a result, we have been led to the view that we should not make any specific recommendation about amalgamating this department with any other.

282. It is, however, convenient to discuss here the Chatham Islands Administration which does not appear to fit happily into the Island Territories Department. The population of the Chatham

Islands consists of Maoris and Europeans. All enjoy full New Zealand citizenship and the same political and social rights and obligations as the mainlanders. They are included in New Zealand electorates, and all State departments at one time or another have dealings with them, acting through a Resident Commissioner who is responsible to the Department of Island Territories. We think there is good ground for removing the Chatham Islands administration from this department and making it responsible, perhaps, to the Department of Internal Affairs. An inter-departmental committee which recently reported on this matter has reached the same conclusion.

#### LABOUR DEPARTMENT: TRAINING WITHIN INDUSTRY; WEIGHTS AND MEASURES

283. It was suggested that these two small sections of the Labour Department might be more logically fitted into the structure of the Department of Industries and Commerce. There was no enthusiasm for the change. It appears to us that the two sections operate efficiently where they are, and we see no need for the transfer.

#### MAORI AFFAIRS DEPARTMENT: DISMEMBERMENT

284. In the course of discussion some witnesses suggested that possible advantages might accrue from the transfer of Maori Affairs functions to other departments. It is our view that it would be premature at this time to consider such a proposal seriously. The Department of Maori Affairs has an important part to play now (and for many years to come) in the development of the Maori people. Further, the recognition given to the importance of the department's work by the Government's acceptance of the Hunn Report argues for its retention as a department, in spite of the fact that it has made, and will continue to make, more and more use of the specialist services of other departments.

#### FOREST SERVICE AND DEPARTMENT OF LANDS AND SURVEY: AMALGAMATION

285. Sir William Dunk suggested this amalgamation, but no evidence supported it. Though there is a similarity of work and therefore a basis for amalgamation, we see no need for it at the present time. Today, each department has a big enough task of its own to justify a separate organisation. Differences no doubt arise whether land would be better used for agriculture or for forestry, but the coordinating machinery for resolving them is good. Both

departments are controlled by the same Minister, who also has the assistance of fact-finding, land-use committees in deciding any dispute. We see nothing to be gained from altering the present satisfactory situation.

#### PRINTING AND STATIONERY AND INTERNAL AFFAIRS DEPARTMENTS: AMALGAMATION

286. Sir William Dunk proposed this amalgamation apparently on the principle that small departments are wasteful. But the Government Printing Office is a specialised servicing and trading department which will always need to be specially housed. Mere inclusion in the loose federation of units of the Internal Affairs Department would not, we think, make a reality of coordination or produce economies in domestic servicing. We see little advantage in the proposal.

#### PRIME MINISTER'S DEPARTMENT: ENLARGEMENT OF ACTIVITIES

287. It was proposed to us that the Prime Minister's Department should absorb many of the administrative functions now carried out by Internal Affairs Department and, as well, be the Government's adviser on priorities in national planning. In Chapter 3 paragraphs 26-27, we have fully discussed and rejected the concept of an enlarged Prime Minister's Department.

#### STATE FIRE AND GOVERNMENT LIFE INSURANCE OFFICES: AMALGAMATION

288. Sir William Dunk observed that there is no administrative reason why the two Government Insurance Offices should not be amalgamated. We think, however, that there are good reasons against it. Both are large departments, well established, and successful in competition with private enterprise. Neither department seeks amalgamation. Over the years they have (partly for investment) erected separate buildings in many cities and towns. Combining both businesses under the same roof could lead to difficulties in sharing space. The departments do not make much work for their Ministers, so amalgamation would lead to little saving of ministerial time. It seems to us that the disadvantages outweigh any possible advantages.

## STATISTICS DEPARTMENT AND THE TREASURY: AMALGAMATION

289. No witnesses supported Sir William Dunk's recommendation that the Department of Statistics be absorbed into the Treasury. The Public Service Commission, the Department of Statistics, and the Treasury itself were all against it.

290. We have formed the view that the New Zealand department has developed rather differently from many official statistical organisations overseas. It was made independent of the Department of Industries and Commerce in 1936. It has developed an excellent and widely appreciated service producing for public information statistical material which often has highly significant economic implications. It seems to us that the objectivity of the department's reports would be open to question if it were placed within any organisation responsible for advising the Government on economic policy, or for carrying out that policy.

291. We must also refer to representations that the Government Statistician should be made responsible to Parliament rather than to a Minister. It was said that, though this change would involve difficulties, it was the only way in which his independence could be fully safeguarded. We are not prepared to recommend the change. The independence of the Government Statistician has developed over the years. We believe that this independence should continue to grow constitutionally and as a matter of course, rather than by attempting to legislate for it by making the Government Statistician responsible to Parliament instead of to a Minister. We cannot assert that the Government will never be entitled in the national interest to exercise authority over the publication of specific material, though we agree that such occasions should be rare. Hence responsibility to a Minister must be maintained.

## STATE ADVANCES CORPORATION: DISMEMBERMENT

292. One witness, widely experienced and respected in the fields of land valuation and finance, suggested the abolition of the State Advances Corporation by merging its urban work (that is, financing homes and renting State houses) with that of the Housing Construction Division of the Ministry of Works; and its rural work (that is, financing farms) with that of the Department of Lands and Survey.

293. The witness saw urban lending as part of a social programme of housing, and rural lending as part of an economic programme of farm development. He thought that the lending parts of these

programmes should be administered as part of the respective programmes rather than as a separate activity. There is much to be said for this view, but we were certainly not able to study all its implications.

294. The existence and structure of the State Advances Corporation is said to be based on the contrary idea; namely that financing – whether for farms or homes – is a separate function of government. But the evidence shows that that principle is not applied strictly, for the Lands and Survey Department also makes loans to assist the purchase of rural lands. There is thus at least a possibility that Government administration suffers from not following consistently either the approach adopted by the witness to whom we have referred or that claimed to be the justification for the existence of the State Advances Corporation. If this is so, there is need for some study of a fundamental character into the administrative implications. The problem is one which could well interest the Institute of Public Administration. It is not a matter on which we can make a definite recommendation, certainly not one supporting the abolition of a long established department of State.



## *Chapter 5.* METHODS FOR IMPROVING EFFICIENCY

Item III of our Warrant reads:

Any methods by which efficiency is ensured, and any methods by which the quality or quantity of work might be improved.

### P R E L I M I N A R Y

1. Our proposals for ensuring and improving efficiency are not confined to this chapter. Indeed, our whole report is directed to this end, for example by defining and locating the responsibility for efficiency (Ch. 2 and 3) and by our various proposals for personnel policies (Ch. 6).

2. In this chapter we shall discuss certain practical means of assisting those responsible for efficiency to discharge that responsibility. Our proposals will show that we consider that the use of some methods should be extended or intensified, notwithstanding that the State Services have kept comparatively well abreast of developments in this field, and in some respects have been leaders in it. No organisation can afford to cease striving for greater efficiency.

3. For convenience, we group our discussion and proposals around four elements which promote efficiency: the vital need for leadership at all levels; the need for controls – especially inspections; the provision of management services; and decentralisation and delegation. We conclude with a discussion of the prestige of the State Services and their relations with the public.

### L E A D E R S H I P

4. Efficiency depends greatly on morale, and morale on leadership. This is true at all levels, from the very top down to the most junior supervisor. In any large organisation, leadership is in danger of becoming too impersonal. This risk is accentuated in the State Services by the necessary emphasis on consistency in decisions; by the necessary controls on public expenditure; by physical dispersion resulting in control by regulation rather than by personal contact; and by the pressure of work which hinders senior officers from keeping in close

touch with their staff. These conditions can too easily stifle initiative and impair a department's ability to produce forceful and imaginative new leaders. But without such leaders, staff morale and efficiency will quickly deteriorate.

5. We doubt whether any general prescription for leadership is valid for the widely varied requirements of the State Services. But any leader must feel a sense of purpose in his own work and be able to communicate that purpose. He must set a high standard of performance, expect the same standard from his subordinates, and give recognition when it is attained. He must accept a personal responsibility for the morale of his staff. Though other factors affect morale, his role is indispensable.

6. Thus the State Services need to place increased emphasis on the selection and training of leaders. Permanent Heads and the State Services Commission must ensure that there is good leadership throughout departments so that morale and efficiency are maintained. We now discuss some of the controls which help them to do this.

## CONTROLS

7. Controls are not the primary means of achieving efficiency, but they are the means whereby the responsible authority can verify whether efficiency is maintained, and can ascertain what remedial action, if any, is required. Many types of control have a bearing on efficiency; the significance of financial control for instance has already been discussed (Ch. 3). Here we shall consider two powerful controls operated by the Public Service Commission—the fixing of staff establishments both in numbers and gradings; and the inspection of departments. In the Post Office, the Railways, and the Legislative Departments similar controls are operated by the Permanent Heads.

## ESTABLISHMENTS

8. The Public Service Act gives the Public Service Commission authority to fix staff establishments (that is, the numbers that may be employed) and to determine the gradings (or salaries) of officers and positions. In practice, the former responsibility is shared with Treasury, which is required by Cabinet direction to report in certain circumstances on proposed increases in staff establishments. We think that this position is anomalous and administratively bad. When the Government has approved a particular function or service (and Treasury will have been heard at this stage), the State Services Commission should have the responsibility for fixing the necessary staff establishments in the Public Service.

9. The Public Service Commission's inspectors examine all proposals for an increase in the number or grading of staff. We think that their ability to do this effectively would be increased if the more precise techniques of work measurement now available were applied to repetitive semi-clerical work, and more especially to technical work. We refer to these techniques more fully later. Although the power to fix establishments should be given specifically to the State Services Commission, Permanent Heads have an implicit responsibility to examine critically their own establishments. We suggest that, within defined limits, greater reliance should be placed on the exercise of this responsibility by Permanent Heads, especially in respect of clerical posts. On the other hand, greater attention in future could well be paid by the State Services Commission to the technical establishments which now form the largest and the most rapidly expanding section of the Services. We need scarcely add that the control of establishments should be a continuous process, independent of requests for increases.

#### INSPECTION

10. The Public Service Commission has statutory responsibility and authority to inspect Public Service departments in order to determine whether appropriate standards of efficiency and economy are being maintained. It employs several teams of inspectors for this work; but they also have other important duties. In addition, nearly all departments have their own inspectors with carefully devised inspection programmes and procedures, and copies of some of their reports are sent to the Public Service Commission. The departmental inspectors are usually engaged full time on inspections over a wide range of activities; on the other hand, the Public Service Commission's inspections are more usually directed at specific matters, such as reviewing establishments.

11. The adoption of comprehensive departmental inspections and their constructive use in promoting efficiency have been greatly extended since the Second World War under encouragement from the Public Service Commission. But still more needs to be done. Less attention appears to be paid to the inspection of technical, than of clerical and executive activities. Equal attention is necessary, for "that which is not inspected, deteriorates". Moreover, it seems to be a weakness that departments are not obliged to send reports of their technical inspections to the Public Service Commission. We think it essential that they should be.

12. The State Services Commission would still need to make its own inspections. An independent check on efficiency is just as necessary where the work is technical as where it is not. The fact that the work is technical imposes certain limitations on the value of

inspections by laymen, but does not make them valueless. Moreover, there is no reason why the State Services Commission should not, from time to time, co-opt technically qualified officers of other departments to assist in these inspections. Indeed we go further: it should use qualified men from outside the Services, even from overseas if need be. We have specifically recommended this in respect of the Ministry of Works (Ch. 4), but the principle applies wherever the State Services Commission needs to go beyond its own resources to satisfy itself that efficiency and economy are maintained.

13. Some witnesses suggested that too few inspections are carried out by the Public Service Commission's staff. However, the Commission's inspectors have other duties, investigating such matters as establishments and proposals for promotions and gradings, in respect of a particular group of departments. Hence they rely, not only on formal inspections on the site, but also on information variously obtained in the course of this other work, concentrating their inspections where they appear to be most needed. We are not altogether happy with this situation. In a sense, these inspectors may not be completely objective, for they are inspecting arrangements in those departments for which they have the responsibilities already mentioned; for instance, they may well be inspecting the work of officers whose appointment they recommended. We suggest that the State Services Commission consider whether it might not be better to separate the inspection function from the investigation function.

14. The aim of inspection is to improve efficiency; but this is only achieved if necessary action follows. It is for the Permanent Head and the State Services Commission to decide what action is necessary. Disagreement between them has on occasion led to wasteful delays in making improvements. The status which we have recommended for the State Services Commission should enable such issues to be resolved much more quickly.

15. Moreover, it should be emphasised that inspections are in themselves a means of improving efficiency. A good inspector must do more than check and criticise; his maxim must be Henry Ford's "don't find fault - find a remedy". In recent years the emphasis has shifted from verifying that established procedures are followed to checking whether those procedures could with advantage be changed. Familiarity with the work of a number of sections and branches enables the itinerant inspector to advise controlling officers of improvements which have been introduced elsewhere. He provides indeed a service to management, but as a general practitioner more often than as a specialist of the type dealt with in the next section. The general practitioner must know when to call in the specialist. For this reason, and to enable him to give more useful advice to controlling officers, it would be of value if inspectors had some training and experience in "O and M" or some other management technique.

## MANAGEMENT SERVICES

16. The evidence satisfies us that the Public Service Commission in particular has actively encouraged the use of management techniques such as organisation and methods review ("O and M"), and that in many departments (including those outside the Public Service) the need for such techniques is accepted. However, the use of some of them should be developed further, and some departments are less ready than others to adopt a progressive attitude to such matters. The maintenance of efficiency and economy relies increasingly on management services, and the State Services Commission ought to regard their development as one of its main activities.

17. We refer in the next paragraph to the staffing difficulties which prevent full use being made of O and M. In Chapter 6 we refer to the same difficulties as they affect training. It seems that staff shortages will always tend to bear most heavily on activities of these kinds because no matter how valuable they are, that value lies predominantly in the future. The emphasis almost inevitably tends to be placed on the pressing problems of today. However natural this may be, it is short-sighted. In the following paragraphs we recommend that special attention be paid to the development of various management services. We do not doubt that the same staffing difficulties will impede that development unless the State Services Commission ensures that the urgency of the moment is not allowed to over-ride long-range efficiency. The numbers needed for these kinds of work are not great, and it should be possible to offer attractive careers to suitable officers. This investment in future efficiency must be made.

### *Organisation and Methods Review*

18. O and M, developed during the Second World War in the British Civil Service, has already won world-wide acceptance. Through its use, many worth-while improvements have been made in the New Zealand State Services. The Public Service Commission, the Treasury, the Post Office, and a number of other departments have staff fully engaged in O and M. This work is most important in promoting efficiency and in economising in the use of staff. The main hindrance to its further development is the difficulty of attracting and retaining the capable officers needed, in the face of staff shortages and the opportunities for promotion elsewhere. As we have indicated, this must be overcome.

### *Work Study*

19. The techniques of work study (in its two aspects of method study and work measurement) are more appropriate than O and M for reviewing technical work. Method study seeks to establish the best

methods for repetitive technical operations; work measurement establishes the time needed for each operation so that it can be fitted into a production pattern.

20. In Britain and elsewhere, considerable and profitable use has been made of these techniques in fields such as railways, dockyards, forestry, construction, hospitals, and printing. Yet they are little used in the New Zealand State Services where there are many of these activities. They should be used more widely.

21. The lead can only come from the State Services Commission. In all probability, it will be necessary for the first studies to be undertaken by private consultants, with whom selected officers should work to gain the pre-requisite experience. This will prove costly, but evidence elsewhere suggests that the cost will be fully warranted.

22. Success will depend, however, on the techniques being fully accepted in the departments chosen for the first studies. Frank discussions should also be held with the staff associations beforehand, since work study is sometimes confused with the unrelated and suspect time-and-motion studies, and opposed for that reason.

#### *Budgets, Budgetary Control, and Cost Accounting*

23. We have no reason to doubt that these techniques are well known and widely used in the State Services. Their accounting systems are designed to that end, and improvements are being made as opportunity offers. The New Zealand Society of Accountants commented favourably on the standard of accounting in the State Services.

#### *Statistical Analysis*

24. Although departments claimed that they maintain sufficient statistics for their own purposes, we doubt, from our experience during this inquiry, whether that is always so, and whether departments (and employing authorities) fully realise the potentialities of statistics in management. Greater use should be made of the guidance which the Statistics Department can give; and training courses should feature the uses of statistical analysis.

#### *Operational Research*

25. This is a mathematical technique which has been defined as "a scientific method of providing executives with a quantitative basis for decisions on the operations under their control". Some departments have made profitable use of mathematicians from the Department of Scientific and Industrial Research, but it seems that the technique is not well known throughout the State Services. We suggest that the State Services Commission initiate a study to determine the most fruitful fields for operational research.

*Suggestions Campaigns*

26. The Public Service has an outstanding record here. Thousands of worth-while suggestions have been made, and some have led to spectacular improvements in work. In addition, staff morale must have benefited greatly. We wholeheartedly endorse the scheme and suggest that the State Services Commission consider the proposal made to us that more liberal awards be granted for suggestions adopted.

*Mechanisation and Automation*

27. It is apparent that the State Services are up to date in their use of office appliances and the various forms of data-processing equipment. Departments seem to be fully alive to opportunities which large organisations offer for the profitable use of such equipment, and receive valuable technical advice from the Treasury bureau which specialises in its use.

28. When improvements in office machinery were, in the main, confined to accounting machines and resulted in no great redistribution of staff, the Public Service Commission may have been justified in delegating to the Treasury its authority in this respect. Now, however, the technical aspects take second place. The introduction of electronic equipment has much wider implications: for recruitment and training of operators and supervisors; for the special problems of accommodation; for the need to develop new management techniques; and for the problems of staff redundancy. The State Services Commission will be responsible for these matters, especially for the human problems which overseas experience shows will be paramount.

29. The State Services Commission cannot afford to surrender the responsibility to prepare for and deal with automation. We believe that it must take charge, and that these particular activities of the Treasury bureau should be transferred to the State Services Commission.

## DECENTRALISATION AND DELEGATION

30. In other parts of this report (for example, those dealing with financial control and personnel administration), we urge the desirability of delegating more authority to departments. We discuss in this section delegation within departments, and especially delegation to district offices. While it is true that the New Zealand State Services are already considerably decentralised, and that with this decentralisation there is in most departments appreciable delegation of authority, in our view this can and should be extended.

31. We believe that Government administration should be brought as close as possible to the people it serves; and that whenever practicable, decisions should be made in the districts where the problems arise, by people who are known in those districts. Apart from improving efficiency and relations with the public, greater decentralisation and delegation would have other practical advantages. It would improve staff morale and increase career opportunities outside Wellington, thereby improving recruitment and retention of staff, and reducing costly and unpopular transfers.

32. The Public Service Commission has encouraged decentralisation and delegation within departments. We believe that the State Services Commission should be in a stronger position to see that this policy is followed in all departments, and that it should give a lead in its own work.

## THE PRESTIGE OF THE STATE SERVICES

33. At a number of points in our inquiry, our attention was drawn to the prestige of the State Services. Several senior public servants expressed their belief that this prestige has fallen during the last 30 years; that well qualified youths no longer look to the State Services for a career as once they did; and that frequent adverse criticism has led the public to think of State servants as indolent and bureaucratic. Other, equally experienced officers considered that the prestige of the Services is as high as ever; that it is unreal to expect that State employees (now more than one in six of the working population) should be regarded as anything other than a cross-section of the community; that difficulties in attracting well qualified recruits are shared by employers who stand high in public esteem; and, finally, that vocal criticism is not proof of widespread public hostility to the State Services. Any conclusion on the present public image of the Services must be entirely subjective, for there has been no acceptable summation of public opinion on this matter. There is agreement, however, that prestige has an important bearing on efficiency.

34. A department will have taken a notable step towards efficiency if the public regard it as being efficient. For then its decisions and its actions will be accepted without the suspicion and resistance which would otherwise impede it in carrying out the Government's policy; it will more readily attract and retain staff; its morale will be higher. It is therefore well worth while to seek to improve the prestige of the State Services.



35. Paradoxically, while prestige promotes efficiency, efficiency itself must be the foundation of prestige. No amount of window dressing can conceal inefficiency from the public. But efficiency does not automatically bring prestige. Even the most efficient department must present itself favourably to the public. We suggest some matters that should receive greater attention.

36. The appearance of Government offices, we mention more fully in Chapter 6. The manner and appearance of State servants who meet the public is equally important – and not always commendable. Complaints must be dealt with promptly, frankly, and intelligently; and by senior officers. Where practicable, it would be wise to have all complaints dealt with by a special officer. Publicly expressed criticisms should be publicly answered by as high ranking an officer as is consistent with promptitude. Ministers need to ensure that departments do not bear the blame for Government policy. And leaders within the Services should encourage such a sense of pride and of achievement among their staff as can be expected in due course to influence the public's conception of them.

37. Government administration is the public's business, and the public are entitled to know more than they do of what is being done, and why. Much may be confidential; but much is not. Much is eminently newsworthy, and we believe that greater public knowledge of departmental activities would improve the public's appreciation of their State Services. A positive approach to public relations needs to be encouraged.

38. Senior State servants seem to avoid publicity. The community know few of them. The tradition that the department is the anonymous agent of the Minister is carried further than it need be; and further, we understand, than it is in some other countries. The heads of departments and of district offices are carrying great public responsibilities, and should be known to the public they serve.

39. It is our function to point out, if we can, how the State Services can be improved – not to point out how good they are or how bad. But our belief in the value of wider public knowledge of the State Services and their officers is strengthened by the remarks of Sir Arthur Nevill who gave evidence before us as a public servant, but who came to the Service with a wealth of outside experience. Sir Arthur said:

I wish to preface my comment with high praise of the Public Service. Anyone of mature years who has travelled overseas is in a position to make some comparisons with Civil Services abroad, and I have no hesitation in praising the New Zealand Public Service beyond all others for its general sense of vocation and public service, and for a devotion to duty which is often difficult to maintain in the face of prevailing staff and accommodation shortages. The great New Zealand public is much to blame for the criticisms which arise from time to

time, and our public-minded citizens should be encouraged to feel a jealous pride in the efficiency of the services which they are so fortunate to receive. I have found no example of graft, corruption or privilege which has often marred Public Services elsewhere. On the contrary, there is a keenness to advance and to obtain more experience and training. The various voluntary associations like the Civil Service Institute and the Institutes of Public Administration and Management are well patronised by civil servants, and the courses conducted by the Public Service Commission are popular, progressive and competitive. There is evidence of a constant state of self-examination and criticism within the Service, which is most stimulating.

## RECOMMENDATIONS

We recommend that :

- (50) Employing authorities and Permanent Heads place increased emphasis on the selection and training of leaders and on reviewing the quality of leadership throughout the State Services (par. 4-6).
- (51) The responsibility for staff establishments in the Public Service be entrusted to the State Services Commission (par. 8).
- (52) The State Services Commission pay special attention to the control of technical establishments but place greater reliance on Permanent Heads' control of clerical establishments (par. 9).
- (53) Greater attention be paid to the inspection of technical activities, and departments be required to send their technical inspection reports to the State Services Commission (par. 11).
- (54) In its own technical inspections, the State Services Commission use where necessary the services of qualified men from outside the Services, even from overseas (par. 12).
- (55) The State Services Commission regard the promotion of management services as one of its main activities, and in particular :
  - (a) Ensure that adequate numbers of capable officers are engaged in this work (par. 17) :
  - (b) Pay special attention to developing the techniques of work study, statistical analysis, and operational research (par. 18-25).
- (56) The State Services Commission consider whether more liberal awards should be granted to officers who have made suggestions which are adopted (par. 26).

- (57) In recognition of the importance of the wider implications of the introduction of electronic office equipment, the State Services Commission take over the relevant activities of the Treasury Accounting Methods and Machines Bureau (par. 29).
- (58) The State Services Commission ensure that a vigorous policy of decentralisation and delegation is pursued in departments, and itself give a strong lead (par. 30–32).
- (59) A positive approach to public relations be encouraged to keep the public informed and to raise the prestige of the State Services (par. 33–39).

## Chapter 6. PERSONNEL POLICIES

Item IV of our Warrant reads:

. . . any changes in policies relating to personnel that would promote an improved standard of public administration, especially in relation to:

- (a) The recruitment of staff:
- (b) The retention of staff:
- (c) The promotion of staff:
- (d) Rights of appeal:
- (e) The retirement of staff:
- (f) Classification and grading:
- (g) Training:
- (h) Discipline:
- (i) Relations between employer and employee:
- (j) Superannuation, so far as it affects the recruitment, retention, and retirement of staff:
- (k) Physical working conditions.

### INTRODUCTION

1. Though we are not specifically directed to deal only with the 11 topics listed, we find that they form a useful framework for a broad survey of staffing policies and practices. (The few significant matters of detail which do not conveniently fit in here have been considered in Chapter 9.) None of the topics can be considered without reference to at least some of the others (and to wage fixing in Chapter 7), as the wider subject of personnel policies includes them all. Thus our particular remarks and conclusions must be seen as merely part of a broader and (we believe) balanced treatment of the whole subject. Indeed, the close relation of the various parts convinces us that the Government should review as a whole the legislation constituting the State Services.

2. To give each topic proper consideration, and to show its relation to the whole subject, we have been forced into greater detail and more substantial illustration than we have permitted ourselves elsewhere in this report. We have also rearranged the given topics in an order more suited to our treatment of personnel policies and practices. We shall deal successively with: (a) classification and grading, (b) recruitment and retention, (c) training, (d) promotion, (e) rights of appeal, (f) discipline, (g) retirement, (h) superannuation, (i) physical working conditions, and (j) employer-employee relations.

## CLASSIFICATION AND GRADING

### PRELIMINARY

3. Our investigation quickly showed us that these are complex matters which are central to the problems of staffing policy. The State Services need many thousands of career officers, drawn from almost every occupation and profession. To prescribe identical conditions of service for all these officers (the same salary scale for technologists and typists, the same hours of work for librarians and locomotive engineers) would be absurd. To lay down different conditions for each individual officer would be impracticable. Some method of grouping is required; but the particular method chosen determines the structure of the Services and exerts a profound influence on the way they work. This section describes some of the methods that can be used, and explains why they have such important effects. The present system is then discussed and some changes are proposed. The significance of these changes will become apparent in later sections in which such topics as recruitment, promotion, and wage fixation are dealt with.

4. Classification and grading are ways of grouping individuals in an organisation. Since we are not concerned to formulate textbook definitions but merely to indicate the nature and significance of the subject, an illustration from a different kind of State Service may help to make clear the distinction between classification and grading. There are many possible ways of grouping the soldiers in an army: for example, into volunteers and conscripts; into home-based troops and those serving overseas; into regulars and territorials or short-service recruits. If the soldiers within a given category are treated differently from those outside that category, then the grouping affects the way the army works. The grouping into volunteers and conscripts would be significant, for instance, if volunteers were liable for service overseas while conscripts were not. But if the two categories were treated identically, the grouping would be of no greater account than, say, the distinction between blue-eyed and brown-eyed soldiers.

5. Three systems of grouping seem to be particularly significant in an army. First, there is the distinction between the branches of the service – infantry, artillery, medical corps, etc. Second, there are the classes based on rank – officers and other ranks, and the finer gradations from field marshal to private. Finally, there is the division into units – divisions, brigades, battalions, and the rest. The rights and responsibilities of each individual, which in total determine the structure of the army and regulate its working, will depend on his status which is defined by each of these three modes of grouping.

### *Classification*

6. The distinction between the infantry, artillery, etc., illustrates *classification* according to occupation. That is to say, classification is a form of grouping based on the *type* of work done. The form of grouping appropriate to an organisation will depend on the nature of the work to be done, and on the way in which it is arranged. One might distinguish between Administrative, Executive, and Clerical classes, for instance, or between Legal, Accounting, Engineering, Architectural, Scientific, and Technological groups. Whatever the pattern, the purpose of classification is to specify appropriate conditions of service for each group (entry qualifications, salary scales, lines of promotion, etc.). Hence the particular classification adopted is justified by the need to provide conditions of service for one class which differ from those which apply to others. These differences will normally reflect different qualifications, training, and experience. Sometimes, however, an individual may transfer from one class to another, just as an infantryman might become a gunner by going through the necessary training. The form of classification adopted, the extent to which conditions of service differ among classes, and the ease or difficulty of transfer from one class to another clearly have an effect on the recruitment, training, and promotion of staff, hence on the working of the organisation as a whole.

### *Grading*

7. Within an occupational class, a career will normally progress by promotion from one area of responsibility to a higher area of responsibility; that is, from one *grade* to another. Grading is thus a form of grouping within a given class based on the *quality* of the work done. To define the grades within a class, one may use a system based on rank attaching to persons ("officer grading"); or a system involving the ranking of posts ("position grading"); or both, as in the army. The ranks of colonel, captain, corporal, result from officer grading. The posts of Chief of the General Staff, Battalion Commander, Adjutant, are ranked according to position. It is clear that officer grading and position grading are not in the strict sense alternatives, since one can rank both persons and positions. Moreover, to grade officers realistically one must bear in mind the jobs that have to be done; and to grade positions, one must have an eye to the human resources available. The two methods are complementary, and it is a matter of indifference whether one calls the officers in positions A, B, and C "Grade III officers" or calls A, B, and C "Grade III positions".

8. Officer grading and position grading differ however in emphasis. Their results converge, but not necessarily to a point of identity. Should a particular officer in a given post be awarded a higher

grading? It is necessary to consider how the work load of his post compares with that of other posts in the same grade, and how his personal qualities compare with those of similarly graded officers. The relative weight given to these two factors may vary, depending on the method of grading used. Nor can it be said that stress on one of the factors is universally right, and on the other, wrong. Which method is preferable depends partly on the level of the post one is considering. Variation in personal qualities between one junior officer and another is less significant than that between senior officers, for little discretion is given to the junior in his work, and wide discretion given to the senior. Moreover, superior personal qualities in a relatively junior officer can (and should) be rewarded by promotion to a higher graded position; but the more senior the officer, the fewer the opportunities for promotion of this sort. It must be recognised that an outstanding senior officer can be worth, to the Government and the country, many times the value of an average officer of the same grade. To reward him with a salary many times higher is impracticable; but to pay him the same salary is less than just. In other words, his proper grading cannot be determined solely by analysing the work-content of the position, since the position may be transformed by its occupant.

9. It is clear that the basis of grading affects the promotion prospects of individuals, and on that account affects the Service as a whole. The coarseness or fineness of grades will also have important consequences. One may place the barriers which mark the boundary between one grade and the next relatively close together, or relatively far apart. If the barriers are close there will be a large number of grades with few positions in each. If the barriers are far apart (a condition known as *broad-banding*) there will be fewer grades each containing more positions. The "width", and hence the number, of grades will affect the number of times an officer can expect to compete for promotion in the course of his career. It will also affect attitudes to promotion, since the wider the grades, the larger the salary increase from the top of one grade to the top of the next. Broad-banding allows greater scope for widening the experience of selected officers, for whereas promotion from one grade to another depends on competition, transfers from one post to another in the same grade can be arranged by the employing authority. A stress on officer grading also increases flexibility in this respect, since the salary paid is not closely dependent on the position occupied.

10. We accept then that a system of classification and grading is necessary to any large organisation so that conditions of service can be related to the type and quality of work done. We accept, too, that the particular system of classification and grading adopted, by defining the salary scales and lines of promotion which apply to the

various occupational groups, affects career prospects, and hence the recruitment, retention, promotion, and retirement of staff. All these factors mould the organisation because they regulate the number and quality of the employees and the use which can be made of individual talents and experience and because they influence the morale of the staff. Indeed classification and grading impinge on every part of staffing policy, and have an important bearing on the operational efficiency of any organisation.

#### PRESENT SYSTEMS

11. Each employing authority in the State Services classifies its staff into permanent, temporary, and casual employees and attaches markedly different conditions of service to each group. Permanent staff (with whom we are primarily concerned) are classified in different ways in the three Services, though the Services have a common schedule of grades for salaried positions.

##### *Public Service*

12. The Public Service has five divisions: an Administrative Division which includes Permanent Heads and a few other senior officers; a Professional Division of officers doing scientific, medical, legal, engineering, and other "professional" work; a Clerical Division which includes officers doing the traditional clerical and executive work of government, and many specialists and other expert staff; a General Division comprising occupations ranging from semi-professional to unskilled workers and including some clerical workers; and an Educational Division comprising officers employed directly on teaching and related work by the Central Government.\*

##### *Post Office*

13. The Post Office has an administrative group comprising 18 designated officers of the department; a First Division comprising all clerical officers, engineering officers and the majority of the controlling and executive officers who supervise and direct the activities of Second Division employees; and a Second Division comprising other salaried officers who are not classified in the First Division, including women employees (other than clerks), and a large staff of tradesmen, skilled and semi-skilled workmen.

##### *Railways Department*

14. The Railways Department has a Salaried Division comprising an administrative group of top officers, and other professional, technical and clerical officers; and a large General Division whose members are paid by the hour.

\*Most teachers are employed by local education boards or school boards of governors.



15. Within the divisions of the three employing authorities there has been considerable subdivision into occupational groups and sub-groups for the purpose of determining salaries and other conditions of service.

#### SCOPE OF EXAMINATION

16. We heard in evidence little objective criticism and few suggestions for improvement of classification and grading from the Post Office or the Railways Department. We shall therefore confine our review and recommendations to the classification and grading of the Public Service, about which more evidence was given. However the principles underlying our recommendations apply also to the Post Office and the Railways Department, and we suggest that the State Services Coordinating Committee ensure that changes parallel to any made in the Public Service are, where necessary, made in those two departments, with whatever modifications may be demanded by their special circumstances.

17. In this section we shall therefore :

- (a) Review the evidence relating to the Public Service and assess the adequacy of its present system of classification and grading :
- (b) Propose a classification and grading system which we consider meets the needs of the Public Service :
- (c) Demonstrate our proposed system by applying it to the main body of Clerical officers :
- (d) Examine the need for the present five-yearly regrading and recommend improvements in regrading.

#### THE PRESENT SYSTEM REVIEWED

18. The evidence was compelling on one point – that the present divisional classification is unrealistic for a modern public service. The Public Service Commission summed up the situation when it said :

... the Commission is using today with minor modification the classification system prescribed nearly fifty years ago by the Public Service Act 1912. Over the intervening period, the scope and scale of State activity has increased vastly; improved methods, some streamlining in organisation, and new concepts in staff training have been introduced in the interests of greater efficiency. Only the classification structure has remained basically unchanged. Its survival intact may simply reflect an inherent excellence but it would be surprising in the light of the other administrative changes found necessary, if it is still completely appropriate to present needs.

19. In 1912 when the present scheme was devised, it was fairly simple to allocate the few Permanent Heads to the Administrative Division, to identify the “clerks” and “professional officers”, and then

to place employees not coming into any of these classes in one fairly large General Division. The divisions thus created were apparently regarded as occupational classes and used as a device to separate officers in order to define conditions of service.

20. Since then, divisional differences in conditions of service have largely disappeared. Today the divisional classification serves no useful purpose, creates a number of anomalies, and impedes a more effective system of classification. Furthermore, the single grading-pattern imposed on the Clerical and Professional Divisions (and reflected in the promotion barriers and scales of the General Division) has led to uniformity of treatment. This in turn has prevented the special problems of each occupational class from being adequately dealt with, and has given rise to complicated administrative procedures for ameliorating in a limited way the restrictive application of a uniform grading system. The system has increased tensions within and between occupational classes. These tensions have affected recruitment and retention of staff, and wage fixation.

21. The Public Service Commission recognised the defects of the classification and grading system, and put forward a number of proposals for improvement. These included abolishing the divisional classification and replacing it by one based on occupational groups, each of which would be linked to one of two salary schedules—"general" and "miscellaneous". The general schedule would provide longer salary scales than the present for recruits to the Service. Overlapping scales were proposed for recruits with differing qualifications and for officers above the entry grades.

22. We consider the Public Service Commission's proposals imaginative, and accept in principle those dealing with classification. But in grading we believe it is necessary to go further. The proposed schedules still embody grades which would apply willy-nilly to all occupations, and would thus perpetuate one of the main defects of the present system.

23. Other witnesses took up the Commission's proposals with minor variations. Most advocated an essential simplicity and flexibility in dealing with the varying conditions of distinct occupational classes. We think it fair to say that these suggestions were generally intended to meet particular problems connected with recruitment and retention in the present Clerical Division and to make adequate provision for well qualified administrators within that Division. The implications of the proposals for other occupational classes seemed little considered. The problem surely is to provide a system of classification and grading which will work usefully for the Service as a whole, which will help solve the present problems of recruitment and retention, and which will at the same time be sufficiently flexible to cope with future changes.

## THE SYSTEM PROPOSED

24. Though no classification and grading system is perfect, we are satisfied that the system we propose is superior to the existing one, and that it will adequately meet the needs of the New Zealand Public Service now and in the future. Moreover it follows a general overseas trend towards occupational classification.

25. Our proposal, briefly, is this :

- (a) That the present classification into divisions be abandoned and that the whole of the Public Service be classified into occupational classes, some of which will be entirely within a department, while others will extend into two or more departments :
- (b) That grades, salary scales, and other conditions of service be related to the needs of each occupational class :
- (c) That there be a general schedule of common salary steps which can be used in constructing scales for most occupational classes ; and
- (d) That there be an administrative occupational class spanning and coordinating the other occupational classes.

We shall now examine each of these points in more detail.

(a) *Classification into Occupational Classes*

26. In this age of technology the Public Service has to compete in the market place for a wide variety of skills. Public Service terms and conditions of employment must therefore be adaptable to supply and demand. To introduce this elasticity into the Service it is first necessary to sort all staff into occupational classes so that each class can be dealt with independently.

This quotation from the evidence of a practical and successful administrator stresses that grouping into occupational classes is the only way to bring badly-needed realism and flexibility into salary scales and other conditions of service.

27. Many occupational classes have already been recognised, especially in the present General (shorthand typing, apprentices, trades, miscellaneous, etc.) and Professional (land surveying, engineers, dentists, etc.) Divisions, and to a lesser extent in the Clerical Division (draughtsmen, audit officers, etc.). A number of other occupations in the Clerical Division could also be identified (accountants, tax inspectors, etc.), but it should be remembered that occupational classes need to be distinguished only where different conditions of service are required. There would remain in the Clerical Division a fairly large number of comparatively non-specialised clerical and executive officers, and we suggest below (par. 75) how these might be classified.

28. We recognise that reclassifying the Public Service into occupational groups, and implementing the other recommendations we make in this section of the report, will at first impose a heavy burden on the State Services Commission. However, once those changes have been introduced, the load will be lighter than that which the Public Service Commission carries at present.

(b) *Occupational Class Salary Scales and Grades*

29. Although a number of occupational classes have already been recognised, and salary scales prescribed for them (both under and independently of the Government Service Tribunal Act), it has been necessary to compress many of the scales into the rigid grading pattern prescribed for the Clerical and Professional Divisions. The same pattern has indeed largely governed General Division scales, which in theory were free of that necessity. If our proposals are adopted, there will be no "divisional" scales. The many existing occupational class scales already prescribed will remain, but two tasks will have to be undertaken: first, the construction of occupational-class scales for those sections of the Service not already covered by them; second, the more gradual amendment of existing scales to suit the specific needs of the occupational classes concerned. Freed from present rigidities, the employing authority must formulate new general principles to guide it in constructing or amending such scales. If it observes such principles, it can take into account the relevant factors (e.g., the need to recruit, the weight to be given to educational qualifications and to merit otherwise displayed, the preservation of promotion by merit) and be consistent in its treatment of various classes. To aid our own deliberations we hammered out certain principles. These should serve as a useful first approximation for the State Services Commission.

*Principle 1: Salary scales for most if not all occupational classes will need to be subdivided into grades to take account of different levels of skill, responsibility, or merit. The salary range for each occupational class, the number of grades within that range, and the incremental pattern within the grades should be determined by the special characteristics of that class.*

*Principle 2: The minimum qualification for entry to an occupational class should likewise be determined by the special characteristics of that class.*

30. For the reasons already given, we reject any system in which different occupational classes are made to conform to a single set of grades. A single entry qualification is similarly inappropriate. The qualification may be educational (attested by examination or otherwise), but may also cover requirements of, say, age, health, or experience.

*Principle 3: For those occupational classes in which some specialised skill is needed beyond a certain point, a qualification-barrier should be fixed at a point which fairly remunerates the work which can be efficiently performed without that specialised skill. This barrier should be removed from any officer as soon as he passes the examination or test required to demonstrate the skill.*

31. To erect a barrier means to stipulate that an officer may not progress beyond a certain point unless he fulfils some special requirement, such as passing an examination or test ("qualification-barrier"), exceeding a certain level of performance in his work ("merit-barrier"), or competing successfully for promotion ("grade barrier"). Principle 3, which justifies the use of qualification-barriers, applies to such classes as shorthand typists, psychiatric nurses, and some technicians. In a few cases more than one examination or test (hence more than one qualification-barrier) will be laid down. A qualification-barrier may coincide with a grade-barrier; in that case, to advance further an officer will be obliged not merely to pass the examination or test but also to compete successfully for a position in the higher grade.

*Principle 4: Except for the special cases covered by Principle 3, the minimum entry qualification should be the only one necessary to reach any position within the occupational class, notwithstanding that higher qualifications may be an advantage to the officer and the Service.*

32. Principle 4 recognises the concept of equality of opportunity. This concept does not imply that officers with the lowest entry qualification are as likely to reach the top as those with better qualifications. It does imply that an officer with the least qualification who proves in practice that he is more efficient and suitable for promotion than are better qualified officers shall have the right to rise to the highest positions.

*Principle 5: The lowest point of the salary scale should be fixed at a point appropriate to the least qualified entrants to any occupational class. Higher points of entry should be provided in the basic grade of the class for those with relevant higher qualifications.*

33. Any scheme for the classification and grading of a career service must provide for the entry of recruits at the start of their working life. Principles designed for this normal method of entry are not intended to preclude the admission of older or more-experienced people at higher points in the scale or possibly at much higher grades. The principles which we consider should govern such

appointments are laid down in the section on rights of appeal (par. 276-280 below). The salary level of the various points of entry should be determined (following the principle of fair relativity) with reference to the salaries paid to similarly qualified entrants in comparable outside employment, or (in the absence of such external comparisons) with reference to the quality of the qualification and the time usually taken to gain it.

*Principle 6: The salary scale for the basic grade of any occupational class should be so designed that entrants with the minimum qualification will move forward to a salary level which fairly remunerates the highest standard of work which they can be expected to carry out efficiently, without special merit but with the training and experience they will have received at that stage of their careers. A barrier (either the grade-barrier, or one based on qualification or merit) should be placed at that level.*

34. It is expected that this principle will give, for certain occupational classes, an initial maximum salary free from unnecessary barriers and high enough to help to meet present difficulties of recruitment.

35. The basic (that is, "recruitment") grade of any occupational class can either be kept "short" so that officers are tested early in their careers by competition at a promotion-barrier, or made "long" to give semi-automatic advancement up to a salary maximum more in line with what young men expect to be earning by the time they are 30. We discussed these alternatives with Australian State and Federal employing authorities, who have had experience of both short and long basic grades over a period of some years.

36. In times when recruiting is easy and permits some selection among applicants of good quality, there is a strong case for a short scale. A promotion-barrier at an early stage encourages a recruit to study, and to profit from training, at the age when he is best able to do so. It is an incentive to diligence and competent work. It impresses upon him, early in his career, that promotion depends on merit. It aids transfers of staff between districts, and between divisions of a department. Finally, it makes it easier for an officer to transfer to another department if, because of the type of work or lack of prospects, he comes to regret his original choice.

37. But other things being equal the recruit will usually be attracted to the employer who offers a long basic grade with automatic advancement. Thus, if the supply of good recruits is limited and other large employers (such as banks and insurance companies) offer long scales, the State Services have no option but to do the same if they are to compete successfully for a fair share of the talent available. The

Australian authorities found that if a public service persevered with short basic grades while rival employers offered long ones, the quality of its recruits fell even more rapidly than their number. Moreover, even when the supply of recruits improves (as it has done recently in Australia) a long scale is still necessary to attract recruits of good calibre, so long as other large employers are using one.

38. Whatever the advantages of short basic grades, an employer who offers them when his competitors are offering long ones will fail to secure recruits of the quality, and perhaps in the numbers, that he wants. Long scales are therefore needed, for the time being at least, in the New Zealand State Services. We have accordingly recommended in Principle 6 that the first barrier in a scale be placed at the highest possible point, taking into account the standard of work which can reasonably be expected.

*Principle 7: A higher first barrier in the basic grade may be fixed for entrants with a suitable qualification which is so much higher than the minimum qualification for the class that they can be expected to achieve a higher standard of performance than that contemplated in terms of Principle 6.*

*Principle 8: When more than one barrier has been created in the basic grade of an occupational class (following Principles 6 and 7), the lower barrier should be removed from any officer as soon as he gains the higher qualification, or shows in practice that he can be expected to reach the standard of performance which is expected of those with the higher qualification.*

39. An officer with a higher entry qualification will not necessarily do better work than one with a lower qualification. But it is reasonable to assume that more of the better qualified than of the less qualified officers will be capable of a higher standard. Hence, a higher initial maximum salary may properly be offered to help attract the better qualified entrants to the Service. But this should only be done when the lower initial maximum for the less qualified officer is treated as a merit-barrier which can be surmounted when he has demonstrated the necessary capacity. There would be great advantages in establishing in each occupational class with a merit-barrier in the basic grade, merit-attainment standards which, once achieved, would entitle an officer to go past that barrier.

*Principle 9: Grade-barriers (as distinct from merit- or qualification-barriers) should be placed at those points where it is necessary for officers to compete for promotion on merit.*

Principle 10: *The salary level at each grade-barrier should be that which fairly remunerates the highest standard of work which can be expected of a fully experienced officer, of average competence, in that grade.*

40. Promotion may in some cases mean that the officer will continue to do much the same kind of work, but will have proved competitively his ability to do it better (see Principle 11 below). In other cases he will proceed to more difficult or more responsible work, having proved his superior potentialities in competition.

Principle 11: *Each grade should cover the salary range appropriate either (1) to a group of positions which require similar qualities in their occupants (on the basis that an officer deemed suitable for promotion to the least of these positions is also deemed suitable for the highest), or (2) to a group of officers of broadly similar competence (wherever emphasis on personal qualities rather than on job content is appropriate).*

41. Grading in the Public Service is at present governed by section 17 of the Public Service Act 1912, which requires the Public Service Commission to grade officers within the existing divisions "according to fitness and to the character and importance of the work performed by or to be assigned to each officer and grade". The precise intention of these words is far from clear; but they have generally been taken to mean that grading must be of an officer *in his job* — that is, to combine officer and position grading. Whether the wording of the section will require alteration to give effect to Principle 11 is a matter which the Law Draftsman should consider.

Principle 12: *Subject to the rules laid down in Principle 11, each grade should encompass as wide a salary range as possible, and allow the greatest practical degree of advancement before reaching the next barrier.*

42. This is what we previously described as "broad-banding". It means simply that positions (or officers) are placed in a few broad categories rather than in a framework of fine distinctions. Within these broad grades there may be a series of salary steps or increments which will take a man to the top of the grade provided that he does his work satisfactorily. It was strongly represented to us that broad-banding had many advantages, and that officers should not be made to compete for promotion to positions differing little in responsibility from the ones they already hold.



43. At least seven persuasive points were made in support of broad-banding:

- (a) Increments within broader grades would allow an officer's development in a position to be recognised. The present system virtually declares that, after an officer has spent one year (or at the most two) in any grade other than the basic grade, he has reached his zenith for that grade. This is usually untrue.
- (b) Officers would be able to move or be moved over a greater range of positions in the same grade and thus to obtain a greater variety of experience.
- (c) Officers would be able to see more plainly their future progress. This would help keep them in the Service.
- (d) Promotion would be more worth while and, as a corollary, broad-banding would lead to greater competition at the grade-barriers.
- (e) Broader grades would help to retain experienced officers in a department by reducing the need for the present great number of interdepartmental transfers. At present officers often transfer to other departments in order to surmount narrow promotion-barriers more quickly. Some interchange between departments will always be necessary, but if this is too great, or at the wrong levels, it can cause serious loss of efficiency and add to the expenses of training.
- (f) Broad-banding would also help avoid many of the expensive and frequent transfers of officers from district to district. Both the officer and the State pay dearly for such transfers. The transfer of 50 households in one department in one year cost £14,796. For the departments under the Public Service Commission, transfer and removal expenses for the financial year 1961 amounted to £227,583. With the Post Office and Armed Services added, the cost was £414,862.
- (g) On the other hand, broad-banding would facilitate necessary transfers on promotion between districts by providing a worthwhile incentive. At present, many officers suitable for advancement do not seek it, for the existing narrow grades mean they would have to change their homes too frequently for too small a return.

44. We see merit in all of these contentions. Accordingly, we recommend acceptance of the broad-banding principle in spite of one main argument (that of expense) brought against it by the Public Service Commission. The Commission argued that it would be expensive because, in time, most officers in any grade would be clustered at or near the top salary step of the grade. Against this additional expense, however, must be offset some less obvious but nonetheless real savings.

45. Fewer transfers between districts, for instance, would mean worth-while savings of unproductive removal expenses. We expect broad-banding to have a material effect on retaining staff, thereby eliminating some of the costs of a high turnover rate. These costs, like those of the excessive rate of interdepartmental transfer, include the increased cost of training, as well as reduced efficiency. The overhead cost of administration of promotions and regradings would be cut substantially, because there would be fewer cases to consider. Not only would the number of grading problems be reduced; there would also be a greater incentive to treat each of them carefully, since an indulgent approach would be so much more expensive. There would therefore be a marked reluctance to award any officer a "charity" grade. Apart from the direct money savings, it is clear from paragraph 43 that an indirect saving in the form of improved efficiency is to be expected. Finally, it must be remembered that broad-banding has already been applied, in practice if not in form, to a number of occupations in the Professional Division. In the Clerical Division it would affect only the higher graded positions, hence only a minority of officers, an appreciable proportion of whom would be near or at the top step even under the present system. Bearing these points in mind, we conclude that the advantages of broad-banding outweigh any extra expense it might involve.

46. The frequency of grade-barriers on any salary scale, and therefore the width of grade bands, will depend on the special nature of the occupational class concerned (Principle 1). In some occupations it will take longer than in others for an officer to reach full efficiency in a given job. While there will always be some arbitrariness in fixing the exact point of a barrier, we believe that the formulae given in Principles 11 and 12 are sufficiently precise (in that they identify the relevant considerations) yet flexible enough to meet the varying needs of different occupational classes.

47. Broad-banding may affect the present system of personal grading of officers. A personal grading is one allocated to an officer – as distinct from the position he holds – in recognition of his superior personal ability, or because for the time being he does not occupy a graded position. Where broad-banding is applied, personal gradings may be less often needed to reward merit, since wider grades will allow for an officer's development in any given job.

48. Broad-banding also has some bearing on the Public Service Commission's proposals for overlapping grades. An overlapping grade is one whose minimum salary does not exceed the maximum salary for the grade below. In its suggested General Schedule, the Public Service Commission made use of this device at two levels: first, in providing a number of different entry grades to attract recruits with differing qualifications; and, second, at higher grades

to cover the cases in which the best applicant for a vacancy in a higher grade might not have reached the top step in his present grade. In Principle 7 (par. 39 above) we have suggested an alternative means of attaining the first of these aims. As for the second, we are not convinced by the Public Service Commission's argument. An officer who, in competition, succeeds in winning promotion to a higher grade should receive a salary related to the work of that grade, not to the level of his previous salary. The starting salary for the higher grade will depend on the rate at which officers are expected to develop to the point of greatest efficiency, the salary for which is fixed in accordance with Principle 10. It is conceivable that the period of expected development might be long enough to warrant an overlap between grades, but we have no evidence that such a situation is likely to arise.

*Principle 13: Within grades, incremental salary steps should be so arranged that the average officer reaches the next grade-barrier at the same time as he attains the standard of performance expected of a fully experienced officer in that grade. The size of the salary steps should, however, be sufficient to constitute an adequate incentive.*

*Principle 14: Officers showing special merit while working through a grade should be given recognition in the form of accelerated increments. Conversely, officers not making an acceptable standard of progress should have their increments deferred.*

49. The steps within a grade, conforming to the expected development of officers, are normally by annual increments of salary. By an accelerated increment we mean one granted before the year has elapsed, or one equivalent in size to two or more incremental steps. Though increments may be accelerated or deferred at present, more use should be made of such variations. If, following our recommendations, longer grades are adopted for certain occupational classes, there will be an even greater need to encourage and reward deserving officers, and to ensure that officers who do not deserve to move year by year to higher salaries are not permitted to do so.

*Principle 15: Merit grades can well be provided to take account of variations in merit in occupational classes in which there are few opportunities for promotion. (They will usually apply to occupations requiring specialised but narrow skills.)*

50. It has been customary to furnish merit grades where opportunities for advancement to positions of higher responsibility are not generally available (as, for example, in the case of dental nurses).

The creation of merit grades, as distinct from grades entailing greater responsibilities, is justifiable (but only under such conditions) to make certain that salaries are commensurate with the value of services rendered, and to provide an incentive for officers who must continue to do the same type of work. This represents in effect a special application of the second part of Principle 11.

(c) *Schedules of Common Salary Points*

51. Although the salary scale and gradings of individual occupational classes will be so constructed as to take into account the special needs of each class, there are advantages in having a schedule of common salary points around which the salary scales for each class can be constructed. The advantages will become obvious when the scales come to be constructed, the classes listed in the annual classification list, any necessary internal relativity among classes assured, and general wage increases applied.

52. We illustrate our proposal with a general salary point schedule (Appendix 8). This gives common salary points which could be relevant to most occupational classes, though many classes would use only part of the schedule. It will be noted that the incremental range provides for smaller steps in the early stages of a career when the officer is under training. In the later stages, when his value is higher, the steps have been widened. For convenience, we have used as far as possible the salary scales effective from 1 October 1961. Later we shall use this schedule and our principles to give a practical illustration of the construction of a scale.

53. It will probably be necessary to have at least two general schedules – one like the illustration which extends over a wide range, and one which restricts its range and has smaller increments. The latter will be needed to construct scales for groups like apprentices, stores staff, or tradesmen. There will remain, moreover, some occupational classes in the State Services (for example, nurses, teachers) whose scales are unlikely to be based on common salary points, since they are exactly equated with rates paid to similar, but much larger groups employed by such authorities as hospital boards and education boards.

(d) *An Administrative Class*

54. We have proposed that the Service should be classified into a number of distinct occupational classes with their own conditions of service, and their own work to do in various departments. But it is obvious that there are other public servants who coordinate and control the work of the various occupational classes within departments, and who give the work central direction. They fill

a managerial and administrative role which needs to be distinguished from the more specialist role of a member of an occupational class. Members of this group in a department will be drawn from the various occupational classes though some classes will no doubt tend to produce more administrators than will others. We call this group the "Administrative Class". The Administrative Class, though drawn from different sources, needs to be identified for the following six reasons:

55. (i) All members have one thing in common no matter what their department, their occupational origin, or the nature of their technical or educational qualifications. They are responsible, under Ministerial control, for guiding the activities of departments. Particular members of the class may need technical competence in some of the particular work of a department, but the prime needs will be administrative capacity in formulating and recommending policies to the Minister and managerial ability in executing approved policies.

56. (ii) If administrative positions in a department are identified, it will be easier to plan promotion and training policies which will prepare and test enough potential appointees to fill them.

57. (iii) Training policies must be specifically designed to produce enough trained departmental officers to fill the positions in the Administrative Class, for the vitality and efficiency of the Public Service depend very largely on the quality of this group of officers. We hope by careful identification of the relevant positions, by giving them prominence in a special occupational class, and by adequately training the officers who will have to fill them, that this vitality and efficiency will be increased.

58. (iv) High technical qualifications are needed to do the best work in many occupational classes. But the best and most highly qualified technical man will not necessarily prove the best administrator. The identification of administrative positions should stress the need to fill them with the best administrators even if these men are not equal in technical ability to some of their colleagues.

59. (v) Identification of the officers as a class will assist in determining salary scales and gradings, and in devising the machinery necessary to keep these under review (Ch. 7).

60. (vi) It will help to induce in administrators a viewpoint wider than that of a particular occupation or a particular department. A career in an occupational class develops the skills, ideas, and attitudes most suitable for that class. This is in many ways a healthy thing. A doctor in the Public Service will consider himself primarily a medical man, not a public servant, and he will be guided by the ideals and traditions of his profession rather than by his desire to carry out a Government programme. He will in this way enhance his profession as well as the Service. But the man at the top must take a wider

view. He is no longer an engineer or a doctor, a scientist or a manager. His work as an administrator demands a new perspective, in time and in space. He must learn to see present deeds in the context of future needs, his own departmental programmes in the context of overall Government policy, his own organisation in the context of the whole machinery of government. He must also learn a new code of conduct appropriate to his new occupation, and be guided by it in exercising the wider discretion which is now his. This code of conduct is particularly important in his relations with his Minister; without it he cannot reconcile loyalty to a political superior with loyalty to the ideal of a non-political service. To establish a separate Administrative Class is to recognise symbolically the importance of these changes in attitudes and ideals, and to smooth the way for the training which brings about those changes.

61. We received many proposals for establishing an Administrative Class which would include the higher positions in the Service. Some were modelled on overseas precedents, others attempted to devise a class that suited the special character of the New Zealand Public Service. These suggestions helped us considerably when we came to frame our own proposals.

62. We were forced to the conclusion, contrary to some overseas precedents, that direct recruitment of an administrative elite is not practicable in New Zealand. The country's historical development, manifest in the tradition of recruitment from below, precludes this. We have been impressed, too, by the fact that able New Zealand administrators have been drawn from many different vocations, and have very different educational backgrounds. We prefer therefore to strengthen the quality of recruits to the occupational classes, and recommend that such of them as have administrative potential should be quickly distinguished and given training and experience which will fit them for later admission to the Administrative Class, if they so desire. (We deal with this more fully in "Training".) Thus recruitment to the Administrative Class will normally be from the other occupational classes of the Service.

63. We are concerned that the Administrative Class be not formed in an arbitrary way – on mere classification by salary, for example, as advocated by Treasury. Some State servants on high salaries are obviously occupational specialists who have few if any administrative responsibilities. Some who might be excluded because of lower salaries should obviously be part of the Administrative Class in their departments. We are satisfied that the class must be formed by examining the control hierarchy of each department and identifying the positions in that hierarchy which involve substantial responsibility not only for management, but also for formulating and advising

on policy. The total number of officers in the Administrative Class would then equal the sum of the departmental positions so determined.

64. The salary scale fixed for the class will need to take into account differences in work loads and responsibility, recognising the fact that positions in the Administrative Class in some departments will not demand the same high qualities of their occupants as will parallel positions in other departments. Salaries paid in the Administrative Class may sometimes be less than salaries paid to senior officers in some other occupational classes. We see nothing wrong with this. It may indeed prove impossible to retain outstanding specialists on any other terms.

65. So far we have spoken only of classification. We must now deal with grading. We said earlier (par. 8) that the more senior the post to be graded, the greater the emphasis that should be placed on the quality of the occupant rather than on the work content of his position. This principle can be soundly applied to the proposed Administrative Class. The personal qualities of an officer in the Administrative Class will largely determine the value to the department of the position he fills.

66. We therefore recommend that grading in the Administrative Class, while being related to the nature of the work to be done, should emphasise officer grading. This will require the greatest flexibility in grading—to be accomplished by broad-banding as far as it is practicable at these levels, and by recognising that the real responsibilities of some of these positions will vary with the occupants.

67. Such variations in the grading of a senior position will be necessary not only because of differences in the personal qualities of its occupants, but also because its responsibilities can fluctuate with changing political or administrative needs. A department may, for example, be for a few years in the political limelight while it introduces new legislation and develops new administrative procedures designed to give effect to major changes in Government policy. A period of relative stability may follow, as other issues (and other departments) come into prominence. The establishment of positions in the Administrative Class will also fluctuate for similar reasons.

68. To deal with this and other problems, the State Services Commission may well need greater freedom to redeploy its administrative talent than the Public Service Commission has had under the traditional system. We therefore gave some thought to the possibility of introducing into the Administrative Class a radically different method of grading for the sake of greater flexibility. Under this plan, each officer in the Administrative Class would have a personal grading (or “rank” as in the armed forces), and there would be no grading of positions. Each officer would draw the salary

appropriate to his rank, and would fill whatever position the State Services Commission required him to fill from time to time. The State Services Commission would thus have complete freedom to transfer an officer from one administrative position to another. Vacancies would be filled by appointment and not by competition (except at the point of entry to the Administrative Class), and appeals would in consequence be limited to the question of personal grading.

69. Though such a system would have certain merits, it represents such an abrupt departure from tradition that we doubt whether it would be practicable to introduce it in the near future. Furthermore, we hope that a sufficient degree of improvement will be achieved by broad-banding the positions in the Administrative Class, and by the other proposals we make, particularly for administrative training. Broad-banding will not give the State Services Commission complete freedom to deploy staff, but to the extent that it widens grades to cover a greater range of positions among which the employing authority can arrange transfers, it will make the system more flexible. It will make it easier to second to another department a doctor (say) who is likely to reach a high administrative position in the Health Department, and thus widen his administrative experience. It will also make it easier to correct the situation (which is bound to arise from time to time) where an officer fails to measure up fully to the demands of one position, but could give valuable service in another.

70. We intend that administrators should be selected and trained to develop an outlook wider than a merely departmental one. It is nevertheless consistent with this intention that each department should try vigorously to produce its own leaders. Nothing in the constitution of the Administrative Class (nor anything that has been said in the preceding paragraphs) should be construed as derogating from this intention. Every officer of every department should be able to aspire to the Administrative Class.

71. All positions in the Administrative Class (with the exception of Permanent Heads whose appointment is discussed in the section on promotion) should be advertised and filled in the usual way by notice in the *Public Service Official Circular*. The present rights of appeal should remain.

#### A GENERAL EXECUTIVE CLASS

72. We are considerably disturbed by evidence of poor recruitment and high turnover in the Clerical Division of the Public Service, and in its counterparts in the Post Office and the Railways Department. The effects will doubtless be felt in the Services for many years



to come. Public interest demands that the deficiencies be remedied. The reasons for the poor recruitment and retention will be discussed later in the relevant sections of our report. But it is obvious that the Clerical salary scale is a most important aspect. We have therefore chosen the Clerical Division as the one best suited to a practical illustration of our proposals. It is moreover a very large group and it is found in every department of the State Services.

73. In the process of classification by occupational class, the specialised occupations of the present Clerical Division (for example, auditors, draughtsmen, accountants, tax inspectors) should be separated into distinct classes with salary scales and conditions of service peculiar to their needs. Clerks and non-specialised supervisory and managerial officers will remain when the process is complete. (Specialised supervisory and managerial officers will come within technical occupational classes.)

74. General Division clerks and clerical assistants must also be taken into account. The latter, whose work can be distinguished from ordinary clerical work, should we think form a separate occupational class. The former, however, can be distinguished from many Clerical Division clerks mainly because they lack pre-entry qualifications for admission to Clerical Division. They must be included, therefore, in any proposal for a clerical occupational group. They, together with the remaining non-specialised supervisory and clerical officers in the Clerical Division, should be placed in two occupational classes: a Clerical Class and a General Executive Class.

75. *Clerical Class*: This would include present General Division clerks, and also those Clerical Division clerks and new appointees not selected (or not eligible) for admission to the General Executive Class. Clerical Class would do the more routine, but important, work at present done by clerks of both Clerical and General Divisions. They would become *eligible for selection* to the General Executive Class by gaining the entrance qualification. The work to be done by Clerical Class suggests a range of salary grades, the first of which would have a maximum of, say, £800 a year, with further grades up to a maximum for the class of, say, £1,000 a year on present salary scales.

76. *General Executive Class*: This class would include *selected* officers who enter the Service for a career that will take them from some initial training in clerical work, through supervisory grades and other positions of responsibility, to managerial posts at the top of the class. There would be considerable movement both in and out of the class, with a significant influx at the higher levels. For instance, some officers might leave the class to join other occupational classes (auditors, tax inspectors, accountants, trust officers). These officers

(or others in separate occupational classes) might later return to the General Executive Class in senior supervisory or managerial positions (for example, as district controlling officers). General Executive aspirants to the Administrative Class would compete for positions with specialised executive officers from other classes.

77. We shall now apply our principles (par. 30-50) to this General Executive Class, and suggest some measures we think should be taken to encourage recruitment, and decrease the present high losses from this group of officers.

(a) *Minimum Qualification*

78. We favour University Entrance as the minimum qualification for this class. But because of the present demand for school leavers and the need to meet competition from other occupational classes and from outside employers, we recommend that a *suitable* pass in the School Certificate Examination (or acceptable substitute) be the minimum qualification (Principle 2). We regard this as a low entrance qualification and would hope to see this minimum raised to University Entrance when circumstances allow.

79. We consider that there is a clear distinction (which needs to be stressed) between clerical work and the work which will be done by officers of the General Executive Class. We would therefore impose a minimum qualification (School Certificate or an equivalent Service examination) on aspirants to the General Executive Class from Clerical or any other class. After passing this test, they (like other intending recruits) could be considered for selection. This would be the only educational qualification necessary for promotion to the highest posts in the Class (Principle 4) though higher qualifications could be an advantage to the officer.

(b) *Higher Qualifications*

80. Those entrants with University Entrance, Higher School Certificate, or an acceptable degree, professional qualification, or diploma should enter the basic grade at higher points on the scale determined in accordance with Principle 5.

81. It is generally accepted that most recruits with appreciably higher qualifications (for example, good university degrees) will be capable of better work than will those without such qualifications. This higher standard is not solely the result of higher education. It is also a consequence of the fact that, higher education now being available to all with the ability to benefit from it, those who go to university (an increasing proportion of them for full-time study)

are generally the ablest of their age group. The General Executive Class must get its fair share of these able young people, and to do so it is necessary not only to pay them a higher *starting* salary, but also to offer them a higher *maximum* salary than could properly be guaranteed to recruits with lower qualifications. This is justified by Principle 7.

82. But it also follows that when the lower qualified officer gains any one of the acceptable higher qualifications, *or shows by his performance that he can be expected to do as well as the higher qualified entrant*, he should be enabled to pass on to the higher salary maximum fixed for the entrant with the higher qualification (Principle 8). Thus any merit-barrier may be removed at any time after entry if the necessary standard of merit is shown; the earlier the better so as to encourage the more able officer.

83. The principle of a higher initial barrier for more highly qualified entrants was put forward by the Public Service Commission and was accepted as fair by the Public Service Association. All officers in the grade will compete by merit for promotion beyond the grade-barrier (Principle 9).

### (c) *The Initial Grade*

84. We have suggested that much of the more routine work of departments should be done by officers of the Clerical Class. Therefore the basic grade of the General Executive Class should be constructed to develop officers' potential for higher duties, and to offer a range of positions which would encourage this development and show up potential ability. For this reason we advocate a rather wide salary scale for the first grade, within which a qualification- or merit-barrier is fixed at a salary which fairly remunerates the highest standard of work which the average officer with the minimum entry qualification can be expected to carry out efficiently with the training and experience he will be given (Principle 6). We consider this barrier should apply to all entrants except those whose qualifications are so much higher than the minimum that they could appropriately proceed to the grade-barrier in accordance with paragraph 39 above.

85. This grade becomes mainly a training grade for the occupational class, though there is a rough sorting of officers to duties appropriate to their experience and salary.

86. In suggesting a wider basic grade, we have been influenced by further factors. The pattern of salary increments should allow the young career recruit to see his way clear to a reasonable salary by the time he is 30. Most young men in their twenties (often early twenties) are married and have children. A sure salary expectation

would go a long way to retain them in the Service in the early stages of their career. Outside organisations seem to be able to meet these natural ambitions and expectations in their career salary scales (par. 34-8 above).

87. We believe that a recruit with School Certificate (or preferably with University Entrance), specially selected for executive work, who enters the Service at the age of 16 or 17 and shows reasonable merit, should be able to look forward at the age of 29 or 30 to an annual salary equivalent to £1,000-£1,100 today. With special merit he would reach this salary earlier (Principle 14). Such a salary scale for the basic grade of the General Executive Class would not be out of line with other employment opportunities.

88. We recognise that many Clerical Division officers of 29 or 30 years of age at present reach such a salary (or higher) in spite of promotion barriers, and to that extent our proposal for a longer scale would involve no extra expense. They cannot, however, see these chances of promotion clearly at the outset, and many of the more ambitious young men are either not attracted to or not retained in the Service.

89. If an officer does not make the development expected from officers of the class, his annual increment should be deferred until he demonstrates that he is worth it (Principle 14). If his performance remains disappointing, so that he is unable to pass the first barrier by qualification or merit, he is obviously misplaced in this class and should be reclassified to the Clerical Class or elsewhere. Supervisors and controlling officers must approach this kind of problem with courage, as it would be most undesirable to have the class clogged at the merit-barrier with a large number of unsuitable officers.

#### (d) *Subsequent Grades*

90. The composition of the General Executive Class lends itself to broad-banding (Principle 12). The positions in this class are not of the kind that lend themselves to fine distinctions. There are ranges of positions which will differ in content but which will require the same qualification in the officers holding them. We consider that these positions should be placed in the same grade. With the variety of jobs which will be available in the grade there will also be ample opportunity to test the progress of officers before promoting them to another grade.

#### (e) *An Illustrative Scale*

91. We illustrate our proposals in Appendix 9 which gives a salary scale divided into appropriate grades. The figures in the scale relate to the salary conditions applying from 1 October 1961,

and for purposes of comparison these have been shown along with the existing scale, and with that proposed by the Public Service Commission.

(f) *Translation from Present Conditions*

92. The fixing of salaries and grade-barriers for occupational classes is not within our authority or competence. But we consider that a scheme broadly resembling our illustration would represent a realistic approach to one of the biggest problems of recruitment and retention in the State Services. In saying this we wish to make it very clear that, if any such scheme were introduced, there would need to be a transitional period during which each officer and each position in the classes affected would be carefully appraised. Nothing in our illustration or in any scheme based on it should be held to entitle any officer, in advance of that appraisal, to receive a higher salary, or better promotion prospects, than he enjoys at present; nor should any officer be deprived of any salary right or entitlement as a result of it. For instance, a salary level which at present marks a grade-barrier might, with broad-banding, become the middle step of a grade; during the transitional period no officer should advance beyond his *existing* grade-barrier until it has been confirmed that he has qualities entitling him to advance up the steps of the new grade. Many officers at present in the Clerical Division would be classified in one of the new specialised occupational classes. Of the rest, those in Class IV and above should enter the General Executive Class automatically. The employing authority, in a preliminary sorting of those in Class VI and Class V, would have to decide which were clearly unsuitable for the General Executive Class (even though they possessed the minimum qualification), and allocate them, subject to a right of appeal, to the Clerical Class. The remainder—including the doubtful cases—should be provisionally allocated to the General Executive Class, but those who afterwards failed to demonstrate the qualities needed for further advancement would be transferred (after individual appraisal, and subject to appeal) to the Clerical Class. General Division clerks would be placed in the Clerical Class at the outset.

#### AN OVERSEAS COMPARISON

93. It is of interest that the classification system in the Australian Commonwealth Public Service is strikingly similar to that which we recommend for the New Zealand State Services. Scales for occupational classes are constructed to meet the needs of each particular class, using a schedule of "standard salary points". The

following examples show the types of scale that result (the salary figures represent pounds Australian) :

*Customs and Excise*

Excise Officer:	£		£
Grade 1 .. ..	808-1,078	Assistant Examining Officer	808-1,078
Grade 2 .. ..	968-1,188		
Grade 3 .. ..	1,078-1,298	Examining Officer ..	1,078-1,298
Assistant Investigating Officer	1,078-1,298		
Investigating Officer ..	1,518-1,738	Invoice Examining Officer	1,408-1,738
Senior Investigating Officer..	1,628-1,848		

*Taxation Assessors*

Income tax:	£	Estate and gift duty:	£
Grade 1 .. ..	968-1,188	Grade 2 .. ..	968-1,188
Grade 2 .. ..	1,078-1,298		
Grade 2A .. ..	1,188-1,408	Grade 3 .. ..	1,188-1,408
Grade 3 .. ..	1,298-1,518		
Grade 4 .. ..	1,408-1,628	Grade 4 .. ..	1,408-1,628
		Grade 5 .. ..	1,518-1,738
Grade 5 .. ..	1,628-1,848	Grade 6 .. ..	1,628-1,848
Grade 6 .. ..	1,738-1,968		
Grade 7 .. ..	2,033-2,228		

The examples show that considerable use is made of overlapping scales. The Commonwealth Public Service retains a divisional classification, but the Second and Third Divisions appear to have the same salary points, while the Fourth Division has its own schedule of common salary points much closer together, corresponding to the "supplementary schedule" we think will be necessary in New Zealand.

REGRADING

94. Although the Public Service Commission regrades a number of positions each year with the issue of the annual classification list, and even regrades a few posts between times, the main regrading is done during the five-yearly review. The Public Service Commission, the Post Office, and the Railways Department must by statute regrade their Services every five years. They have a common regrading date. They establish an inter-Service regrading committee which deals with policy issues and inspects some key positions. A subcommittee, comprising a nominee from each authority, reports upon a range of representative positions in each Service. The regrading is then done by a hierarchy of service committees, inspectors, and departmental officers. Administrative preparation for the regrading starts about a year ahead of the regrading date. The repercussions of the regrading (they implicate the Government Service Tribunal and the Appeal Boards) are felt by the employing authorities for up to three or four years after the event.

95. Although it is commonly acknowledged that the present five-yearly regrading procedures impose an almost intolerable burden on the State Services, two main considerations seem to have prevented the discovery of a more rational and less cumbersome method. The first is the statutory requirement that the Public Service Commission, and other employing authorities, regrade every officer in their Services at five-yearly intervals – a requirement which was no doubt reasonable when it was introduced over part only of a much smaller Service in 1912. The second is the fact that it is only out of this five-yearly regrading that any right of appeal arises in respect of the grading of positions in the Services.

96. The proposals which we have made for an improved classification and grading system (particularly broad-banding) will, if they are adopted, tend to lessen the burden of regrading. But nonetheless we consider that the present five-yearly mandatory regrading should be abandoned. Therefore, we recommend that the present statutory requirements be repealed, and replaced with a general direction giving the State Services Commission (and other employing authorities) the responsibility of ensuring that the scales of wages and salaries, and the gradings of officers and positions, are maintained properly and equitably.

97. The initiative would then rest with departments to keep gradings under review, and to make appropriate recommendations to the Commission. The Commission would be responsible for consistency of gradings among departments, to which end it might wish to review gradings in a related group of departments each year, possibly in conjunction with the investigations of the proposed pay research unit (Ch. 7/30–33).

98. It may be expected that there would be an almost continual review of separate key positions under this system. The same cannot be expected for occupational classes as a whole, nor would it be necessary, for two main reasons. First, while individual positions can (and do) change fairly rapidly in work content, the work of an occupational class as a whole tends to be comparatively static. For example, where particular types of inspectors are graded into three separate grades (say One, Two, and Special), a Grade Two position in a particular district may need to be reduced to One or raised to Special in the light of changing circumstances in that district. But it will less often be found that the work of the whole class of inspectors has substantially changed in character. Second, general salary adjustments such as follow ruling rates surveys and Arbitration Court orders tend to keep group scales in general relativity.

99. A right of appeal to the Appeal Board at present arises from the five-yearly general regradings, but the employee organisations have an independent right to take a claim to the appropriate wage-

fixing Tribunal for the review of the scales of occupational classes. In the case of the Public Service, at least, such claims tend to take the form of appeals against the Public Service Commission's five-yearly regrading determinations, and consequently to be contracted into too short a period. It appears to us that the abolition of five-yearly regradings would lead to occupational group claims being made, and handled, in a more orderly and satisfactory manner.

100. However, it is also apparent that the present restrictions on occupational group claims to the Government Service Tribunal would need to be removed by providing that an occupational class for which a scale is fixed by the State Services Commission becomes without further proof a class for the purposes of the Tribunal; and by enlarging the Tribunal's jurisdiction to coincide with that of the Commission so that the Tribunal can deal with entire groups. These matters are dealt with in Chapter 7.

101. Neither the Post Office nor the Railways Department had any suggestions for a change in regrading procedure, but the Public Service Commission did concede that continual regrading might be practicable. It was also represented to us that the advantages obtained from continual regrading would more easily accrue (a) if decisions on regrading of certain individual positions could be made in a department without written reference to the State Services Commission (that is if the procedure were decentralised by allowing Commission officers to visit departments and give decisions on the spot); and (b) if a pay research unit were established to keep under review outside pay rates and related rates in the State Services. These matters are dealt with in other parts of this report, as is the problem of preserving an individual officer's right of appeal against his grading if the five-yearly review is abolished (par. 259 below).

102. The classification and grading of each officer, and certain other information, are published in a classification list, concerning which we received certain submissions. This matter too will be dealt with elsewhere in this report (Ch. 9).

## RECOMMENDATIONS

We recommend that:

- (60) The present divisional classification of the Public Service be abandoned and the Public Service be classified into occupational classes (par. 25-28).
- (61) The present system of common grading scales in the Public Service be abandoned, and salary ranges, grades, incremental patterns, and other conditions of service be determined according to the particular needs of the individual occupational classes and on the lines of the principles we state in paragraphs 29-50.



- (62) There be in the Public Service a general schedule of common salary steps (and such supplementary schedules as may be required) which can be used in the construction of scales for occupational classes (par. 51-53).
- (63) An Administrative Class be formed in the Public Service (par. 54-71).
- (64) After classification by occupational class has been applied to the Clerical Division in the Public Service, the residue of that Division consisting of general executives and clerks, together with clerks from the General Division, be formed into two occupational classes, namely, (a) a General Executive Class, and (b) a Clerical Class (par. 72-92).
- (65) The present five-yearly mandatory regrading be abandoned and in its place the State Services Commission and other employing authorities be given the responsibility of ensuring under a system of continual review that the scales of wages and salaries, and the grading of officers and positions, are maintained properly and equitably (par. 94-101).
- (66) Changes parallel to those recommended in (60) to (65) above be made where necessary in the Post Office and the Railways Department, with modifications to suit their special circumstances (par. 16).

## RECRUITMENT AND RETENTION

### PRELIMINARY

103. It soon became apparent that we could not usefully consider recruitment and retention in isolation one from the other. Many of the influences governing the ability of the State Services to acquire new staff also govern their ability to hold their present staff. For instance, the level of economic activity is among the most important of these influences: when the economy is booming, not only do the quantity and quality of recruits decline, but also the rate of turnover among employees increases. Recruitment and retention are closely connected in another way: the fewer the officers retained, the more it is necessary to recruit. A number of departments, for example, have traditionally been training grounds for certain occupations and professions, among them the Railways Department for engineering apprentices, Public Trust Office for lawyers, Ministry of Works for engineers. Their recruitment figures could

be misleading unless one takes into account the extent to which they can retain the staff they have trained. In the present section we deal therefore with the broad problems of staffing the State Services.

#### BACKGROUND

104. The traditional pattern of recruitment rose out of the victory of the reformers in the battle against political appointments. As early as 1866 a Civil Service Act had provided for a qualifying examination before entry, and in 1886 this was made an open competitive examination. But in the following year an amendment opened a back-door into the Service by exempting "temporary" recruits from examination. This remained open until 1912, when the Hunt Commission reported and the Public Service Act was passed. The reformers insisted on a non-political career Service, and to that end vested responsibility for recruitment in the Public Service Commission, which has from time to time prescribed examination qualifications and held entrance examinations.

105. The assumptions behind the recruitment system developed after 1912 were: (a) that most career officers would enter the Service straight from school, working their way up from the bottom, and that this was desirable; (b) that recruits should be selected on the basis of a written examination, which might be either a Service examination (for example, the Public Service Entrance Examination) or one existing for some other purpose (for example, the University Entrance Examination); (c) that preference for selection should depend on the performance of the candidates in such examinations (taking into account that some examinations might be more difficult than others).

106. During the past 50 years there have been many changes which cast doubt on these traditional assumptions. The reformers' ideal of a non-political career Service remains valid, but it has to be maintained in different circumstances. The education system, for instance, has been transformed; more children receive a secondary education, more stay at school longer, more proceed to university, and of these more are full-time students. Educational standards too have changed. It is therefore possible to establish a wider range of entry points to the State Services in order to draw in recruits of different degrees of education and ability. It is indeed necessary to do so. To limit recruitment to school leavers would be to exclude from the Services some of the most talented young people; but to prefer always the academically better qualified candidate might

involve employing highly intelligent recruits to perform routine tasks, which would be unsatisfying to them and wasteful of the country's human talents.

107. During the same period the economy has been transformed, and so have the State Services. The range of occupations has increased markedly both within and outside State employment. It is over-simple but not wholly misleading to say that, traditionally, the Public Service consisted of clerks recruited from country districts where there were few jobs other than farming available to a young man. The Public Service no longer consists of clerks; nor is it true any longer that there is no choice of occupation in country districts. It is over-simple but again not wholly misleading to say that, nowadays, the Public Service consists of comparatively few clerks (drawn increasingly from girls and older people) and a multitude of diverse specialists for whom the State must compete with outside employers. Specialised occupations, however, require distinctive entry qualifications, different entry points, possibly even the recruitment of adults who have gained suitable experience in outside employment. And the reference to girls and to older people illustrates further changes which have taken place: changes in the age and sex composition of the country's labour force. However desirable the career-service principle may be – and we do not doubt its importance – some facts cannot be overlooked; for example, that there will probably always be a need to recruit girls whose Service careers will often be short, and married women who go back to work as their children grow older.

108. The increasing range of education, together with the increasing diversity of State Service occupations, make inappropriate the traditional reliance on written examinations as a sufficient means of selection at entry. Techniques of testing have moreover been considerably improved since 1912, so that it is now possible to predict more accurately how a given candidate will perform in a given occupation. We understand, for instance, that the British Civil Service controls the alternative method of entry to its Administrative Class by kinds of test more up to date than the traditional written examination, and that the newer testing is more successful than the older in detecting unsuitable candidates. Some specialised selection methods have indeed been introduced in the State Services in New Zealand, for example to choose rural field cadets. At present the opportunities for introducing such methods are limited, since in too many occupations the problem is rather one of finding enough recruits than of discriminating among recruits. Appropriate tests will need to be devised however for selecting entrants to the General Executive Class which we have proposed. Testing and selection do not apply only at entry, and we have indeed mentioned them

elsewhere in this report. It is sufficient to note here that there are better ways of avoiding patronage, and of selecting the best entrants, than an exclusive reliance on written examinations.

#### STAFF SHORTAGES

109. It has been argued in the preceding paragraphs that the traditional system of selecting recruits is defective. In recent years, the problem of improving it has taken second place to the problem of attracting and retaining sufficient staff. The emphasis has been less on selection than on collection. Indeed, the figures submitted to us show 5,448 vacancies in the State Services—3,002 in the Public Service, 1,402 in the Railways Department, 1,044 in the Post Office.

110. These totals do not adequately identify the staffing problems of the State Services, for three reasons. First, numerical needs cannot be assessed regardless of quality. Fewer staff of better quality may be equivalent to more staff of poorer quality. Second, numerical needs depend on the methods of work adopted. This is very clear in the case of the Railways Department, which since 1949 has succeeded in increasing its haulage (gross ton-miles) by 15·3 per cent with a staff reduced by more than 1,600. Third, totals of vacancies do not reveal whether the shortage is general, or confined to a limited range of occupations or departments; and without this information it is difficult to diagnose the reasons for the shortage and hence to take effective remedial action.

111. From the nature of the evidence submitted to us the predominant impression was likely to be one of general shortage, since most submissions on this topic naturally came from those departments in which shortages were most serious. But further examination suggests that the problems are for the most part specific rather than general, and that they affect some departments, occupations, and grades more acutely than others. That was indeed the view of the Public Service Commission.

112. The main problems seem broadly to be these:

- (a) Interruption of the normal processes of recruitment during the depression of the 'thirties and again during the Second World War, taken together with the expansion of State activity since 1935, has resulted in a widespread shortage of suitable, experienced officers in "middle-management".
- (b) There are serious shortages of experienced officers in a wide range of specialised occupations, such as auditors, architects, dental nurses, draughtsmen, engineers, lawyers, quantity surveyors, typists, tax inspectors, town planners, various kinds of scientist, various kinds of technician, and various kinds of tradesmen, either in certain districts or throughout the country.

- (c) The intake of well qualified young men into the Clerical Division has failed to keep pace with the demand. It has been possible to make up the numbers by recruiting girls and older people to fill junior positions. The shortage is serious, however, since it is from this group of cadets that many of the supervisors, managers, and administrators must in future be drawn.

113. While these shortages are specific, they seriously hinder the general efficiency of the State Services. For instance, it has been estimated that the shortage of officers to administer the Inland Revenue Act costs the country more than £1½ million a year in uncollected taxes; only 53 experienced tax inspectors were available at the end of the 1960-61 financial year, the lowest number at any time during the past 18 years. We were told that because of the shortage of dental nurses, 81,000 primary school children are being treated by private dentists at an estimated extra cost of £257,150; the cost of private dental treatment was said to average £5 19s. a child, compared with £2 16s. 5d. for treatment by a dental nurse. The shortage of architects and engineers has slowed down the construction and repair work which the Ministry of Works undertakes for other departments, and has obliged the Ministry to hire private consultants for some of its design work. This (we were told) involves extra expense. The shortage of operating staff on the railways necessitates the working of an excessive amount of overtime, which imposes a heavy strain on the employees as well as a financial burden on the Department. The shortage of staff in mental hospitals (which, like the railways, must maintain a round-the-clock service) has similar effects. Shortages of draughtsmen and technicians mean that professional officers must be diverted to semi-professional work. Throughout the State Services, the shortage of staff in key positions leads to bottlenecks, delays, reduced efficiency; and in many cases efficiency has also been impaired because departments have had to replace experienced and highly qualified officers with those less experienced and less highly qualified (in which connection it must be remembered that restrictions on entry make it difficult to fill abnormal vacancies above the basic grade). These shortages are the result partly of poor recruitment, partly of poor retention.

#### RECRUITMENT

114. The difficulty of recruiting well qualified male clerical cadets has already been mentioned. Though this is common to the three State Services, the figures for the Public Service are available in the most detail. The Public Service Commission estimates that, to meet losses from retirement, death, and resignation, approximately 600

male clerical cadets are needed each year. The following table sets out the number actually recruited, in three categories: (a) with less than School Certificate, (b) with School Certificate but less than University Entrance, and (c) with University Entrance or better. The righthand side of the table shows the number of boys leaving school with examination qualifications during the year, together with an estimate of future trends.

Table 9

Male Clerical Cadets Recruited					Qualified Boys Leaving School		
Year to 31 March	(a)	(b) S.C.	(c) U.E.	Total	(b) S.C.	(c) U.E.	Total
*1956 ..	125	78+	37+	252	1,505	1,840	3,345
*1957 ..	160	159+	128+	483	1,821	1,950	3,771
1958 ..	136	244	154	534	2,085	2,300	4,385
1959 ..	144	222	165	531	1,996	2,890	4,886
1960 ..	140	190	156	486	2,702	2,900	5,602
1961 ..	172	163	137	472	2,422	3,055	5,477
1962 ..	172	188	113	473	2,625	3,350	5,975
1963 ..	..	..	..	..	2,800	3,690	6,490
1964 ..	..	..	..	..	3,100	3,990	7,090
1965 ..	..	..	..	..	3,400	4,575	7,975
1966 ..	..	..	..	..	3,500	5,060	8,560

\*1955-7 Breakdown between (b) and (c) available only for recruits joining in the period December to March: 12 boys joined in April-November 1955; 36 in April-November 1956.

115. Four facts emerge from the table: first, that though its recruitment has improved markedly compared with 1956, the Public Service has not attained its target of 600 male clerical cadets in any of the years considered, and indeed that from 1958 to 1962 its intake was falling; second, that to recruit even this many boys it has been necessary to accept a reduction in quality, shown by the even more rapidly shrinking recruitment from categories (b) and (c) between 1958 and 1962; third, that this has happened in a period when the number of qualified boys leaving school has been increasing so rapidly that there are now as many with University Entrance as there were with School Certificate or better a few years ago; and finally that this increase is expected to continue. On the face of it, it should become progressively easier to obtain 600 male clerical cadets each year and to ensure that very many of them are well qualified.

116. For a number of reasons it is impossible to estimate precisely how many recruits of all types the State Services will need in the years ahead. Changes in Government policy, for instance, cannot be forecast, and they may require the provision of new services (or conceivably, the termination of existing services) with consequent effects on staffing. Automation, and other changes in methods of work, could have significant but incalculable effects. Above all, the number of recruits required will be affected by changes in the rate of resignations, which is liable to fluctuate unpredictably. Nevertheless, these important considerations aside, it might be expected that the number of State servants would increase at about the same rate as the population increases. The number of school leavers (and particularly of qualified school leavers) is increasing much more rapidly than that, so that staffing problems should become easier, provided (a) that there is no great increase in the scope of State activity, (b) that the State Services can attract a reasonable share of school leavers, and (c) that they can retain sufficient of the staff recruited. This conclusion relates only to total numbers, however; there may continue to be shortages of groups with particular qualifications (for example, first-class honours degrees) or with particular experience (for example, as tax inspectors, or town planners, or trust officers).

#### RETENTION

117. Any optimism derived from the present and prospective increase in school leavers must be qualified by two reflections. First, in spite of the increase it has so far proved impossible to attract enough well qualified recruits to some occupations (for example, male clerical cadets). Second, in many occupations there have been substantial losses through resignation. In the last 10 years, for instance, the Ministry of Works has recruited from overseas 63 architects, of whom 40 have already resigned. Of its total architectural staff in 1951, 55 per cent have now left; of its total architectural staff in 1956, 40 per cent have now left. Over 40 per cent of the quantity surveyors it had in 1956 have gone. Of the 193 draughtsmen it hired between 1940 and 1950, 93 per cent have left; of 158 engaged from 1951 to 1955, 87 per cent have left; of those recruited since 1955, 40 per cent have already left. Of its professional engineers, 135 left in the five years 1956-61 and 23 in the first half of the year 1961-62. These have been replaced (when that has been possible) generally by less experienced officers. Of 117 engineers and technicians recruited overseas between 1949 and 1957, 65 per cent have resigned; and 80 per cent of the engineering draughtsmen recruited overseas in those years have resigned.

118. Such losses are by no means confined to the Ministry of Works. In the Department of Agriculture, for instance, more than half of the scientific officers recruited since 1950 to the Animal Research Division and the Farm Advisory Division had left by 1960; so had over half of the livestock instructors and the horticultural instructors, and nearly two-thirds of the chemists in the Dairy Division. Of the 60 male clerical cadets appointed to that department in 1955-59 only 22 remained at the end of the five-year period. The Audit Department has lost 48 out of 220 trained auditors in the past five years, and in consequence has few if any officers left who are available, qualified, and sufficiently experienced to fill a vacancy at the level of District Auditor. In April 1951 the Public Trust Office had 590 career staff, of whom 241 were professionally qualified; by September 1961, to handle a much larger volume of business, it had 503 career staff, of whom only 165 were professionally qualified. At the start of that period it had 41 legal staff. During the period it gained 30 and lost 41 (23 resignations), leaving only 30 by September 1961. Of the 203 male clerical cadets it recruited in seven years from 1951, only 59 remain. Probably the highest turnover rate mentioned in evidence was that of typing staff in Head Office of the Department of Health: of a staff of 34, there were 23 transfers and resignations in the 12 months ending March 1961, a turnover of nearly 68 per cent in a single year.

119. High turnover of staff is disturbing for two reasons. First, it is wasteful (in training costs, in the overheads of staff administration, in dislocation of work, and in loss of experience) even when it is possible to find replacements. Second, it may not be possible to find replacements with adequate qualifications or experience. Some of the worst turnover figures (for example among clerical assistants, and among many kinds of junior staff) are important primarily for the first reason, and this should be borne in mind when examining the statistics of staff turnover contained in Appendix 10 (a), (b), (c).

While it is most desirable, on grounds of economy, to reduce these rates of turnover, our main concern has been with the failure to retain staff who cannot be replaced - that is, with the contribution of poor retention to the shortage of key staff noted in paragraphs 117-8 above.

#### CAUSES OF POOR RECRUITMENT AND RETENTION

120. The reasons given in evidence to explain the inability of the State Services to recruit and retain enough staff in recent years fall into three groups - based on (a) economic factors - full or overfull



employment; (b) material factors – pay, and other conditions of service; and (c) non-material factors – prestige of the State Services, and attitudes towards clerical work.

121. There is no doubt that the level of employment has in recent years had a marked bearing on the ability of the State Services to recruit and to retain staff. The nature of this relationship and the reason for it call for much more investigation than witnesses were inclined to assume. Overfull employment means more vacancies than persons to fill them, so that if the State Services were competing equally with outside employers, the unfilled vacancies should be shared proportionately between them. That consequence does not of itself account for any inability to retain present staff. However, it is plausible to assume that when jobs are plentiful, people are readier to move from one employer to another. Once again, if the State Services were competing equally with outside employers, the outflow should in theory be matched by a corresponding inflow, no extra vacancies being created. But it has already been noted that in many occupations losses of present staff are by no means matched by a corresponding inflow, so that something other than overfull employment is involved. There is apparently another factor operating against retention in the State Services in times of overfull employment. Conversely, when there is a dip in the level of economic activity, the increase in recruitment in the State Services appears to be sharper than one would expect. It seems that there may be a further factor operating in favour of recruitment to the State Services in such a situation.

122. These facts can be explained by regarding the level of employment less as a *cause* than as a *condition* within which other causes are either stimulated or inhibited. For example, the wage or salary rates of occupational groups in short supply tend not to rise as far or as fast within the State Services as they do outside. This is one cause of poor recruitment and retention, the effects of which are more pronounced in times of overfull employment. When the economy dips, there are fewer outside employers seeking extra staff. Recruits are then available to fill posts in the State Services, less because they prefer these posts than because others are not so readily available. Retention is easier for the same reason. State employment may also have more positive attractions when the level of employment is falling, in particular because it offers greater security. Here again the cause is a special factor affecting State as distinct from other employment. This cause is inhibited except when the general level of employment is falling.

123. In our view, the problems of recruitment and retention arise because, in certain economic conditions, various material and non-material factors tend to deter people from joining or remaining in the

State Services. To solve these problems, we think it preferable to tackle the special factors involved rather than to rely on changes in economic conditions. Government policy on the level of employment is not directed towards curing the staffing difficulties of the State Services, nor should it be.

### *Material Factors*

124. The most obvious special factor is the rate of pay. Even this is more complex than it may seem at first sight. The employee or prospective recruit will be concerned not only with his present pay, but also with what he can expect in future. In considering the latter, he may take into account the level both of top salaries, and of those in the middle range, giving weight to each according to his expectation of rising to that level. In doing so, he must estimate the time it will take him to reach his goal. In other words, he must consider the height of the promotion ladder, the rung he is on at present, how far he can expect to climb, and at what rate, and compare the result with any alternative available to him in outside employment.

125. Different witnesses laid differing emphases on various elements in this calculation. The Public Service Commission suggested that pay was of less importance than were overfull employment and such non-material factors as popular misconceptions about public employment. Treasury, on the other hand, declared that "recruitment and retention of staff . . . depend largely on salary and promotion prospects", a view which was shared by the Public Service Association. The importance of *present* salary was stressed by the Commissioner of Works, the Director-General of Agriculture, and the Deputy General Manager of the State Fire Insurance Office. The last two witnesses said that they were losing staff to outside employers who could pay higher salaries immediately, but who could not offer such attractive long-term prospects. The Secretary to the Treasury, the Government Statistician, and the Public Trustee, however, laid particular emphasis on salaries *at higher levels*, the last-named witness saying that he was at present losing staff to outside employers not because of any dissatisfaction with present salaries but because of dissatisfaction with future prospects. (It is probable that middle and top-level salaries affect retention rather than recruitment of staff.) There seemed to be general agreement that especially in the Public Service the rate of promotion is more rapid than ever before, so it is probable that any dissatisfaction with future prospects arises rather from the height of the promotion ladder than from the rate of ascent. The Public Service Commission claimed that, with a few exceptions resulting from recent increases in the starting salaries paid by banks and other institutions, salaries at the lower levels of the Service have been in reasonable relativity with

those in many outside organisations. If this be so, then any dissatisfaction with Service pay must relate mainly to future prospects; but while this might be true as a general proposition, it is still possible that in respect of the professional and technical groups mentioned for instance by the Commissioner of Works and the Director-General of Agriculture (par. 117-8 above), present salaries may be the main factor.

126. It must be remembered that in the context of overfull employment, State Service salaries and wages tend to lag behind those in outside employment. They will be brought into line from time to time; but as a general rule they do not move ahead, so that the outside employee gains the advantage of an earlier increase. This may tend to discourage recruitment, but we doubt whether it affects retention, provided the State servant is confident that he will receive the increase in full and without undue delay.

127. Conditions of service other than salary must also be considered under this heading. Some apply generally, others affect particular departments. In considering the former, the presence or absence of "fringe benefits" is relevant. We discuss elsewhere (Ch. 7/12-14) the subject of fringe benefits in outside employment, and reach the conclusion that no general pattern of benefits can be discerned. In particular cases an employer might attract or retain staff by offering such benefits, but this is equally true of the State Services. The State superannuation scheme, for instance, while it appears to have little effect on recruitment, helps to retain staff once they have accumulated sufficient years of contributory service (par. 384). Similarly, there is little doubt that the training given within the State Services, and the opportunities provided for study, help recruitment. To the extent that hostel accommodation and other forms of housing or housing assistance are available (and known to be available), recruitment and retention in certain parts of the country are doubtless improved. The staff associations consider that more might be done in this last direction; the matter is further discussed in Chapter 9.

128. Conditions of service which vary among departments include the liability to transfer, and to travel extensively in the course of duty. The latter point applies in particular to the staff of the Audit Department, and might be given greater emphasis in determining their pay or allowances. The provision of buildings, equipment, and facilities affects some staff more deeply than others; research suggests that women generally attach greater importance to working conditions than do men, but the Secretary of the Department of Scientific and Industrial Research laid stress on the importance of good equipment and facilities in recruiting and retaining scientists. In some types of work (for example in the General Division of the Railways Department) the prospects of promotion are slight; it was

suggested that long-service awards might appropriately be paid in such cases to help retain staff (par. 141). The size, nature, and location of the department also affect the recruitment and retention of staff. The Government Printer, for instance, finds it difficult to retain clerical staff in his department, which is small and offers few opportunities for promotion in this field. Size is by no means the only consideration, however; the Social Security Department is several times larger than the Treasury or the Departments of External Affairs and Industries and Commerce, but finds it much harder (in Wellington at least) to attract and retain qualified clerical staff on account of the nature of the work. On the other hand, the latter departments (which are necessarily centralised in Wellington) find staffing more difficult than do those whose work is largely done in towns where labour shortages are less acute.

#### *Non-material Factors*

129. In Chapter 5 of this report we have more fully discussed the prestige of the State Services. The subject cannot be wholly neglected here, since attitudes towards the State Services must have an important influence on their ability to recruit, and some effect on their ability to retain staff. Every mischievous and ill-informed attack doubtless makes recruitment more difficult; it must be recognised, however, that there will always be some element of difficulty in the situation, since Governments have to do some unpopular things (such as raising taxes) for which their servants are sure to incur part of the odium. It is too much to expect that the public image of the bureaucrat and the tax gatherer will ever be wholly favourable. It is more practical to impress the public that, even in levying taxes and imposing restraints, the State servant behaves in a manner at once efficient and fair-minded. To create this impression, it is necessary first to *be* efficient and fair-minded, and second to bring that fact to general notice by encouraging in every officer an awareness of the importance of good relations with the public. The Post Office has set an excellent example in this matter. The State servant should never forget that each applicant, complainant, or customer might be the parent of a potential recruit.

130. It is of course insufficient merely to polish up the image of each State Service as an institution, though that is necessary. It is essential also to spread among potential recruits and their parents the idea of the State Service as a career. Here again it is a question first of providing a good career, and second of giving the public an accurate impression of what is available. Research might well be undertaken to discover what stereotype the public has of a job in the Public Service, or the Post Office, or the Railways Department. It might be discovered, for instance, that to most people "a job in

the Public Service" means in the first place, security, and then a desk job. We agree with those witnesses who maintained that too much had been made of security as an aspect of public employment, and that better staff would be attracted if stress were laid instead on the opportunities available for those with talent. The training available in the State Services should also be a selling point; it is of some significance that the New Zealand Forest Service, which has been among the pioneers of staff training, has fewer recruitment problems than have most departments.

131. Success in recruitment also depends in part on the glamour of the particular occupation. It was noted in evidence that the Post Office found it easier to recruit for radio work than for automatic telephony – not because the work was more interesting, but partly because radio has a prestige outside the Service which automatic telephony lacks. Indeed, the success of the Forest Service may derive in part from the attractively "outdoor" sound of forestry. Several witnesses suggested that youths nowadays are not attracted by indoor jobs, and particularly not by "clerical employment", and that this hampers recruitment, particularly in the Public Service. Certainly every effort must be made to dispel the myths that all State servants are clerks and that all of them work indoors; but equally, the point must be made that "working at a desk" may involve a career in management, research, and administration which can be of absorbing interest. Already, by the use of electronic data-processing machines, some "clerical" processes have been taken out of the hands of clerks and transferred to those of machine operators implementing programmes designed by highly skilled "back-room boys". The office (and, conspicuously, the Government office) is becoming one of the key sectors of an industrial revolution.

132. Non-material factors affect not only the recruitment, but also the retention of staff. Some of them have been mentioned before. Effective leadership, for instance, gives an officer a sense of purpose in his work. Effective supervision means that a recruit will be properly trained in his job, helped when he needs guidance, and made to feel part of a group. The Post Office Association stressed the role of staff welfare schemes. On the face of it they might appear to be a material rather than a non-material factor, but their main value could lie in convincing each employee that the organisation (employer and fellow employees combined) is sufficiently interested in him to provide help when it is needed. These things help to build up loyalty; and this section of our report would be incomplete if we failed to quote a brief passage on that topic from one of the submissions of the Public Service Commission:

While it may be perfectly true that security and superannuation are negligible restraints upon even senior officers tempted by the rewards available in the private sector, it is also a fact that the

resignation rate would be far higher if considerations of financial reward alone governed the employment attitudes of public servants. The prestige of the Public Service has suffered considerably at the hands of its public detractors in recent years. Loyalty has been labelled as lack of initiative and dedication to a purpose misconstrued as an instinct for security. It is a wry paradox that the limitations in outlook and ability and other bureaucratic ailments so frequently affirmed to be the special characteristics of public officials are no deterrent to an ever increasing flow of employment offers to public servants by outside organisations.

#### ASSESSMENT

133. The more serious of the staff shortages in the State Services have now been described. It has been explained that in some cases they stem from difficulties of recruitment, in some, of retention; and many material and non-material factors which may contribute to those difficulties have been mentioned. It is now necessary to assess the relative importance of those various factors, relating them to the shortages which they purport to explain, in order to decide what remedial measures are appropriate.

134. Three critical shortages were identified in paragraph 112 above: in middle management, in many specialised occupations, and in recruitment of male clerical cadets. The first of these shortages is mainly the result of the pattern of recruitment a generation ago, about which nothing can now be done. It may be that the shortage in middle management can best be treated by special training programmes and by encouraging some of those in top management to retire a little later. The recommendations we make in the sections on training, retirement, and superannuation are consistent with these approaches.

135. The shortages in specialised occupations result mainly from poor retention, though partly, or in some instances, from poor recruitment. We were told that often the entrant joins merely to get a good training. As soon as he has qualified, or completed the period of his bond, he resigns, which is what he intended to do from the start. That may be so; but in our view the fact that so many recruits join to gain a qualification gives the State Services a tremendous opportunity. For some years they should be in a position to demonstrate to the trainee that they can provide him with a career offering interesting and important work, for which he will be paid at rates comparable with those in outside employment. If the training is adequate – if, that is, it deals not merely with technical processes but also among other things with the purposes of the department and the opportunities available within it – then there can be no question of ignorance or of the influence of popular misconceptions about em-

ployment in the State Services. If adequately trained officers resign in appreciable numbers after they have qualified, it must either be because the department cannot offer them interesting and important work, or because they will be better paid outside.

136. While the Public Service Commission was reluctant to admit that salaries were the key factor, this was the implication of its own evidence about the retention of specialist officers. It suggested for instance that the salaries paid by local authorities should be subject to coordination or control, since specialist staff such as auditors and engineers were being attracted away from the Public Service. Again, it stressed the difficulty of paying a higher salary to an occupational group that is in short supply, since such an increase would tend to start a chain reaction within the Service as other groups sought to maintain their relative positions. It may be deduced therefore that officers in groups which are in short supply tend to be underpaid. We have undertaken no comparison of the salaries of State servants with those in outside employment, but from the limited material submitted to us in evidence and from the nature of the present classification and grading system we think it highly probable that in some occupations, at some levels, pay and prospects are better in outside employment. (In other occupations it is likely that they are better in the State Services.)

137. We have therefore recommended, in the previous section, that the State Services be classified into occupational classes; and in the section dealing with the principles of wage and salary determination (Ch. 7/24 below) we recommend that, wherever possible, the pay of each class be fixed at a level comparable with that received by those engaged in broadly similar work in outside employment, even when this means upsetting relative salary positions within the State Services. From the submissions mentioned in paragraph 125 above, it is apparent that different adjustments may be required for different groups; in some cases it is the salary immediately after qualifying that fails to retain staff, in others the middle or higher salaries. Only by distinguishing different occupations, and by establishing salary scales and grades suited to the particular needs of each, can the problems of poor recruitment and retention of specialist groups be solved.

138. The difficulties of poor recruitment and retention among male clerical cadets raise somewhat different issues. We have for instance much less reason for supposing, in this case, that salaries are such an important factor. Attitudes towards "clerical" work are probably influential. To overcome these, we have recommended the establishment of a General Executive Class (par. 76-90 above), so that selected recruits of high quality may (together with suitably qualified and equally meritorious officers from the Clerical Class) be offered training and experience appropriate for a career in management.

The proposed long starting scale will provide suitable entry points for recruits with qualifications up to the level of a good honours degree. We favoured a merit-barrier within that scale for recruits who lack high qualifications at entry. But unnecessary promotion barriers should be avoided in the early years of service, and higher positions should be broad-banded. The careers available in such a class should be interesting and rewarding, and the career opportunities more clearly evident than those apparent to potential clerical cadets today. Well publicised, such a scheme should prove attractive to a number of recruits of good quality, provided that it is made clear that high standards are expected both at entry and in later work. We do not think that the State Services should be afraid to emphasise that ability and application are needed for success. Entry to the Clerical or to other classes would of course be open to those who failed to secure selection for the General Executive Class, with the possibility of subsequent transfer if enough merit is shown.

139. While the proposal outlined in the previous paragraph should attract a number of boys leaving school with University Entrance, it may be doubted whether it would attract enough graduates for general executive work. Past experience in this respect has been disappointing, and while clearer career prospects should improve matters, it must be recognised that many students by the time they graduate are already committed to join organisations which have assisted them with bursaries. The State has already adopted this practice extensively to secure post-primary teachers, and in recruiting for the State Services it offers bursaries, for example, in engineering, forestry, horticulture, and science. Local authorities and industrial organisations are also offering bursaries, in some cases for a much wider range of studies. Up to the present, the State Services have granted bursaries for full-time study in arts, law, and commerce, only to selected serving officers who in one year can either complete a bachelor's degree or, already having such a degree, can take a good master's degree. To secure enough graduates within the General Executive Class it may be sufficient to extend this scheme to provide two years of full-time study for suitable young officers who have served for a year or two and shown by part-time study that they are capable of completing a degree. But should that prove to be insufficient we consider that a limited number of General Executive bursaries should be offered to school leavers for full-time university study in arts, law, or commerce, like those already available for technical occupations.

140. In the preceding paragraphs we have made proposals designed to alleviate the most serious staff shortages in the State Services. To deal with these is not to solve all the problems of recruitment and retention. We doubt whether anything short of a fall in the level of employment would substantially reduce the mobility of certain types



of labour. Prejudice against the Public Service will still tend to hamper recruitment (as we noted in par. 129–131 above), and we see no answers to this problem other than continued pursuit of efficiency, and increased sensitivity to relations with the public. Other factors affecting recruitment and retention—among them leadership, effective supervision, liability to transfer, assistance with housing—are dealt with elsewhere in this report.

141. We conclude this assessment with some comment on a proposal mentioned in paragraph 128: that long-service monetary awards should be paid in occupations in which promotion prospects are necessarily poor. We see practical difficulties in defining those occupations, and in limiting long-service awards to them. A merit grade may provide the best solution where skill increases with long experience (par. 50 above). But if the practical difficulties can be overcome, and a better system is not available, we consider that long-service awards would be justified in those occupational classes if the costs of recruiting and training new staff exceed the costs of the long-service awards necessary to retain existing staff.

#### THE FUTURE

142. Most of our discussion like most of the evidence on which it is based has been concerned with urgent present problems. These have persisted since the Second World War, and without doubt the erosion of staff at several key points has become critical enough to threaten the continuance of a number of important services. Nevertheless, the increase in qualified school leavers and graduates should reduce the urgency of those problems if the State Services, by adopting the various changes we have recommended (notably those relating to classification and grading and to salary fixation), prepare themselves to take advantage of it.

143. In that event the traditional problem of recruitment—that of selecting among applicants—will resume its importance. One of the responsibilities of the proposed State Services Commission should be to undertake the research necessary to introduce new techniques of selection appropriate for particular occupational groups. Research is also needed in other fields—for example, into public attitudes towards careers in the State Services so that suitable advertising and publicity for recruitment can be devised. We consider it unnecessary to deal in detail with the methods by which the State Services can bring career opportunities to the notice of potential recruits. We recognise that a great deal is already being done. One problem which may however repay more careful investigation is that of impressing upon prospective recruits (and their parents) the fact

that State servants are individuals. The State Services are large organisations by New Zealand standards, and they have been moulded by the tradition that their members are anonymous instruments of a Minister. The prospective recruit may on that account be deterred by the fear of becoming lost in a vast impersonal machine. Publicity should attempt to counter this.

144. It is clear from the preceding paragraph that the State Services Commission should have general responsibility for supervising recruitment, and for undertaking the research necessary to get the most good out of recruiting programmes. But authority to conduct such programmes should be delegated as far as possible to departments, subject to the standards and limits laid down by the State Services Commission. (The Post Office and the Railways Department should continue to enjoy that autonomy.) Where an occupational class is limited to a particular department (for example, traffic officers to Transport Department) the process of selection and appointment could normally be delegated in its entirety. Where a class extends to a number of departments (as in the case of rural field cadets), the State Services Commission would have to play a more direct role in the testing and selection of applicants. The special obligations arising out of the employment of apprentices would make that a field in which the Commission would also need to keep closer control.

## RECOMMENDATIONS

Our main recommendations for improving recruitment and retention in the State Services are included among those dealing with classification and grading, and with wage and salary determination. In addition we recommend that:

- (67) The State Services Commission be given general responsibility for supervising recruitment, and for undertaking the research necessary to increase the effectiveness of programmes for the recruitment and selection of staff (par. 142-4).
- (68) Authority to conduct programmes for the recruitment and selection of staff be delegated where possible to departments (par. 144).
- (69) The scheme enabling serving officers to undertake one year of full-time study to complete a bachelor's degree in arts, law, or commerce be extended to cover two years of study; and, if necessary, bursaries be introduced to cover the whole university course in those subjects, on the lines of those already existing for scientific and technical subjects (par. 139).

- (70) Consideration be given to the introduction of monetary awards for long-service in occupational classes in which promotion prospects are necessarily poor, in which it is impracticable to introduce a merit grade, and in which the costs of the awards needed to retain existing staff are exceeded by the costs of recruiting and training new staff to replace them (par. 141).

## TRAINING

### PRELIMINARY

145. Staff training may be defined as the systematic and special education of staff (either as individuals or groups) to fit them better for particular work in an organisation, or to develop their potential for other (and perhaps more responsible) work. It has a direct effect on the efficiency of the individual worker, and on the efficiency of the organisation as a whole. It has also an indirect effect in communicating a sense of purpose and, through this, improving morale and self-discipline. Staff training grows in importance as the wider social, economic, and political purposes of the State Services grow more complex, and as their activities increase. The day has long since passed when officers could learn all they need to know by working alongside their more experienced colleagues. And indeed training by experience is often a slow process. It is sensible to speed the process up in a rational and intensive way especially for those occupations where there is (or will be) a perceptible shortage of experienced staff.

146. The more we considered the evidence and its implications the more thoroughly we became impressed with the essential importance of staff training as an integral part of staffing policy. To be successful it must be planned, supported, and firmly controlled by those responsible for the high policy of the organisation. If left to itself, as a kind of specialist occupation, without such policy leadership, it will be called on to fill only the most obvious or urgent training needs, or those most easily satisfied (for example training in simple work skills), neglecting long-term needs which may be more important, though less easily recognised and satisfied.

147. The Public Service Commission in its evidence distinguished conveniently between education (the gradual maturing of the mind and the gaining of general knowledge) and training, which has to do with specific work in a specific organisation and builds on the prior educational attainments of individuals or groups. We shall follow this distinction and divide the subject into two, discussing

first – educational standards for entry to the Services (since these standards profoundly affect the pattern of later training) and the steps taken to encourage study after entry; and second – the staff training done at present in the Services, making our assessment of what has been done and suggestions for improvement.

#### GENERAL EDUCATION

##### *Entrance Standards and Opportunities After Entry*

148. It is obvious that a reasonably good general education will be needed in most occupational classes of the State Services, though the standards demanded will vary among groups according to the character of their duties. It is also obvious that the better educated officer will as a rule be better able to gain the skills required in his particular job. However, we agree with the Public Service Commission that it is not the responsibility of the employing authorities of the State Services to provide a general education for the community. Ideally the State Services should be able to draw on a sufficient number of suitably educated recruits. But where certain highly specialised qualifications are wanted, the ideal has seldom been realised, and it has long been necessary to offer bursaries and other study awards to prospective recruits, and to selected officers.

149. The Post Office and the Railways Department offer bursaries to school leavers to enable them to obtain degrees in engineering before they begin their departmental work. The Public Service Commission offers bursaries for recruits to several professions. During 1961, for example, it granted 33 engineering, 8 agricultural, 3 architectural, 17 science, and 14 rural field cadet bursaries to school leavers. The employing authorities also grant awards for a year's full-time study to enable officers to take a master's degree or to complete the final year of a bachelor's degree. The Public Service Commission granted 17 such awards during 1961. Furthermore, officers of proven ability have been granted study awards to take diploma courses; for example, a child welfare officer may be given an award to study for a Diploma of Social Science.

150. In addition, the employing authorities encourage part-time study with generous concessions of working time to attend lectures. During 1961 over 1,300 officers were studying part time at universities and other educational institutions; over half of the 2,311 students studying for the Technicians' Certification Examinations were State servants – 962 from the Public Service, 148 from the Post Office, and 196 from the Railways Department. Not all these students receive time off but to the extent that they do, the concessions are expensive, though justifiable.

151. The employing authorities also give courses of instruction for Service examinations. Some are of a general educational character. The Post Office runs a correspondence school which gives 43 different courses and has some 4,000 enrolments a year. The Public Service Commission also provides correspondence courses, tutors, and examiners for certain subjects.

152. The general educational standard of recruits profoundly affects the pattern of their later training. It is therefore disturbing to find that the State Services have had to lower their entry standards at a time when higher standards of general education are required to form the basis of the far more complex training now needed. Of all clerical recruits to the Post Office for the three years ending 31 March 1960, only 2.2 per cent had gained University Entrance, and a further 12.1 per cent School Certificate – the remaining 85.7 per cent had three years' or less secondary education. In the Railways Department 963 cadets were recruited over the 10 years to 31 March 1961. Only 14 had University Entrance – 852 had three years' secondary education or less. The Public Service has been able to attract more better-educated clerical recruits than either the Post Office or the Railways Department, but even so the number must be considered inadequate against the fact that very many executive and administrative posts must eventually be filled by members of this group. In the two years to 31 March 1962, 945 male clerical cadets were recruited into the Public Service. Of these 250 had gained University Entrance or Higher School Certificate, 351 had School Certificate or Endorsed School Certificate, and 344 had only the minimum Public Service entrance standard of three years' secondary schooling or its equivalent.

153. The Services have sought to meet the shortage of adequately qualified recruits in some occupations by granting the bursaries for full-time university study which we have previously mentioned. But we consider that even more bursaries will need to be granted and the system perhaps extended to school leavers intending to enter the General Executive Class. We have in paragraph 139 already recommended widening the opportunities for full-time study in arts, commerce, and law for serving officers, but this may not be sufficient. It may also be necessary, through the methods mentioned in paragraph 149 or otherwise, to give selected officers the opportunity of improving their general education to fit themselves for higher specialised training.

#### STAFF TRAINING

##### *An Analysis of Training*

154. We find it helpful in analysing training for the State Services first to draw attention to the three different types of skill required in

those Services and to locate the area where each skill is particularly necessary. The first is *technical skill*. With increasing specialisation in the different occupational classes, each specific task must be performed with increasing efficiency. Training programmes designed to improve performance in particular jobs must include a wide range of specific training "on" and "off" the job. New (or greater) technical skills can be acquired in this way. The second type is *managerial* (perhaps "supervisory") skill\* - the individual officer's understanding of the attitudes and values of others, and a critical perception of his own attitudes. This skill is particularly important in all supervisory and executive positions. It develops naturally as part of an individual's personality; it also comes in part from his general educational background. But it can be improved by well designed training and experience. The third type is *conceptual skill*. This involves the individual's ability to see the role of the organisation (in this case the department) as a whole, its relationship to other departments, and the manner in which its component parts interrelate. It also involves a political awareness that permits an interpretation of the department's role in accordance with the philosophy of the Minister and the Government, and finally it involves the ability to generalise from experience, to look ahead, and to plan for change. This skill can (and sometimes does) emerge from experience, but there can be no doubt that training promotes its development.

155. Technical skill is most important in middle or lower levels of activity and near the perimeter of a department's administration. It also assumes great importance in highly specialised fields such as engineering, science, and medicine. Managerial skill is essential at all levels in a department, but is particularly necessary for supervisors. Conceptual skill becomes of primary importance in the area of policy decisions.

### *Induction Courses*

156. Each department within the State Services is expected to introduce recruits systematically to their work. Departments practice "induction" techniques supported by "induction courses". Though this matter has obviously been given much thought we are left with the impression that performance has sometimes fallen short of intention. The Public Service Commission's evidence and its 1961 annual report admit that some departments are not paying enough attention to the individual problems of recruits, are neither interesting them in the work of the department, nor providing adequate programmes of training. Junior officers confirmed this in evidence.

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\*Described by American writers as "human skill".

*The Development of Technical Skill*

157. Some departments take much care to explain and demonstrate methodically to junior officers every new task they have to do. Supervisors are expected to train their staffs effectively *on* the job, and their success in this is taken into account in assessing their own merit. Descriptive analyses ("desk files") are maintained for all routine work. Job breakdowns are sometimes used. But not all departments have as good a record, and the opinion was more than once expressed that many supervisors lacked the skills necessary to train their staff.

158. Departments are required to have programmes of training *off* the job, making use mainly of special courses. Though some departments have an excellent record in this training (Forest Service and Maori Affairs Department, for example), others could well do more. The employing authorities furnish some special off-the-job training which departments are not equipped to provide, for example in typing, telephone operation, art of interview, and salary work. Departments make wide use of this kind of training.

159. The apprenticeship training given in such departments as the Government Printing Office, Maori Affairs, Navy, Post Office, Railways, and Works is universally accepted as being of the highest standard and needs no further comment.

*The Development of Managerial Skill – the Training of Supervisors*

160. General supervisory training aims to develop managerial skills in all ranks. Departments are encouraged to train their officers up to middle management. However, a survey taken two years ago by the Public Service Commission showed that approximately 500 officers, each responsible for the work of five or more subordinates, had never received any organised training in supervision. This is unsatisfactory. The highest rate of turnover in the Services occurs in the first 10 years of employment. We believe that better supervision would reduce this turnover and greatly increase efficiency. Furthermore the impression made by the State Services on the general public depends largely on the adequacy of supervision. It is important therefore, on all grounds, that the most careful attention be given to the training of supervisors.

*The Development of Conceptual Skill – the Training of Administrators*

161. This training is particularly important at the present time, and thus calls for our special attention. We think that insufficient progress has been made in this field. We appreciate that the Public Service

Commission arranges some courses designed specifically to train administrators (since 1957 there have been 33 such courses). But these are merely short introductory courses which have been available only to a relatively few officers. We appreciate, too, that the Commission and the Institute of Public Administration now combine to conduct each year four short courses in administration; and that officers (usually 10) are sent to Victoria University of Wellington for the two-year full-time post-graduate course in Public Administration. All this cannot be said to be sufficient to train enough future administrators for organisations as large and as complex as the State Services.

162. Training in work skills and in managerial skills is doubtless essential; nevertheless it appears that training in these fields has been stressed at the expense of special training for potential administrators. No doubt the foremost administrators in the State Services in the past have come to their rank and eminence rather through natural ability and experience than through any special staff training; and we do not overlook the value of natural ability and experience in fitting an officer for an administrative career. But it seems now beyond question that specialised training greatly helps to equip officers better (and earlier) for senior administrative posts.

163. We think it necessary to seek potential administrators in all occupational groups reasonably early in their careers. They should be given a training which leads them to look beyond the values and techniques of their particular occupational classes to the wider political, social, and economic context of administration. The work of occupational classes is usually specialised and most officers within those classes are preoccupied with their daily work. But an administrator must have a wider vision, he must anticipate change and design policies to meet change. Consequently those who are to be administrators should be trained as early as possible not only to do their daily work competently but also to look towards the future of their organisation.

164. It is neither necessary nor practicable to train every officer for a high administrative post. But every junior officer should be given an opportunity to display the qualities which would allow him to be considered for administrative training. Officers with the required ability and inclination should be chosen and given the widest possible experience within their own occupational classes and departments. They should be constantly tested and their development watched, and fostered by training. If they respond suitably, they should be given broader experience in "staff" and "line" positions, preferably outside their original occupational classes and even in other (but related) departments. This will be made easier by adopting long salary scales in occupational classes, broad-banding, and the practice of secondment. Care should be taken, however,



that officers selected for this training should not lose promotion opportunities. Finally, officers who demonstrate particular ability should later be given advanced training and experience; for example, courses at a staff college or university, overseas study or exchange assignments in other countries.

### *Summary*

165. There is no doubt that much staff training has been done in the State Services since the Second World War. This is commendable particularly as resources have been limited. It is commendable, too, that there is a general recognition within the Services that more should be attempted. We wholeheartedly agree, for we are convinced that if this country is to have State Services trained and able to cope with the complexities and changes of the future, it must follow the lead given by other countries and devote much more energy and money than it has hitherto to preparing State servants for their various duties. A strong central control and more and better facilities will be necessary. There will be a particular need, too, for better and more extensive training of administrators. That need, we think, can only be met by a residential staff college of high status and quality. Before we develop this theme we shall describe the way in which we consider staff training in general should be administered.

## THE ADMINISTRATION OF TRAINING

### *Prerequisites for Successful Training*

166. We consider that training within the State Services will not be good enough or intensive enough unless:

- (a) The Permanent Head accepts primary responsibility for training within his department:
- (b) Final responsibility for training is given to the State Services Commission as the authority responsible for general efficiency and economy:
- (c) The State Services Commission ensures that each department is carrying out a systematic programme of occupational, managerial, and administrative testing and training:
- (d) Staff training officers are selected with care and are themselves suitably trained:
- (e) All controlling officers\* and their staff understand clearly the purpose and nature of training:
- (f) There are adequate facilities for training.

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\*"Controlling officer" is applied in the State Services to one who is responsible for ("has control of") staff.

*Control*

167. The State Services Commission which we propose will be responsible for proper standards of staff training as it will be for other matters of efficiency and economy. Permanent Heads are responsible for promoting training within departments but the Commission must give the necessary lead, train the training officers, satisfy itself that adequate training is being carried out within departments, and provide training where departmental resources are inadequate or inappropriate for the type of training required (for example, for advanced training for the higher administrative posts). The Public Service Commission said in evidence:

The Commission encourages the formation of departmental staff training committees to oversee and support the work of the departmental staff training officer and these have been set up in most departments, *although their effectiveness varies*. But it is quite clear that the efficiency of staff training in departments depends very much on the strength of the support given by the Permanent Head and his senior officers. *Where this is lacking*, training tends to be crowded out by the pressures of daily work.\*

We expect that a State Services Commission armed with the authority which we recommend for it and exercising that authority responsibly will take action against ineffective training committees, and against Permanent Heads and senior officers who do not actively support training programmes. We expect, too, that the State Services Commission will see that departments get the staff and facilities necessary to carry out effective training.

168. Whoever exercises the State Services Commission's responsibility for staff training must have the qualifications, status, and staff to exercise it properly. At present the Staff Training Branch of the Public Service Commission's office has an establishment of seven (a superintendent, a senior staff training officer, three staff training officers, and two clerks). We doubt whether this establishment is adequate. It is certainly inadequate to undertake, as we think it should, such further activities as research into training needs, the development of selection and testing techniques, the extension of training for potential administrators, and the giving of assistance to the Post Office and the Railways Department.

169. Training is such an important function of the State Services Commission that a Deputy Commissioner will have to give it his particular attention. We do not intend that he be burdened with detailed administration and planning, but it will call for someone with the authority and status of a Deputy Commissioner to ensure that training is promoted vigorously, and that departmental training

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\*The italics are ours.

does not lag. There will still be need for a Staff Training Branch with a Superintendent of Staff Training of near Assistant Commissioner status.

170. The present high turnover of training staff creates a problem. It is probably due to the fact that experience in training leads to promotion to other work. We recognise that it is difficult to develop efficient training techniques with a transient staff, but we expect that if our recommendations are accepted and greater emphasis put on training, it should be possible to provide reasonable career prospects for some officers within an occupational class of staff training specialists.

#### *A State Services Staff College*

171. Most of the qualified and experienced witnesses who discussed staff training with us stressed the need for a residential training centre in Wellington. It was pointed out that New Zealand has, under the Colombo Plan, given money to set up such a centre in Malaya; thus recognising the advantages of institutional training. During our visit to Australia, we sought the views of leading Australian administrators and found that these confirmed that residential colleges were effective training institutions.

172. We have no doubt that a residential staff college is needed in New Zealand. However, we differ a little from many of the New Zealand witnesses in considering that there is need for a college of greater prestige and influence than was advocated in their evidence.

173. It was said, for instance, that the existence of a residential training centre was justified by the need to provide a suitable venue for the short-term residential and single-day courses which the State Services now run. It was also said that such a school would allow a greater variety of these courses, and would greatly help departments wishing to develop technical skills by courses of their own.

174. No doubt these improvements alone could justify a residential training centre. But we contemplate a college of a somewhat different character – one which has as its main purpose the training of officers for high administrative posts. To do this adequately it must reach the standard and status of an advanced educational institution. The class of courses described in paragraph 173 could also be given in such an institution if the necessary accommodation is allowed for from the start.

175. Witnesses did not discuss the detailed form and constitution of a staff college. We give our own views, which on this subject are neither final nor authoritative.

- (a) A State Services Staff College should have the greatest possible independence consistent with responsiveness to the training needs of the State Services. It could even be established as an autonomous institution, receiving its funds through the Univer-

- sity Grants Committee. However, we think that it would probably need to be more closely linked with the Services, possibly being directly responsible to the State Services Commissioner with its vote forming a distinct part of that of the Commission, in much the same way as we suggest the vote of a National Library should form a distinct part of that of the Department of Education.
- (b) The post of Principal must have sufficient status and salary to attract suitable applicants. If the college is established within the framework of the State Services, the Principal should have the status and salary of a Permanent Head. His appointment should not be subject to appeal. We place great importance on the qualities of the Principal, especially of the man who first takes up the post, for the success of the college may depend largely on his personal ability.
  - (c) The Principal should have a council to assist him. If the college is set up within the State Services, then the council would need to be an advisory board; if the college is completely autonomous, the council could be a board of governors with greater executive powers. The State Services Commissioner, the General Manager of Railways, the Director-General of the Post Office, and the Director of Education should be represented on this body. We should prefer that some members be appointed from outside the State Services. The council should advise on the selection of the Principal.
  - (d) The college should be separate from the organisation existing in the State Services Commission's office under the Superintendent of Staff Training. It should not be either functionally or formally controlled by the Superintendent of Staff Training or by any other departmental training organisation, though we would expect a close liaison with all those concerned with training in the State Services.
  - (e) The college will need to be located in Wellington so that Permanent Heads and other senior administrators can be invited as visiting lecturers, and as close as possible to the Victoria University of Wellington so that the students can use the university library (if that is permitted them) and so that university staff can conveniently be invited to lecture. A close association between the college and the university would benefit the college and its students.
  - (f) The Staff College must be designed primarily for the State Services. But we think it would be an advantage if selected students from outside the State Services could attend some of the courses. We have already stressed the need to foster mutual understanding between businessmen and State servants. This would be aided if some businessmen could attend the college.

176. We think it would be a retrograde step if the establishment of a State Services Staff College in New Zealand discouraged the sending of suitable officers to overseas courses. Selected officers gain unique and valuable experience through attending institutions like the Harvard School of Business Administration, the Harvard School of Public Administration, or the Brookings Institution in Washington, D.C. Further, it is becoming more apparent that in matters of defence, economics, and even, perhaps, politics, New Zealand and Australia are being drawn closer together. A knowledge of Australia's actual and prospective development will become more necessary for senior administrators of the State Services than it has been in the past. To bring about closer understanding selected officers could be sent to the Administrative Staff College at Mt. Eliza, Victoria, and we recommend that this be favourably considered.

## RECOMMENDATIONS

We recommend that:

- (71) The scope of supervisory training be considerably enlarged, and a new selection, testing, and training programme be devised to develop those officers who are potentially suitable for high administrative posts (par. 160-4).
- (72) The proper importance of training be stressed:
  - (a) By arranging that a Deputy State Services Commissioner give training his particular attention (par. 169):
  - (b) By giving the Training Branch of the State Services Commission sufficient status, permanent training staff, and resources to enable it to undertake greater responsibilities (par. 168-170):
  - (c) By requiring Permanent Heads to discharge their responsibility for training within their departments (par. 167).
- (73) A State Services Staff College be established for the main purpose of training officers for higher administrative posts (par. 171-6).
- (74) The Principal of the Staff College have the status of a Permanent Head, and be appointed in the manner we have prescribed for Permanent Heads thereby being exempted from the appeal provisions of the Public Service Act (par. 175).

- (75) The Principal of the Staff College be assisted by a council comprising the State Services Commissioner, the General Manager of Railways, the Director-General of the Post Office, the Director of Education, and some members from outside the State Services (par. 175).
- (76) Suitable administrative trainees be sent overseas (particularly to Australia) on exchange assignments or on approved courses of study (par. 176).

## PROMOTION

### PRELIMINARY

177. For convenience of presentation we break this subject into five divisions and discuss them in this order: promotion by merit, the unified-service concept, the various promotion policies of the Public Service Commission, the Post Office and the Railways Department, the significance of seniority, the main aspects of the administration of promotions.

### PROMOTION BY MERIT

178. If promotion is the means by which leadership of an enterprise is built up and maintained, as it is in the New Zealand State Services, then there is no alternative to promotion by merit.

179. The arguments for promotion by merit are obvious and compelling, and for the last 50 years most authorities have supported it. The Hunt Commission advocated promotion by merit and the Acts of the Public Service, the Post Office, and the Railways Department have long affirmed it. In England, during the last 80 years, Commissions of Inquiry into the Civil Service have endorsed it. In New Zealand, large sections of the State Services and private enterprise have put it into practice. It is therefore disturbing to us to find that some sections of the State Services have not fully adopted the principle of promoting by merit. This gives an unfortunate colour of truth to the general and undeserved accusation that all promotions in the State Services are made on the basis of seniority rather than merit.

180. Promotions in the State Services should always serve the public interest. Assuming this as a predominant intention, promotion policy in the State Services should aim to ensure that the most suitable and efficient officer is selected with reasonable certainty; that enough good supervisors and controlling officers are brought forward by promotion, at the same time giving equal opportunity

to all to qualify for the limited number of positions; that an organised system of training for promotion is built up; and that fair, just, and consistent application makes the policy acceptable to the Services as a whole. These aims are consistent only with a merit-promotion policy.

181. In the context of these aims, there appear to be two main constituents of merit: (a) the qualities which the more responsible position would demand of an aspirant; (b) the aspirant's competence in his present area of work.

- (a) The officer to be promoted needs to possess, above all, those qualities which would make him suitable for the more responsible position. Assuming a sufficiency of general moral elements like honesty and integrity, he may also need to possess, for example, good judgment, ability to lead or to plan ahead, initiative, dependability, or sensitivity in relations with staff or public. The relative need for any or all of these qualities will naturally vary with the position. But it would be unwise to promote a man lacking the essential qualities of character even if he had already shown considerable efficiency in another, less responsible position. Efficient performance in a given position does not necessarily imply efficiency in a higher position.
- (b) The aspirant must be competent in his present area of work. He may need general educational or technical qualifications, proven aptitude for the kind of work entailed, or good prior performance and experience.

Technical competence is important, but not as important as the possession of the suitable qualities mentioned previously. The competent officer who lacks the qualities demanded by the higher position will be generally less suitable for promotion than a less competent officer who possesses them in a more marked way. (a) and (b) above thus represent the two constituents of merit for promotion. But merit assessed in terms of these two constituents will not be effective unless it is applied in promotions throughout the whole hierarchy of the organisation from the lowest junior to the Permanent Head.

182. The Acts of the three employing authorities require promotion by merit to be applied, but do not explicitly define it. Section 8 (4) of the Public Service Amendment Act 1927 requires that the applicant who is the most efficient and suitable for appointment to the position is to be given preference. Subsection (6) states that "the relative efficiency of two or more officers shall be determined by reference to their special qualifications and aptitude for the discharge of the duties of the office to be filled, together with merit, diligence, and good conduct". The Post Office and Railways

legislation contains similar provisions. Two points deserve comment. First, while the whole subsection represents an effort to define merit for promotion purposes, "merit" is listed as one of the elements which should be taken into account. The meaning of the term thus used is not clear to us. Second, the subsection gives no indication of the relative importance to be attached to "special qualifications and aptitude for . . . the office to be filled" on the one hand, and to "merit, diligence, and good conduct" on the other. The employing authorities have indeed differed in the weight they have given to the different constituents of merit. Our own evaluation of those constituents coincides with that of the Public Service Commission. But in the Railways Department and the Post Office, technical competence and length of experience in a given type of work appear to dominate the assessment of merit. This means, at least at the lower levels, that merit for promotion is seen primarily in terms of seniority.

183. Seniority is indeed mentioned in the Acts of the three employing authorities, but for a different purpose. The Acts provide that seniority shall be taken into account when the merit of the applicants for a position is considered to be equal. Seniority is classically defined as greater length of service and the Post Office and the Railways Department use it in substantially this sense. In the Public Service, however, where merit for promotion has little relation to length of service, seniority has come to be an artificial concept. It is measured primarily by reference to maximum salary, and year of last promotion, with length of service as a subsidiary factor only.

184. In considering promotion practice one cannot silently dismiss the claims of seniority, for it does not altogether lack advocates. Promotion by seniority is a far easier policy to implement and administer. It appeals to many people because it is definite, and allows promotion prospects to be precisely calculated. A strong case for seniority promotion is often made where experience in a particular kind of work normally adds to expertness. For example it has been said that a good motor mechanic of long experience should be a good motor-mechanic foreman. In spite of these opinions, we still maintain that, in the public interest, the sole consideration must be merit for the higher position and that, in assessing merit, length of experience is only one (and in many cases a relatively minor) factor.

#### THE CONCEPT OF A UNIFIED SERVICE

185. This concept recognises that officers who are members of a career public service should have the chance of making their career in the service as a whole instead of in merely one department or



branch, and that some exchange of staff between departments can promote efficiency. To accomplish this, there must be some centralisation of staff control, and reasonably uniform staff evaluation. The degree of homogeneity of work and the availability and distribution of staff at different points in time also affect the operation of a unified career service. The unified-service concept has been applied only in respect of the Public Service departments. It has never been generally accepted that all the departments of the State Services form a single entity for the purposes of promotion and it is unlikely that this will ever be accepted, although some interchange of staff may be desirable in the public interest. We intend to discuss only the Public Service, the Post Office, and the Railways Department. We omit the Legislative Department and the Law Drafting Office because there are particular circumstances applying to them which make it undesirable to join them with a unified career service.

186. Various types of work are common to a number of Public Service departments. It is this homogeneity which underlies the unified-service concept. The work of most accounting officers, for instance, varies little from one department to another. Knowledge and skill in Government accounting has accordingly a greater bearing on their merit for promotion than has their particular departmental experience. Similarly there is a fairly homogeneous group of economic analysts in such departments as Industries and Commerce, Treasury, and External Affairs. Stores officers, and welfare officers in social service departments, furnish other examples.

187. The concept of a unified career service, properly operated, can therefore give wider opportunities for ambitious officers, and still provide continuity of experience. If, however, continuity of experience is broken, efficiency can be diminished. Classification by occupational classes should aid transfers among departments in classes which are spread over more than one department. Such transfers should help to build up the knowledge and experience of the occupational class as a whole.

188. Interchange of officers among departments can be especially valuable in (a) staffing small departments which by themselves provide limited opportunities for promotion; (b) training career administrators in various related fields, thereby allowing them to bring a wider variety of experience and broader vision to senior positions; (c) aiding recruitment and retention by offering wider career opportunities; (d) revitalising a moribund department or section of the Service.

189. These things justify the concept and its application. But it is not always popular. As one witness said, "It is not easy to infuse new blood into a department without making the old blood boil". This is true especially where old-established departments have for many years maintained an inbred exclusiveness in staffing. It is for the

State Services Commission, which will oversee the efficiency of its departments, to make sure that unified-service policies are intelligently and firmly applied.

190. The Post Office and the Railways Department are large enough in themselves to give adequate scope for careers. There is no need to apply the unified-service concept in any general way to tie them more closely to other departments of State. However, we have been left with the impression that opportunities for developing careers in those two departments are being passed over. We have observed that their promotion policies, especially their assessments of merit, stress the technical competence of officers judged by length of experience in a given type of work. This means that an officer is generally promoted only in a single branch of the department and becomes eligible for appointment to wider responsibilities only at the top of that branch. This reduces the career prospects of the better officer, and hinders recruitment and retention. We think that if personal qualities rather than job experience were stressed in assessing a man's merit for promotion, his experience could be earlier broadened by inter-divisional transfer. He would eventually reach the more arduous senior positions better fitted by his wider experience to make the responsible decisions demanded of him.

191. In concluding that the Post Office and the Railways Department are each large enough to provide adequate career opportunities, we do not want to exclude altogether the possibility of some interchange between them and the Public Service. We therefore recommend that the legislation provide in some uniform way for such interchange. (We refer to this subject again in par. 281.) The Railways Department might want to recruit on promotion from the Public Service, say, O and M or legal officers. The Post Office may wish to take, say, a mechanical engineer on promotion from the Public Service. The State Services Commission may wish to attract officers from either Railways or Post Office to specialist positions in the Public Service—telecommunications experts, for example. And we do not overlook the possibility that the Government may consider it desirable that some administrators be moved around among the Services to increase efficiency and serve the public interest. Officers in the "receiving" Service who were applicants for the position to be filled should have rights of appeal as if the appointee were an officer of their own Service.

#### PROMOTION POLICIES IN THE THREE STATE SERVICES

##### *Public Service Promotion Policy*

192. There is no doubt that the Public Service Commission strives in each case to promote the officer having the greatest merit. Better

training for higher responsibility, recruitment of better staff, and improved marking systems will all help this process. Promotion by merit is well established in law and in practice, is endorsed by the staff association, and generally accepted by the staff. Merit is seldom held equal, so we were told; hence seniority rarely comes into play. It was said, however, that the Appeal Board sometimes favours the senior officer if the junior officer had a merit assessment only slightly above the senior's. This could influence the promotion decisions of the employing authority, and as far as it hinders the appointment of the most meritorious officer, it is undesirable.

193. The following figures for promotions in 1960 in a sample of the Clerical Division show that only one out of every seven appointees was the senior applicant.

*Table 10*

Class	Total Sample	Total Senior Appointments	Proportion of Senior Appointments
V .. ..	491	57	1 in 9
IV .. ..	194	17	1 in 11
III .. ..	114	14	1 in 8
II .. ..	85	17	1 in 5
I .. ..	67	14	1 in 5
Special ..	78	23	1 in 3
Total ..	1,029	142	1 in 7

194. This table does not prove that seniority is never given weight in making appointments. Nor does it show that seniority governs one promotion in seven, since in many of those cases the officer who is the most senior is also held to be the most suitable and efficient on other grounds. The table shows, however, that the evidence does not support the widespread impression outside the Public Service that its promotions are based on seniority alone.

#### *Post Office Promotion Policy*

195. The Post Office has a merit-promotion policy; but in the assessment of merit, technical competence (as reflected by experience and time spent in the work of one branch or division) looms large. The personal qualities of individuals do not count as much as they do in the merit assessments of the Public Service. The broad effect of this is, in many cases, that the most senior officer gains the appointment, being seen as the most meritorious as well as the most senior. In a sample taken from 613 promotions to clerical positions in the year 1960, 46.6 per cent were the senior

applicants. However, a new marking system in the Post Office illustrates the desire of both management and the staff association to discover merit and reward it. In spite of the influence of seniority, able officers have not been prevented from being brought, reasonably young, to the highest controlling positions in the head office.

196. Seniority has more influence on promotion in the lower grades. The Post Office made it clear in evidence that, for clerical workers in particular, eligibility for advancement from Class VI (the basic grade) to Class V depends on seniority. It was said that a man entering the basic grade could not through merit alone leave that grade ahead of colleagues entering at the same time, even though he might be given double increments as some reward for his extra merit. The average time for clerical officers to work their way through the basic grade is seven or eight years. At the end of that time groups are moved forward into Class V. These groups are taken in order of seniority from the top of the basic grade list after eliminating those considered unsuitable for promotion.

#### *Railways Department Promotion Policy*

197. It was explained in evidence that seniority plays a part in Railways Department promotion policies. Those policies are exceedingly complex, partly (in our view) from an effort to overcome the difficulties which seniority has created. Because of this complexity it is necessary to discuss the policies and their administration in greater detail than we have those of the Public Service or Post Office.

198. In Traffic Branch, for example, clerical promotion from Class VI (basic grade) to Class V is automatic for any officer who has been at the top of the basic grade for one year, has passed the controlling officers' examination, and has been recommended as suitable for promotion to the next class. It takes roughly 10 to 11 years to get to the top of the basic grade to qualify for automatic promotion into Class V. Only in a few cases are officers with special merit taken ahead of their contemporaries. Therefore seniority mainly determines whether a man is eligible for promotion to Class V.

199. The process differs a little at higher grades. The number of positions likely to become vacant during the year is annually assessed for each grade. A corresponding number of officers in the grade immediately below are determined suitable for promotion, and as the higher positions fall vacant the officers in this group are placed in them, usually in order of seniority. The determination is made in this way. Each officer in the grade is reviewed – mainly on the basis of formal personal reports – in descending seniority

order until enough suitable officers have been selected to meet the estimated number of positions becoming available. In Grade 3 and above all officers in the grade are reviewed.

200. In the process of review many of the most senior officers of the grade do not receive a favourable determination of suitability. Unsuitable officers, although senior, are thereby stopped from going further. But there is no procedure for bringing forward the *most* suitable and efficient officer ahead of more senior officers of average suitability.

201. However, this method of promotion is not the only one followed. The Government Railways Act 1949, section 84 (3), allows "special promotion", and by careful administration of this provision, the best qualified and most meritorious officers have been advanced to high managerial positions. The subsection was obviously designed to enable an officer with special qualities and qualifications to be taken out of the general promotion stream and placed in the specialist position to which his qualifications applied. Thus a man qualifying in accountancy could be taken by special promotion into accounting or internal auditing positions and make much faster progress through the grades than his contemporaries in the general stream. The practice of special promotion has now grown so large that very many senior positions in the department fall into this category. Specially promoted appointees thus have a much better chance of reaching senior controlling positions more quickly than the mass of the lesser qualified officers in the more general administrative and supervisory positions of the department. It is claimed that the best officers of the department are in this way promoted on merit to senior positions. The Traffic Branch (which includes over half of the total number of officers in the Salaried Division) gives an example. *All* senior controlling officers in the branch above Grade Special 5 were "special promotees" at the time they were appointed to their present positions.

202. Although we are satisfied that "special promotees" are being placed in senior positions in the Traffic Branch at least, the scheme has some unsatisfactory side effects. Not all "special promotees" can move out into the higher jobs on the strength of their special qualifications. Many of the better qualified officers tend to be confined to highly specialised posts of limited scope, and it is probable that best use is not being made of their potential. The less qualified remain in the main stream and in time fill the intermediate supervisory and controlling positions. Any "special promotee" who does not get the chance to advance to the highest controlling positions must, if he wishes to escape his specialist restriction, drop his special promotion and return to the general stream with his former seniority. The loss of salary deters some men from making the change, and they choose to remain in specialist positions.

203. We are concerned over another aspect of Railways promotion policy: the very slow promotion rate for officers (particularly supervisors of General Division employees) in the first 20 to 30 years of employment, followed by rapid promotion to senior controlling positions which they fill for only a short time before retirement. For example, in the workshops, men could wait 30 years or more before receiving their first supervisory positions and then in the short balance of their careers be promoted rapidly to positions up to and including Works Manager. This seems to have two bad results—first, that these potential supervisors are not given any position of responsibility until late in their career; and, second, that controlling positions are occupied by men with only a year or so to go before retirement. In other words, it seems to us that much potential supervisory talent is not being used to full advantage, that potential managers are not being given adequate experience in supervision and management at the proper stages in their careers, and that the high turnover of senior managers in the workshops must make long-term planning of work, and continuity of policy and programmes, extremely difficult to achieve.

204. We were told by the General Manager that this was partly due to the pattern of recruitment in the 'twenties and to that extent the situation was transitional. However it still remains true that more could be done to bring forward potential supervisors at an earlier stage in their careers if the rules of seniority were relaxed. This would ensure a greater supply of trained supervisors from whom senior management could be chosen, and would allow those senior officers a reasonable period in which to make an impact.

#### *Promotion Policies Reviewed*

205. We are satisfied in general with the promotion practices of the Public Service Commission. For the Post Office and the Railways Department, the evidence establishes, and indeed the departments admit, that seniority (or length of service), either by itself or as an element in assessing merit, plays a large part in promotion. It is apparent, however, that the way has been cleared for able people to reach high positions in these departments at a relatively early age. Nevertheless there must be a large number of appointments (particularly in the lower controlling positions) where seniority has been the deciding factor. If there are real advantages in merit promotion as we define it, the present practices in these departments must be producing less than the best possible results. We must therefore recommend that merit so defined be the sole test for every appointment in these departments. Furthermore, Post Office and Railways practices slow down progress through the basic grade and inevitably hinder the recruitment and retention of highly qualified youths.

### THE ABANDONMENT OF SENIORITY

206. In the State Services, the case for promotion by merit is incontestable. But is it necessary to retain seniority for the sole purpose of choosing between two applicants of allegedly equal merit?

207. Under our proposed scheme for classification and grading, seniority as at present understood in the Public Service could at most be relevant only within an occupational class. Seniority could have no meaning as a test between occupational classes with different grade structures. Nevertheless, even within an occupational class, seniority is unnecessary since it should be possible to distinguish between the merits of any two applicants. For though their personal report markings may be the same a selection can be made on the special qualities required by the position to be filled. Moreover, seniority is often a highly artificial concept; it alters from year to year as officers progress at different speeds. It often has little relation to experience and length of service.

208. We have reasoned that seniority as at present understood cannot be applied between occupational classes and that it has in fact even now little relevance within occupational classes in the Public Service. In the Post Office and the Railways Department, where it has more significance, it produces consequences which are not in the public interest. We therefore recommend that seniority as a factor for promotion purposes should be eliminated from the Acts of the three employing authorities and from their administrative procedures.

209. We do not thus propose any great change in the Public Service where promotion by merit is already the predominant practice. We intend merely to remove the last vestiges of an obsolete practice. It should be stressed that this recommendation is designed also to raise the general standing of the State Services and through this to make easier the recruitment of able and ambitious people.

### THE ADMINISTRATION OF PROMOTION

#### *Introductory Definition*

210. We define promotion as a change of status which increases the salary maximum of an officer. We do not regard as promotion a salary increase gained through incremental steps or the removal of a qualification- or merit-barrier. We consider promotion involves: (a) a transfer from one post to another post carrying a higher salary maximum ("normal promotion"); (b) advancement to a higher salary maximum in the same post either because its duties have

become more responsible (“regrading promotion”) or because the officer’s value has increased through experience (“personal to officer” and “merit grade” promotions).

211. The following increases in salaries, which do not constitute promotion in terms of our definition will also be referred to later in this section: (a) the granting of annual increments on the scale within any one grade; (b) the granting of increments more quickly or frequently to reward merit; (c) the removal of a qualification- or merit-barrier which automatically brings a higher salary maximum; (d) the granting of increases which have been authorised in general for the State Services, for the particular occupational class, or for the grade in which an employee is placed.

212. We shall now discuss the administration of promotion under two headings: delegation to departments, and promotion boards.

### *Delegation to Departments*

213. During the course of our inquiry, it became obvious to us that the huge volume of administrative detail involved in authorising promotions is one of the factors which has prevented the Public Service Commission from giving most attention to matters of efficiency and economy. There were almost 7,000 promotions for the year ending 31 March 1961, an approximate average of 28 a working day.

214. The Public Service Commission acknowledged the burden of this work and it said that it might shortly – but with caution – delegate to departments some power to make promotions. Treasury felt the time had not yet come when departments could make promotions without prejudicing a unified career service. Most Permanent Heads appearing before us advocated immediate delegation.

215. Our conception of the role of the State Services Commission demands that much of the present detailed administration of staff matters be removed to departments, or be eliminated (Ch. 3/59). Some will be eliminated if our proposed classification and grading system is adopted; the application of the principle of broad-banding to occupational classes will considerably reduce both the number of regradings of officers and positions, and the number of appointments to advertised vacancies wherever there are fewer promotion-barriers to pass.

216. Although the recommended classification and grading structure should lighten the State Services Commission’s administrative load, there will still be a need for delegation. We acknowledge that there will be difficulties in the process of delegation, but these must be overcome. We see no good reason why some delegation of promotions and salary increases should be delayed any longer. The following



delegations (subject to control) would seem practicable at the present time, though variations will no doubt be necessary later to meet changing conditions:

- (a) Departments having occupational classes which are peculiar to the department (except in those cases in (c) below) should be given delegated authority to make promotions to all but the most senior positions in those classes. That authority should include all those promotions referred to in paragraph 210 above and increases in salary referred to in paragraph 211. For example, Health Department would be able to deal with its dental nurses and psychiatric nurses, Transport Department with its traffic officers, Electricity Department with its operators. The reservation of senior positions from the delegation is especially important because the officers affected may later rise to the highest positions of the department. It is at this stage that the State Services Commission should appraise officers in these senior positions so that their capacities will be known to it when their names come up for consideration. Reservation of appointing power to the State Services Commission at this level will enable these wider objectives to be realised.
- (b) Departments should be delegated power to make promotions and grant increases in salary (as in paragraphs 210 and 211) in respect of occupational classes which extend over more than one department up to around point £1,325 on the illustrative Common Salary Point Scale (Appendix 9).
- (c) Departments should be delegated power to make promotions and grant increases in salary (as in par. 210 and 211) to the limited extent defined in (b) above, in respect of occupational classes which though they may be peculiar to the department, nevertheless require from their members qualifications similar to those required by similar classes in other departments (for example, field officers in Agriculture, Lands, Valuation, and Maori Affairs Departments). This exception to the authority recommended in (a) above would seem necessary so that the Commission can ensure that such interchange as is desirable for training and efficiency takes place at the higher grades of the related occupational classes.

217. All delegation should be subject to clearly defined limits and control. The State Services Commission will fix establishments, quotas for promotion to merit grades, and possibly for accelerated increments. The State Services Commission will need to ensure that, where necessary, vacancies are advertised and appointments notified in a way which will maintain a unified career service and the rights of appeal.

218. All promotions and increases in salary (except for the appointment of Permanent Heads, par. 224-9 below) not covered in the above delegation should be reserved for the time being to the State Services Commission.

219. Some witnesses feared that delegation of promotions to a department would tend to deny to applicants who were outside that department an objective consideration of their claims. The Promotion Board system described below has been designed to prevent this.

### *Promotion Boards*

220. Each department should have a promotion board which should be responsible for making recommendations to the Permanent Head for all promotions or salary increments (whether delegated or reserved) including such regrading matters as are referred to it.

221. The constitution of such a board (which would be set up by the State Services Commission in consultation with the Permanent Head) should be carefully examined by the Commission in the light of the peculiar needs of each department. We think it should not have more than four members, one of whom should be, for the following reasons, an officer of the State Services Commission. The merit of applicants from outside the department can be fairly balanced against the merit of those within; the State Services Commission will be kept in touch with promotion problems of departments; departments will be kept in touch with the promotion policies of the State Services Commission; the board will be better able to deal with such regrading matters as are referred to it.

222. A promotion board is set up by Statute in the Post Office. No promotion board exists in the Railways Department, but such a board as we have advocated constituted according to the special needs of the department could well assist the General Manager and his staff administration.

223. For some years the Public Service Commission has used *ad hoc* advisory committees to help it make senior appointments in departments. But for other positions it may be that the State Services Commission would wish, in addition, to establish a promotion board. Such a board would accumulate useful knowledge of the qualities of applicants, particularly of applicants for vacancies in the Administrative Class. We do not, however, wish to limit the freedom of the State Services Commission to develop whatever procedures it may find suitable.

### *Permanent Head Appointments*

224. We say categorically that a career service can, if there are sound staff training policies in each department and in the service as a whole, produce men able enough to become departmental heads.

Only where these sound policies are not followed should it be necessary to appoint a departmental head from outside the service.

225. The State Services Commission will be responsible for advancing these sound policies and for ensuring the quality of the men available for appointment as Permanent Heads in the Public Service. It might be argued that, having done this, the State Services Commission should then be responsible for appointing Permanent Heads. At present the Public Service Commission appoints all but six Permanent Heads under the provisions of the Public Service Act, consulting the Government before it makes the appointment. This system is anomalous for two reasons. First, the Public Service Commission is responsible for making these appointments, but we had evidence that it was not prepared on certain occasions to proceed with the appointment of a candidate unacceptable to the Government. Power and responsibility should be matched. Second, the Government itself has the appointing power in the case of six Permanent Head posts in the Public Service and there seems to be no logical basis for distinguishing these posts from those filled by the Public Service Commission.

226. In considering ways of removing these anomalies, we have been guided by three principles. First, we believe that the State Services Commission should not have the power to compel the acceptance as a Permanent Head of a man who does not have the Government's confidence. It must be remembered that the Permanent Head is more than the manager of a department; he is the Government's adviser on matters of policy. As such he cannot act effectively unless the Government has confidence in him. Second, we feel that these appointments should normally be made by the State Services Commission, which is in the best position to judge the merits of each candidate in all respects save one—his ability to command the Government's confidence. Third, we consider that a procedure should be followed which leaves no doubt whether, in a given instance, the State Services Commission or the Government has been responsible for making the appointment.

227. These principles have led us to conceive a system in which the appointing power is delegated to the State Services Commission, the Government having the right to revoke the delegation. We recommend therefore that, in appointing Permanent Heads within the Public Service,\* the following procedures be observed:

- (a) The State Services Commission advises the Prime Minister that a position is (or is shortly to become) vacant.

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\*The Permanent Heads to be subject to this procedure should be all those at present appointed under the Public Service Act and those appointed outside the Act, with the exception of the Permanent Heads of Audit, Law Drafting, Legislative, Post Office, and Railways Departments and the State Services Commissioner or his Deputies for whom separate procedures are prescribed or proposed.

- (b) The Prime Minister acquaints the State Services Commission with any points which the Government wishes to be considered.
- (c) After advertising the vacancy, the State Services Commission submits a recommendation (either before or after the actions described in (a) and (b)).
- (d) If the Prime Minister accepts the recommendation, the State Services Commission publishes the appointment in the *Public Service Official Circular*.
- (e) If the recommendation is not accepted, the Prime Minister withdraws the delegation in that instance, and himself makes the appointment, notice of which is published in the *New Zealand Gazette*.

228. The mechanics of publication would make clear who is responsible for making the appointment. The procedure seems to us to safeguard the interests of the Government, while preserving as far as possible the principle of non-political appointment.

229. We imagine that, in the vast majority of cases, the appointments would be made by the State Services Commission. We consider that in the few remaining cases the risks involved are small, since Ministerial appointments made in the past to the posts exempted from the Public Service Act, and to senior positions in the Post Office and the Railways Department, have shown no tendency to disrupt the career service.

### Summary

230. Our proposals for administering promotions in the Public Service can be compactly presented thus :

Table 11

Promotions	Authority Making Appointment			
	Permanent Heads Advised by Promotion Board	S.S.C.	S.S.C. by Government Delegation	P.M. Where Government Disagrees with S.S.C. Recommendation
(a) Occupational classes peculiar to departments (except (c) below) ..	a	..		
(b) Occupational classes in more than one department*	b to (say) £1,325 p.a.	b above £1,325 p.a.	..	
(c) The senior officers of any occupational class ..	..	c	..	
(d) The Administrative Class - other than Permanent Heads ..	..	d	..	..
(e) Permanent Heads ..	..	..	e	e

\*NOTE: Applies also to the officers mentioned in par. 216 (c) above.

## RECOMMENDATIONS

We recommend that:

- (77) Merit be accepted and established by all employing authorities in the State Services as the only criterion for promotion (par. 178-184, 205).
- (78) All employing authorities of the State Services assess merit for promotion in the manner laid down in paragraph 181 above; and merit be specifically and clearly defined in the empowering legislation of those authorities (par. 182-4).
- (79) Seniority as a factor in promotion be eliminated from the statutes and administrative procedures of the employing authorities of the State Services (par. 182-4, 206-9).
- (80) The State Services Commission delegate to departments power to make promotions and award increases in salary to the levels, and within the limits, prescribed in paragraphs 216-7.
- (81) Promotion boards be set up in all departments under the aegis of the State Services Commission with the duties and constitution outlined in paragraphs 220-3.
- (82) The necessary legislative changes be made to give effect to the procedure set down in paragraph 227 for the appointment of Permanent Heads referred to there (par. 224-9).
- (83) The legislation of the State Services Commission, the Post Office, and the Railways Department be amended to include uniform provisions to facilitate interchange of officers. In such cases the appointee in the receiving Service should be regarded as an officer of that Service and should be subject to the normal appeal provisions of that Service (par. 185-191).

## THE RIGHTS OF APPEAL

## PRELIMINARY

231. This subject evoked more diverse, emotional, and often illogical opinions than any other in our terms of reference. Staff associations, having long asserted these rights as fundamental to enlightened and acceptable staff policies and having fought for them over many years, refused to concede that appeal rights could be justifiably modified in any respect. Permanent Heads were by no means unanimous in their views. Some considered that all existing

appeal rights should be retained; others wanted reductions – some small, some large. The Post Office and the Railways Department sought no changes of any kind; the Public Service Commission advocated some significant amendments, which drew vigorous reactions from staff associations.

232. The appeal systems within the State Services have long been matters of general discussion. Our inquiry began at a time when public attention had been caught by the upsetting on appeal of senior specialist appointments of men from outside the Public Service. The ensuing public discussion suggested a widespread view that the State Services should from time to time admit “outsiders”, and the argument seemed to centre on the ease or difficulty with which such appointments should be made. As our inquiry developed, other appeals attracted attention. The more publicised of these concerned the appointment of Permanent Heads or Deputy Permanent Heads, the contestants all being members of the Public Service. It became obvious that the public is keenly interested in the appeal systems in general and not merely in their effect upon appointments from outside the Services.

233. These strong views within the Services and keen general interest outside formed the background to our attempts to consider objectively the merits of the present State Services appeal systems – systems which are almost unknown in private enterprise but which are a feature of most public services in the British Commonwealth. The advantages claimed for an appeal system in a State Service include:

- (a) Its existence tends to keep management constantly aware of the need for justice in reaching decisions:
- (b) It protects the State servant against arbitrary judgments, personal prejudices and influence, political or otherwise:
- (c) It provides staff with a healthy outlet to express grievances:
- (d) It gives opportunity for making a wider and more leisurely appraisal of the relative merits of candidates than the appointing authority can always make in its first decision:
- (e) It ensures that justice is seen to be done and so provides a potent morale-building force.

234. The alleged disadvantages include:

- (a) The existence of an appeal authority which can reverse a decision of management derogates from management's responsibility for making decisions relating to staffing matters, and for carrying the consequences of any mistake. The appeal authority on the other hand, having reversed the decision of management, has no responsibility for ensuring that its appointee does his work efficiently:

- (b) The appeal process is time consuming and expensive, and a heavy load on the machinery of the State Services. (It is expected that if certain of our other proposals are adopted this criticism will be less relevant) :
- (c) An appellate review of such administrative decisions as the making of appointments tends to become overlaid with strict legal procedures :
- (d) Inefficiency and confusion arise when appointees to important departmental positions, against whose appointments appeals have been lodged, do not take up their new positions until the appeals are disposed of :
- (e) Appointees replaced on appeal suffer undue hardship especially if they have shifted their homes before the appeals are heard :
- (f) An appeal system may develop, or be used, in a manner which fosters an unhealthy, inbred exclusiveness.

235. The first of these alleged disadvantages needs further discussion. It is, no doubt, a sound general rule of administration that power should be matched by responsibility. It is obvious that an Appeal Board can change the holder of an office without having the later responsibility of ensuring that its appointee does his work efficiently. But any judicial or semi-judicial review of an administrative act or decision is open to the same criticism, yet many such reviews are provided for. Moreover, the evidence shows that the Appeal Boards of the State Services do not take their duties lightly. They make their decisions only after careful consideration. Furthermore, it should not be overlooked that the employer, even when his appointee has been removed on appeal, is still in command of the situation, for he can (and should) remove any new appointee who proves unsuitable. It has not been argued (for such argument would be untenable) that an employer has no further responsibility merely because his appointee has been removed on appeal.

236. The evidence has led us to the opinion that an appeal system improves morale and efficiency in the State Services in New Zealand. Its advantages considerably outweigh its disadvantages. Moreover, we consider that the disadvantages of the New Zealand systems can (and should) be alleviated by altering some of the existing rights of appeal.

237. We shall now proceed, first, to examine the appeal bodies operating within the areas of the three employing authorities noting, in particular, differences in procedure; second, to discuss the main appeal rights available to officers; third, to give our views about certain positions which we think should be exempt from appeal; and, finally, to consider suggestions for modifying the constitution of the appeal authorities.

## THE APPEAL AUTHORITIES

238. We are concerned only with the three appeal authorities of the Public Service, the Post Office, and the Railways Department.

239. The three appeal systems have much in common. Each Appeal Board is composed of three members, two of whom are appointed by the Governor-General as nominees of the Government. One of these two is the chairman; and he is usually, though not necessarily, a Stipendiary Magistrate. With few exceptions each Board handles similar kinds of appeal.

240. There are, however, some important differences among the three systems:

- (a) The Post Office and the Railways Department have a number of high positions exempt from appeal rights; in most Public Service departments there are no such high positions thus exempt apart from those of six Permanent Heads who are appointed outside the Public Service Act.
- (b) The statutory provisions controlling the entry of outsiders to the Post Office and the Railways Department, and their application, have resulted in the virtual exclusion of outsiders. The comparable provisions of the Public Service Act are not so restrictive in terms, and have in fact enabled many outside appointments.
- (c) The third members of the Public Service Board and of the Post Office Board are appointed on the recommendation of the relevant staff association. The third member of the Railways Appeal Board (the staff member) is elected by his fellow railwaymen.
- (d) The third members of the Post Office and Railways Boards are drawn from a panel of members with the deliberate result that the branch in which the position under appeal happens to fall provides the third member for that appeal. The Public Service Appeal Board's constitution prohibits sectional representation; for if any member of that Board is also an officer of the department in which the position under appeal is located, he must be replaced for that appeal by a substitute.
- (e) The statutory provisions for the Railways Appeal Board do not permit the appearance of counsel. Under the relevant Post Office and Public Service Regulations, counsel may appear, but only with the leave of the Appeal Boards. The practices of these two Boards differ. The Post Office Appeal Board gives leave only when the appeal raises a difficult legal issue. The Public Service Appeal Board is more liberal and gives leave whenever an appellant seeks it. This difference may be related to the fact that the Post Office Association offers its services as advocate to appellants in promotion cases, while the Public Service Association rarely does so.



## APPEAL RIGHTS

241. The three appeal authorities are occupied mainly with the hearing of promotion appeals. Regrading appeals are concentrated into the periods following general regradings. Appeals against disciplinary decisions and transfers are relatively infrequent. Appeals against appointments of outsiders are, in essence, promotion appeals, but we shall deal with them separately as they entail some major differences in principle.

*Promotion Appeals*

242. A right of appeal against the promotion of another officer is available to any officer of a State Service who (i) was an applicant for an advertised position and was not appointed, or (ii) considers he is suitable for a vacancy which has been filled by the employing authority without advertisement, or (iii) wishes to contest a classification list promotion of another officer. These rights of appeal do not lie unless the appointment would have meant promotion to the appellant, and unless the officer appointed did, in fact, receive promotion.

243. Appeals were lodged against 720 (approximately 10½ per cent) of the 6,841 promotions made in the Public Service departments for the year ended 31 March 1961. Not all these 720 went to a hearing. Of those which did, only 19 (or 7·3 per cent) were successful – that is, only 0·28 per cent of the total promotions made were upset. The pattern is much the same in the Post Office and the Railways Department. It is a fair inference from these figures that there is little injustice in the making of promotions in the State Services. The Public Service record is particularly praiseworthy in that the promotions there are based almost wholly on merit. We were rather surprised to find the Public Service Commission somewhat sensitive to the few promotion reverses it had suffered, and somewhat censorious of the procedures adopted by the Public Service Appeal Board.

244. Post Office and Railways managements and staff associations advocated the *status quo*, and sought no improvements. We think, however, that some changes are desirable; indeed necessary, especially if our suggestions concerning classification and grading, and promotion are applied to the Post Office and the Railways Department.

245. We heard some criticism of the practices and procedures (to be distinguished from the intrinsic value) of the appeal systems in the New Zealand State Services. These criticisms related especially to promotion appeals. It is, therefore, convenient to list and discuss them now, though we recognise that they can have wider significance.

246. (a) The procedures of the Appeal Boards have been so conducted that the onus has been placed on the employer to prove that his appointee was, in fact, the most efficient and suitable.

(b) Too many frivolous appeals are lodged. It was suggested that a fee should be charged when an appeal is lodged, to be refunded if the appellant succeeds or withdraws his appeal within a certain time.

(c) Appeal Boards, in their deliberations, tend to protect seniority when personal report markings are nearly equal.

(d) The appeal procedure gives rise to long delays.

(e) The use of counsel, where permitted, delays and often restricts an Appeal Board's consideration of the case by introducing strict rules of evidence, and Court practices.

(f) It is difficult to convey to the Appeal Board some of the important considerations which have influenced the appointment.

(g) Miscellaneous criticisms of procedures.

247. (a) *Onus of Proof*: If (as we were led to believe) the practices of the Appeal Boards have forced the employer in all cases to establish the superiority of his appointee, we doubt whether that result conforms to the legislation. Under the present Acts the three employing authorities are obliged to appoint the person most efficient and suitable for any position.\* The test must be the same on appeal – who is the most efficient and suitable candidate? If that is so, the question of onus of proof will in fact only arise in those cases where the Appeal Board is left in genuine doubt whether the choice of the appointee was (having regard to the relevant statute) the correct one. In such cases, we believe that the Board could well apply the practice followed in many appellate jurisdictions, of, in effect, placing the onus on the appellant by saying that the appointment made by the employer would stand. This rule of practice is particularly applicable when the appeal is from an administrative and not a judicial body, as it will be in these promotion cases. The right to adopt this practice could be made perfectly clear by amending the legislation, but we doubt whether that is necessary. However, the application of this rule of practice must not overlook the propriety (indeed, the necessity) of the Appeal Board's insisting that when the relevant evidence lies wholly or mainly within the knowledge of the employer, or where only the employer has the ability to produce the evidence, he must produce it so that the issues can be properly and fairly considered. We should, however, now state clearly an exception to the general rule. Different considerations apply in appeals from disciplinary decisions. There the appeal should follow the form of a

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\*We omit the requirement that when two officers are equally efficient and suitable the decision shall rely on seniority. We have already recommended the abolition of seniority as a constituent of promotion.

rehearing in all respects, with the onus of establishing guilt resting on the prosecution at all stages of the appeal. Appeals against appointments from outside the Service form a further exception. We discuss this in paragraph 280.

248. (b) *Frivolous Appeals*: We do not favour the imposition of a fee even if it be true that too many frivolous appeals are lodged. The Appeal Boards have the power to order the appellant to pay the cost of the appeal, if they think that the appeal should not have been brought. This power, properly exercised, should sufficiently prevent frivolous appeals coming before the Boards. It could also be used to deter those who would needlessly lodge appeals and later withdraw them. The legislation gives no specific rights of withdrawal, so we imagine that the Appeal Boards can themselves determine in what cases and on what terms (including the awarding of costs) appeals may be withdrawn. If that is not the actual legal position, we should like to see it made so. We also hope that the employing authorities and the staff associations will combine to develop practices which, while preserving all necessary rights of appeal, prevent those rights from being abused.

249. (c) *Protection of Seniority*: This criticism is met if, as we propose, seniority as a constituent of promotion is eliminated, and merit defined and applied as we have recommended (par. 181).

250. (d) *Procedural Delays*: This is a weightier criticism. We are concerned at the length of the time taken by the Public Service appeal process. (We have no evidence about the time involved in appeals in the Post Office and the Railways Department). We think that this time element has been a major cause of criticism of the Public Service appeal system. Some of the time-lapses between the original appointment and the hearing of the appeal seem to us unjustifiably long, though we understand that in recent months appeals have been disposed of without delay. It should be possible to shorten the average time considerably by directly notifying applicants about appointments, by reducing the times taken for the various steps, and, if necessary, by the Appeal Board showing a less generous attitude to parties and counsel. We do not wish to concern ourselves with details for shortening procedure; it is enough for us to stress that the matter needs urgent consideration. We should add, however, that for appointments from outside the State Services every effort should be made to dispose of the appeals expeditiously and that the appointment should not (if possible) be publicly announced until it has been confirmed on appeal.

251. (e) *Use of Counsel*: It is apparent that there is considerable opposition to counsel's right of audience. It is said that counsel introduce excessive formality and legalism (especially in such matters as the admission of evidence) and that this does not suit reviews of

administrative decisions. It is also said that counsel cause delay by being unable to appear when the Board wishes to dispose of appeals. Then, too, a number of senior officers stated that an appellant before these Boards would usually be well advised to take his own case, for the personal impression he made might well turn the scales in his favour. All this may be correct, but there are doubtless occasions when the legal issues, the limitations of the appellant as an advocate, or the particular circumstances of the appointment justify counsel's aid. We should consider it a retrograde step if the right to have counsel were denied in those cases at least. The Board has power to correct any unduly legalistic attitude on the part of counsel, for it is in charge of its own procedures, and it can, and should, control counsel. It can decide what adjournments should be permitted to meet the convenience of counsel, and it can refuse adjournments if it feels that should be done. Therefore, we consider proper the practice adopted by the Public Service Appeal Board of giving leave for counsel to appear whenever the request for counsel is reasonable. We favour that practice for all Appeal Boards.

252. (f) *Difficulties of Communicating Reasons for Appointments:* It was urged upon us that an appointing authority found great difficulty in communicating through evidence to an Appeal Board all the various considerations which moved it in making an appointment. It was especially difficult to convey judgments founded on the personal impression of officers. We think that there is some weight in this point and it is one of the matters which have influenced us in making our recommendation concerning the onus of proof when the Appeal Board is in genuine doubt (par. 247).

253. (g) *Miscellaneous:* Three further matters related to promotion appeals arise out of criticisms made to us, and receive our support. The first of these is that the Appeal Board, if it reaches a decision that the appointment appealed against should not have been made, should have the power to direct either that the appellant be appointed to the position (as the Board can do now) or that the appointing authority reconsider the list of applicants and possible appointees so that the most suitable and efficient officer can ultimately be appointed to the position (as the Board cannot do now).

254. The second is that an officer affected by an appointment and having a right of appeal should be entitled, as an alternative, to request a reconsideration of the earlier decision. There are occasions when an officer would prefer this to the more formal right of appeal; experience in New South Wales has shown it to be a desirable alternative. When (and to the extent that) appointments are made by departments, this procedure would enable the employing authority to act, in effect, as an appeal body reviewing the departmental appointment. We make it clear that we recommend this as an alternative

right which, if availed of, should deprive the officer of his more formal right of appeal. We do not intend that he should be able to exercise one after the other. He should elect one or the other. The employing authority could well refer such requests – or those of them which appear to have substance – to the Classification and Grading Committee proposed in paragraph 261.

255. The third matter relates to the late lodging of a notice of appeal. At present, in the Public Service (we have not investigated the situation in the other two appointing authorities), the power to accept a notice of appeal which is out of time belongs to the Commission (s. 17 (2) of the Public Service Amendment Act 1927). We consider that the Board rather than the Commission should have this power, as the Commission has so often an interest in the appeal.

### *Regrading and Classification Appeals*

#### *Regrading Appeals*

256. Historically, this right of appeal has been directed at the grading of “positions” but the officer’s own efficiency or “fitness” has in some circumstances been regarded as relevant (par. 41). However, the fact remains that in law it is the “position” which is reviewed on appeal (Public Service Amendment Act 1927, s. 17 (1) (a)) and a successful appellant does not necessarily benefit personally from winning his appeal. Once the position is regraded on appeal, it is advertised and an officer other than the appellant may be appointed to it.

257. The Public Service Commission contended that the regrading appeal right was an unwarranted restriction on the rights of management which fixes gradings by a finely balanced process of ensuring relativity throughout the Service. It asserted that the Appeal Board is less suited to deal with this type of case than it is to adjudicate on personal promotion where more subjective judgments are involved, and it drew attention to the fact that in one period 25 per cent of regrading appeals had been upheld. Nevertheless, we consider that the very magnitude of the regrading task must give rise to the possibility of imperfections that may affect the legitimate interest of some officers. The large proportion of successful regrading appeals (though only a small proportion of total positions reviewed) may be tangible evidence of these imperfections and may not necessarily point to weaknesses in the appeal system. If it is accepted that there may be unfair discrimination in promotion decisions, the same may be so of regrading decisions.

258. We therefore conclude that regrading decisions should be subject to review, but our proposals for continual regrading (par. 94-101) and occupational classification (par. 26-8) introduce new factors which call for some modification of the form and scope of that review. We shall return to this topic in paragraph 261 below.

259. Though we abandon the idea of a five-yearly regrading, we still believe that an officer should be entitled, at intervals of not less than five years, to seek a review of the grading of his post. Although such a review must necessarily be based on the position held, we conclude, after considering all the issues, that it would be impracticable, and possibly inequitable, to apply the time limit to the position rather than to the officer. In other words, any officer should have the right to seek a review of the grading of his position provided that he has not exercised such a right for at least five years, even though another officer may have sought a review of the same position within that period.

### *Classification Appeals*

260. Some difficult decisions will have to be made when positions and officers are allocated to various occupational classes - both at the time of occupational classification resulting from our recommendations, and in later years when new positions are allocated or old ones are reclassified. Such decisions may well result in an officer being placed in an occupational class which he considers is inappropriate, and restrictive of his opportunities for promotion. He should have a right to have such a decision reviewed. We have also recommended that officers found unsuitable for a particular occupational class should be reclassified into some other class (par. 89). That action could reduce prospects of promotion and should be open to review. Furthermore, if an employing authority does not reclassify an officer, but continues to hold him at a merit-barrier for more than a reasonable period (say two years) he should be given the opportunity to prove before a review authority that he is good enough to pass beyond the barrier. The review authority should then have power in appropriate cases to recommend his reclassification.

### *Procedure for Regrading and Classification Appeals*

261. Although we support the right of review of both classification and grading (par. 258, 260), we think that the employing authority should have the ultimate decision on these matters. They are related and ought to be treated in the same way. We propose therefore that all such applications for review be considered by a Classification and Grading Committee or Committees which would be administrative rather than judicial and which would make recommendations to the

employing authority. The Committee should include representation from the employees, should have power to work formally or informally as it sees fit, and should be free to recommend courses of action other than those taken by the employing authority or requested by the appellant, including the right to refer suitable cases to the Appeal Board.

262. Such a Committee would be able to consider cases (for example, involving designation) which the Appeal Board is now unable to deal with because of conflict with the Tribunal legislation, and in respect of which there has been no effective right of regrading appeal.

263. Officers can approach Permanent Heads or employing authorities at any time about their own personal circumstances, and we anticipate that this will continue. Where these representations relate to classification or grading the employing authority could well refer the substantial ones to the Committee for advice even though there is no formal right of review.

#### *Division of Responsibility among the Boards, Committees, and Tribunals*

264. We set out briefly the effect of our recommendations to make clear what is involved in them, what the rights of officers will be if they are adopted, and where their appeals will be dealt with.

265. The Appeal Boards will decide: (a) Promotion appeals where the appellant seeks to show that he is more suitable for a particular position than the appointee (unless the appellant elects to ask for a review by the appointing authority); (b) cases referred by the Classification and Grading Committee; (c) appeals concerning discipline and transfers of officers.

266. The Classification and Grading Committees will make recommendations to the employing authority relating to: (a) Regrading appeals, which an officer will be entitled to make after at least five years about the value of his position, and, where relevant, his efficiency or fitness in it; (b) classification appeals, including the contesting of the initial classification and reclassification either of the person or the position held; (c) appeals from officers held on merit-barriers; (d) officers' representations referred to the Committee by the employing authority; (e) non-promotion cases (where the officer elects to have his claims reviewed by the employing authority instead of by the Appeal Board) which are referred to it by the employing authority. The essential test of jurisdiction between the Appeal Board and the Classification and Grading Committee is whether the appeal challenges another officer's promotion, irrespective of whether the

promotion has been gained on regrading or otherwise. If it does, the matter lies with the Appeal Board. If it does not then it lies with the Classification and Grading Committee.

267. The Tribunals will still deal with group appeals taken by employee organisations on behalf of occupational classes. The function of the Tribunal can be clearly distinguished from that of the Classification and Grading Committee. The Tribunal hears group appeals, the Committee hears the appeals of individuals; the Tribunal determines on appeal the value of a certain kind of position, the Committee considers whether a particular position properly falls within the category to which the employing authority has allocated it.

#### *Outside Appointments above Basic Grade*

268. The Public Service, Post Office, and Railways Department each have different legislative provisions for appointments from outside the State Services. Those of the Post Office and the Railways Department have resulted in the virtual exclusion of outsiders from entering above the basic grade. An outside appointment can be made only when there is no one in the Service "suitable" (Post Office) or "fully qualified" (Railways) and available for the position. Thus a departmental officer, by showing merely that he is "suitable" or "fully qualified" for the position and that he is available to take it, is entitled to be appointed to it before the applicant from outside. He need not prove that he is equal in merit to, or better than, the outside applicant.

269. The Public Service legislation (s. 4 (3) Public Service Amendment Act 1951) provides that where a departmental officer is suitable and available, an appointment from outside can be made only if it is in the public interest to do so, and only if the outside applicant is "in great degree" superior to the Service applicant. The provisions of the subsection are commonly and comprehensively referred to as "the in-great-degree clause". For the two years ending 30 June 1961, 573 outside appointments were made, 27 appeals were lodged and 11 of these were successful. The small number of appeals is accounted for by the fact that most of the appointments were to positions where there were no Service applicants (for example, to the School Inspectorate), or to occupational groups – mostly technical or professional – where the outside appointment did not threaten the promotion prospects of qualified officers.

270. We formed the opinion that in the Public Service there is a natural reluctance to make outside appointments if an appeal is likely to follow. People outside the Service are for their part reluctant to apply for State Service appointments for they know they may be embarrassed by the inevitable delay before the appointment can be confirmed, or, *a fortiori*, if the appointment is upset.



271. We have already stated our belief that a career service is in the public interest. We do not wish to see this principle undermined by unnecessary outside appointments. But it is plain that at times the public interest will be best served by an outside appointment, and at these times the public interest should not be obstructed by exclusive legislation or practices.

272. Some Permanent Heads of Public Service departments suggested that the special provisions restricting outside appointments should be eliminated entirely. It was contended that it would suffice if the same rights of appeal were available against both the appointee from outside and the Service appointee, as an officer's work experience in a Service career would give him a very great advantage over anyone from outside. He should need no extra protection. It was also maintained, by one witness at least, that outside applicants who had trained themselves should not be at a disadvantage against Service applicants who had received their training (and often very considerable training) at Government expense.

273. It was further suggested that whatever protection might be given to Service applicants should extend only to those officers who had joined the Service before 25 years of age. (It is true that restrictions on appointments from outside the Services are presumably intended to protect career servants, and that officers joining the Services at a late age may not be career servants in the strict sense of the term. But we think that it would be impracticable to apply a single age limit to all occupational groups.)

274. The Health Department advocated a greater interchange of officers (medical, administrative, and others) between it and local hospital boards. It pointed out that the salaries of both groups of employees come from State funds and both carry out duties which are part of the State's health service. The formation of policy relating to this health service and its day-to-day administration would be assisted by such an interchange of officers. The Education Department, supported by the Post-primary Teachers' Association, made the same point about the State education service. It was urged that there should be a freer interchange of officers between the Education Department and local education boards. We were told that the "in great degree" clause could be used to impede transfers from these local bodies to the two departments.

275. There is no doubt that the "in great degree" clause generates much emotion. The Public Service Commission considers that the phrasing of the section unreasonably restricts the entry of needed fresh blood into the Public Service, and suggests some alternative wording like "clearly more suitable". But this, and other suggested wordings, seem to us to make little change. The Public Service Association clings to the existing wording with a devotion which it

found difficult to explain logically. We conclude that the phrase "in great degree" has gained a magic of its own, and constitutes, according to one's point of view, either an unjustifiable impediment to progress or a necessary bulwark to hard-won rights.

276. The phrase "in great degree" should be abandoned. It is imprecise in its wording and rigid in its application. It results in the exclusion of a number of factors which we consider should be taken into account in particular cases. The primary purpose of the State Services is to serve the public. Only those appointments should be made which best serve the public interest. No doubt the upholding of a career service helps to develop strong State Services and thus promotes the public interest. But this protective strengthening should not submerge the main purpose. The Public Service Association itself made this clear in its statement of basic principles. It said :

(5) *Public Interest*: In exercising its powers in respect of the Public Service, the Public Service Commission shall have regard to the public interest as a guiding principle, and in considering public interest the Commission shall have regard for the morale and long-term efficiency of the Public Service.

(7) *Protection for Career Public Servants*: In order to obtain and retain efficient and enthusiastic staff, which is essential in the public interest, the Service should, to the fullest extent possible recruit its staff at an early age and train them itself, and should safeguard the promotion prospects of those who have made the Service their career.

277. What is needed, then, is legislation to implement the principles we have just quoted. The present legislation does not do this; for the Public Service it establishes a fixed test of doubtful meaning and rigid application. The outside applicant must be "in great degree" more suitable in every case, no matter how greatly the public welfare may be involved in the appointment or how little the principle of a career service might be affected by it. There are, unquestionably, many cases where the appointment of an outside applicant would do little harm to any public servant. Yet if a public servant objects, the outside applicant, to gain the post, must be shown to have the same superiority as he would need to gain a post which might have significant implications for officers already in the Service. This is obviously absurd.

278. The situation is even worse in the Post Office and the Railways Department. For there, no matter how strongly the public interest calls for an outside appointment, or how greatly superior the outsider may be, the appointment cannot be made if there is an officer "suitable" or "fully qualified" and available for the position.

279. The public interest cannot warrant an outside appointment unless the outside applicant is the more suitable in the circumstances of the case, but the margin of superiority which is necessary must

vary with those circumstances. We think that the following considerations should control the assessment of public interest in the making of outside appointments to the State Services:

- (a) Whether (and to what extent) an outside appointment would hinder the building up of a career service based on recruitment of juniors, such a career service being desirable in the public interest.
- (b) Whether (and to what extent) the occupational class concerned can normally rely on Service promotions, or whether another source is, in fact, being drawn upon for recruits (for example, Correspondence School teachers and inspectors of schools from teachers employed by education boards; or nurse-inspectors from nurses employed by hospital boards).
- (c) Whether (and to what extent) the proposed appointment harmfully affects the career prospects of the members of the occupational class concerned, taking into account the general pattern of appointments to that class.
- (d) Whether (and to what extent) the particular appointment is necessary to strengthen in number or quality a class of officers which needs strengthening.
- (e) Whether (and to what extent) the outside applicant is superior to the most suitable officer available in the Service.
- (f) Whether (and to what extent) it is desirable that there be an interchange of employment among certain occupational classes inside and outside the State Services (for example, interchange between departmental and university scientists).

280. We have made it clear that outside appointments to the State Services should only be made when the public interest requires them. We have listed the relevant considerations. In appeals against appointments, the onus of proof of superiority must in part depend on whether the appointee comes from the Service or from outside. In the latter case, only the employer can normally produce evidence justifying the departure from the general practice of appointing from within the Service. Therefore, in appeals by an officer against an appointment from outside, the onus should remain at all times on the employer to show that the public interest justifies the appointment.

#### *Interchange between Public Service, Post Office, and Railways*

281. We have already recommended (par. 191) that the legislation and practices of the three employing authorities (Public Service, Post Office, Railways Department) ought to facilitate the interchange of officers. For example, a Post Office employee should be entitled to compete with a Public Servant for a position in a Public Service department as though he were an officer of the Public Service, and

*vice versa*. It follows from this that the provisions which we have recommended to control the introduction of outside appointees to the three Services (par. 279) should not apply to transfers among the three Services. In these cases, any appointment should be determined according to the test of who is the most "efficient and suitable", without regard to the origin of the appointee, but allowing a right of appeal only for applicants of the Service to which the appointment is made. The legislative provisions for appointments in the three Services vary considerably. Some of these provisions give wider powers of appointment than do those of other Services. Some might even be said to establish in law the position we advocate. But the practices of all three Services have, we believe, developed in a way which discourages (if it does not prevent) any reasonable interchange of staff. We think that this is not in the best interests of the Services.

282. It might be urged that a similar freedom of interchange should be encouraged between the State Services and those outside organisations whose staff salaries are paid directly or indirectly from funds voted by Parliament. We think, however, that a career service should have some protection, and in the interests of such protection a line must be drawn somewhere, if only empirically. Our recommendations in respect of outside appointments (par. 279) are flexible enough to cover recruitment from organisations outside the State Services.

### *Appeals Against Disciplinary Action*

283. It is more convenient to deal with these particular appeals in the section on discipline.

## EXEMPTIONS FROM APPEAL

### *Permanent Heads*

284. The Public Service Act does not expressly exempt any officer from its appeal provisions. However, the Permanent Heads of six departments within the Public Service (Audit, Treasury, Prime Minister's, Works, External Affairs, Crown Law) are appointed outside the Public Service Act, with the result that no appeal lies against their appointment. In the Post Office, 18 of the most senior positions are exempted from promotion-appeal procedure but are otherwise subject to the Post Office Act and its regulations; in the Railways Department, 40 such positions are thus exempted.

285. We consider that there should be no right of appeal against an appointment of permanent head status. To explain why, we shall repeat briefly the considerations which have led us to the view that

there should be a special procedure for the appointment of Permanent Heads (par. 224–9). A Permanent Head is more than a manager of a department. He is also the Government's adviser on matters of policy. He cannot act effectively unless the Government has confidence in him. Therefore, the Government must have the right to approve, and in certain cases, to make the appointment. The existence of this right of Government is incompatible with a right of appeal, and therefore we recommend that these positions be not subject to appeal.

286. It could be argued that our recommendation does not reach far enough down into the hierarchy of a department. The Public Service Commission for instance placed before us a list of 86 positions, appointments to which it recommended should be free of appeal. These included all Permanent Heads with the addition, in some cases, of up to three other senior officers from a department. The exemptions from appeal in the Post Office and the Railways Department are also on a much wider scale than our recommendation intends. On the other hand, Sir William Dunk did not think the exempt list should be a large one; he said it "should embrace all permanent heads and some deputy-type positions in the more important departments".

287. We believe that the reasoning outlined in paragraph 285 in support of exempting Permanent Heads from appeal is valid. It is our opinion that, for positions to which that reasoning does not apply, exemption from appeal would detract from the morale and efficiency of the State Services. This view is consistent with our assessment of appeal rights in paragraph 236. The existence of a greater number of exempt positions in the Post Office and the Railways Department does not invalidate our argument, for those positions were exempted on entirely different grounds. We are not satisfied that all the subordinate positions listed by the Public Service Commission are substantially affected by the logic of our argument. But it may well be that in practice some deputy positions in more important departments are much more strongly affected than are others; we have no way of knowing.

288. Our recommendation therefore encompasses only positions of permanent head status, to which we have no doubt our reasoning applies. Should the Government find that it applies equally strongly to some other positions, there may be justification for exempting them also from appeal, but we cannot, on present knowledge, make any recommendation about this.

289. Our recommendation also raises another matter – the effect of appointing Permanent Heads in the Public Service outside the provisions of the Public Service Act. As they are then wholly outside the provisions of the Act, they are probably not subject to the conditions of service, the disciplinary code, and the rights which the Act and its regulations prescribe. If this is so, it is an unfortunate

effect probably overlooked when they were exempted. If our recommendation on exemptions from appeal is approved, we believe that all Permanent Heads, including those listed in paragraph 284 above (with the possible exception of the Controller and Auditor-General), should be explicitly placed under the Act and treated in all other respects as officers of the Public Service.

290. There are also a number of other posts associated with the Public Service and with parliamentary and judicial administration, appointments to which are not made under the Public Service Act, and which are, for a variety of reasons, expressly exempted from it by legislation. If any of these positions are exempted only to remove them from the appeal provisions of the Act, then they too could, with some advantage to the individual and the Service, be brought back under the Act, and at the same time their existing exemption from appeal preserved.

#### *Entrants with Higher Initial Maximum in the Basic Grade*

291. We have stated in our discussion of grading (par. 39) that an entrant to the basic grade with a sufficiently high qualification should be able to proceed to the maximum of the grade, while an entrant with the minimum (or near minimum) qualifications of the class may be subject to an initial merit-barrier at a lower level in the grade. In occupational classes where this principle is applied, no right should be available to the officers who are subject to the lower barrier to appeal against the appointment of a new entrant to the same grade but who is not subject to that barrier. Similarly, there should be no right of appeal against an officer already in the grade whose merit-barrier has been removed.

#### AMENDMENT TO CONSTITUTION OF APPEAL BOARDS

292. The legislation constituting the Appeal Boards for the three State Services does not require a Stipendiary Magistrate as chairman of any Board, though the present practice is to appoint one whenever that is possible. That is a good practice; it helps to inspire confidence in the impartial administration of the Board and is obviously most suitable when counsel appear. It would be unwise to prescribe that a Magistrate must be chairman, for there may be times when a Magistrate is not available. We think the present legislation should stand.

293. Some witnesses contended that the practice of appointing as members of the Public Service Appeal Board (other than the magisterial chairman) clerical or executive officers, serving or retired,

hinders the proper consideration of appeals which concern technical and professional positions. It was said that in an appeal covering (for example) a scientific or engineering post, it would be desirable to have a scientist or engineer (either serving or retired) as a member of the Appeal Board. That could be so; but the establishment of a Board with enough members to represent all the various occupational groups of the Public Service is administratively impossible. There is, however a case for the Board to be given statutory authority to co-opt a fourth member when it desires special technical or professional aid. The co-opting of a fourth member, and his selection, should be subject to the approval of the parties to the appeal. If approval is not given then the special knowledge can only be gained by calling expert witnesses.

294. A further suggestion for reform of the Public Service Appeal Board follows upon a proposal to delegate promotions to departments. It was said that if this were done, the right of appeal in promotion cases should lie to the Commission, not to the Appeal Board. We have recommended earlier (par. 216–21) certain delegations of promotions. It is apparent, however, that it is not yet possible to delegate all promotions and that the State Services Commission must continue to do much of this work for some time to come. At least until the State Services Commission delegates all promotions, they should still be reviewed by an independent Appeal Board, unless the officer himself chooses the alternative procedure which we have suggested in paragraph 254.

295. We think it would be an improvement if the instrument of delegation to departments included, in appropriate cases, an instruction that, on an appeal, the department should prepare the case for, and appear in support of, any promotion made under delegated authority. It seems to us that requiring departments to defend their promotions would help to develop a responsible attitude in the exercise of their delegated powers.

296. There may be times when the Appeal Boards will want help on questions of law – for example, on whether there is a right of appeal in a particular case. There is a provision in the Public Service Regulations (reg. 114) requiring the Public Service Appeal Board to take the opinion of the Solicitor-General when its view conflicts with that of the Commission about whether an appeal lies. There is a similar provision in the Government Railways (Staff) Regulations (reg. 91) requiring the Railways Appeal Board to take the opinion of “a solicitor of the staff of the Crown Law Office”. These provisions are obviously unsuitable now that the usual practice is to have a Magistrate as chairman, and so we recommend that, instead, all three Appeal Boards should be empowered to state a case for the opinion of the Supreme Court on any question of law.

## RECOMMENDATION

We recommend that:

(84) The present appeal systems of the Public Service, the Post Office, and the Railways Department be retained subject to the following modifications:

(a) In respect of promotion appeals:

(i) Urgent consideration be given to shortening the time between an appointment and the determination of appeals in respect of that appointment (par. 250).

(ii) The practice of the Public Service Appeal Board of giving leave for counsel to appear wherever the request for counsel is reasonable, be adopted by the Railways and Post Office Appeal Boards. (This will necessitate a change in the legislation for the Railways Appeal Board, and will apply also to disciplinary appeals) (par. 251).

(iii) The Appeal Boards be empowered to direct, as an alternative to appointing an appellant to the position, that the employing authority reconsider the list of applicants and possible appointees so that the most suitable and efficient officer can be appointed (par. 253).

(iv) An officer affected by an appointment and entitled to appeal be allowed to elect either to take his case before the Appeal Board in the usual way, or to seek a reconsideration of the decision by the employing authority (par. 254).

(v) The power to accept a notice of appeal which has been lodged after the prescribed time has expired be taken from the Public Service Commission and placed with the Public Service Appeal Board. (This will apply also to disciplinary appeals) (par. 255).

(b) In respect of appeals against regrading and classification:

(i) If our proposals for continual regrading are adopted, an officer be given the right at intervals of not less than five years to seek a review of the grading of the position he occupies at the time of application (par. 259).



- (ii) If our proposals for classification and grading are approved, a right of review be granted to individual officers in respect of classification, or any change in classification, and in respect of being kept for an undue length of time at a merit-barrier (par. 260).
  - (iii) One or more classification and grading committees be set up to review cases of the types enumerated in paragraph 266 and to make recommendations thereon (par. 261-3, 265-7).
  - (iv) If the foregoing recommendations are adopted, the present provisions giving a right of appeal to the Appeal Board in respect of grading be repealed (par. 261, 265).
- (c) Outside appointments above basic grade to all departments and the rights of appeal for Service appellants against outside appointees, be controlled by the factors and procedures set out in paragraphs 276-280, and the legislation of the Public Service, the Post Office, and the Railways Department be amended accordingly (par. 268-280).
- (d) The following exemptions from appeals be granted:
  - (i) Appointments of permanent head status in the Public Service be freed from the right of appeal and when that is done, the Permanent Heads (except the Auditor-General) at present appointed outside the Public Service Act be placed under the Act (par. 284-290).
  - (ii) No right be available to officers subject to a qualification-barrier or merit-barrier in a basic grade to appeal against the appointment of another officer to the same grade with higher qualifications and not subject to the qualification-barrier or merit-barrier, or to appeal against the removal from another officer of the merit-barrier (par. 291).
- (e) The constitution and procedures of the Appeal Boards be amended as follows:
  - (i) The Public Service Appeal Board be empowered, with the consent of the parties to the appeal, to co-opt a fourth member in those cases where it desires special technical or professional aid (par. 293).

- (ii) Appeal Boards be empowered to state a case for the opinion of the Supreme Court on questions of law (par. 296).
- (iii) Appeal Boards be given express power to fix the terms on which appeals may be withdrawn (par. 248).
- (f) As a matter of practice, a department which makes a promotion under delegated authority be required, when appropriate, to prepare the case for the appointment appealed against and to appear in support of it at the hearing (par. 294-5).

## DISCIPLINE

### PRELIMINARY

297. We confine this section to an examination of the disciplinary codes of the employing authorities and the extent to which they are complied with, and to desirable improvements in them.

298. We stated, when inviting submissions on this subject, that "discussions should be limited to the negative aspect of discipline as imposed by rules and regulations". Though it is convenient to discuss here only the negative aspect, we appreciate that official codes alone cannot ensure proper standards of discipline. Self-discipline is always necessary. That is the product of such character-forming things as education, training, personal codes of conduct, leadership, and morale which we touch upon from time to time in other sections of our report. Both employer and employee share the responsibility for attaining proper standards of discipline in the full sense of the word, for the efforts of the one complement those of the other.

299. We conclude from the evidence that the standard of conduct within the State Services is very high in matters of honesty and integrity. There seem to be relatively few serious breaches of the written disciplinary codes. But we are not satisfied that the standard of discipline in relation to the performance of daily work is always high enough. We speak here of such matters as compliance with instructions, attitudes to work, courtesy, punctuality, and behaviour in the office. These are too often treated as not of great importance; whereas they have a considerable influence on morale and on the image which the public forms of the Services. We believe that the blame for this situation can in part be attributed to controlling officers' failure to supervise their staff adequately, and, what is often more important, to insist upon their instructions being obeyed.

## SCOPE OF INVESTIGATION

300. The Post Office and Railways Department and their staff associations did not wish to review their disciplinary codes critically. They sought no changes. The Public Service, both employer and employees, took a sharper approach. The evidence of the Public Service Commission itself, and of a number of Permanent Heads, was most valuable. Our discussion of the Public Service code is therefore more informed than that of the codes of the other two State Services.

301. Each of the three employing authorities has a distinct disciplinary code springing from its own legislation, regulations, and other rules of procedure. The codes have, in practice, proved to be both generally fair, and adequate to protect the public interest. Each prescribes similar standards of conduct, and makes certain that the employing authority does not abuse its disciplinary power. The existence of these codes strengthens the morale and improves the prestige of the State Services.

302. The offences prescribed in these three codes are very much the same – especially in those of the Public Service and the Post Office. Their procedures vary a little as a result of different historical development and different systems of administrative control. The Railways code confers wider powers of dismissal than do the other two because of the nature of Railways work and responsibilities.

## OFFENCES PRESCRIBED BY THE PUBLIC SERVICE ACT

303. Section 11 (1) of the Public Service Amendment Act 1927 enacts that the disciplinary provisions of the section shall apply to any officer who:

- (a) By any act or omission fails to comply with any of the requirements of the principal Act; or
- (b) In the course of his duties disobeys, disregards, or makes wilful default in carrying out any lawful order given by any person having authority to give such order, or by word or conduct displays insubordination; or
- (c) Is negligent, careless, or indolent in the discharge of his duties; or
- (d) Is inefficient or incompetent in the discharge of his duties, his inefficiency and incompetency appearing to result from causes within his own control; or
- (e) Is not qualified, either temperamentally or otherwise, for the efficient and satisfactory performance of the duties of his office; or
- (f) Uses intoxicating liquors or drugs to excess; or
- (g) Is guilty of any disgraceful or improper conduct, or of any act or conduct, either in his official capacity or otherwise, showing his unfitness to remain in the Public Service; or

- (h) Otherwise than in the discharge of his duties, or except by the direction or with the permission of the Minister administering the Department to which he is attached, directly or indirectly discloses any information acquired by him in the course of his duties or otherwise in his capacity as an officer of the Public Service.

304. These offences may be considered “major” offences of their kind, in which event the procedures laid down in subsection (3) (detailed in par. 305 below) apply; or “minor” in which event they may be dealt with by the Permanent Head in terms of subsection (2) which directs:

(2) If the permanent head of any Department receives or makes a minor complaint against any officer, or has reason to believe that any officer has committed what in the opinion of the permanent head is a minor offence, he may require the officer to furnish an explanation, and if after consideration of such explanation he is satisfied that the subject-matter of the complaint or charge is proved he may caution or reprimand the officer, or may order that a sum not exceeding two pounds be deducted from his salary. Any action taken under this subsection by the permanent head shall be forthwith reported to the [Commission, which] in cases where a deduction from salary has been ordered shall confirm the decision of the permanent head or shall reduce or remit the penalty as [it] thinks proper. The decision of the [Commission] with respect to any such penalty shall be final.

The decision whether the offence is “major” or “minor” thus lies first with the Permanent Head of the department. Administrative arrangements between the departments and the Public Service Commission ensure that this decision is not changed when the penalty imposed by the Permanent Head is later reviewed by the Commission.

#### PROCEDURES PRESCRIBED FOR MAJOR OFFENCES

305. Section 11 (3) of the 1927 Amendment Act prescribes the following procedures for the prosecution of major offences:

- (a) The Permanent Head charges the officer concerned, in writing, and gives him a notice requiring him to reply within a specified time admitting or denying the charge. (He may at the same time suspend the officer from duty.)
- (b) If no reply is received within the specified time, the officer is deemed to have admitted the charge.
- (c) The Permanent Head then sends the charge to the Commission with the reply (if any), and his own report and any others that he may have obtained.

- (d) If the charge is admitted, or if the Commission is satisfied of the truth of the charge, it may impose one of the prescribed penalties, including dismissal.
- (e) If, however, the Commission considers that the complaint should be further investigated it may appoint some person or persons to carry out an investigation, and such persons can summon witnesses and examine on oath. They report later to the Commission which itself makes the finding and determines the penalty.
- (f) The final decision of the Commission is given to the officer in writing.

The officer has a right of appeal in terms of section 17 (1) (d) and (e) of the same amendment Act to the Public Service Appeal Board against both the finding and the penalty.

306. This procedure is followed with care. Formal investigations are often made, and were made into four out of 27 major offences during the year ended 31 March 1961.

307. Permanent Heads stated that the main difficulty of this procedure is to satisfy the Appeal Board that the circumstances in a particular case justify dismissal or other serious penalty. They stressed how hard it was to communicate to the Board the various circumstances and the general background which (in their view) call for dismissal. Some of them would for those reasons do away with the appeal procedure altogether. But as we see it, such difficulties do not justify removing this protection from the individual officer. Moreover, we think that most of the difficulties can be overcome if reasonable care is taken to record disciplinary lapses, and to inform unsatisfactory officers of them as they occur. We do not advocate an excessively admonitory attitude. But an officer should be warned and, when necessary, reported. We deprecate a refusal to face these unpleasant duties, which are owed to the employee as well as to the employer. A reasonably early warning may prevent a serious degeneration. An officer who has not been given a timely caution has a genuine grievance.

308. The Public Service Commission complained of a difficulty it had experienced before the Appeal Board in introducing, in the face of opposition from the Public Service Association, sufficient details of the charged officer's career history. It said that this prevented the Board from viewing the penalty in a proper light and resulted in the success of too many appeals against penalty. The Public Service Association maintained on the other hand that it must continue to object to all incidents or reports which were not immediately brought to the attention of the officer and which he may have had no chance to contest. We were asked to recommend rules regulating the introduction of such evidence.

309. We consider it would be unwise to lay down rules defining when and to what extent an officer's previous history may be introduced either on the hearing of an appeal against a finding of guilty, or on an appeal against penalty. On the hearing of some appeals (for example, those relating to charges of negligence or indolence in doing his work) the previous career history of the officer will be significant. But there are charges arising out of an individual act (for example, an assault) when the previous history may have little or no bearing. So, too, when it is necessary to assess the penalty. In one case the past history may be important; in another, not. We think it better to leave it to the Appeal Board to exercise its discretion without fixed rules, but ensuring always (as no doubt it will) that the officer is not prejudiced and that the prosecution must establish the truth of any of its assertions which are challenged.

#### PENALTIES FOR MAJOR OFFENCES

310. Depending on the character of the offence, the Commission can impose penalties in terms of section 11 (3) (c) of the 1927 Amendment Act. The Commission can:

- (i) Caution or reprimand [an officer charged] or deprive him of his annual or other leave of absence during or in respect of a specified period; or
- (ii) Order to be deducted by way of penalty from the salary of such officer such sum as [it] deems fit; or
- (iii) Make a reduction in the classification and rate of salary of the officer, or in either such classification or rate of salary; or
- (iv) Transfer the officer to some other office or locality, which transfer may be in addition to any other lawful penalty; or
- (v) Dismiss the officer from the Public Service or require him to resign within a specified time (in which case the officer shall be deemed to be dismissed unless he so resigns).

These penalties are all subject to appeal to the Appeal Board. We consider it necessary to discuss only two of them – dismissals and fines.

#### *Dismissals*

311. It is often alleged that the dismissal of incompetent or otherwise unsuitable Public Servants is circumscribed by procedures and attitudes which unduly protect mediocrity and allow incompetent people to remain in the Public Service. It is hard to ascertain how true this popular allegation is, but some Permanent Heads gave it as their opinion that incompetence had to be gross, or a misdeed very serious, before they could be sure that an officer would be dismissed.

The table below gives figures for dismissals for the year ended 31 March 1961:

*Table 12*

Authority	Total Permanent Staff (Including Probationers)	Dismissals of Permanent Staff (Excluding Probationers)
Railways .. .. .	16,371	82
Post Office .. .. .	17,643	48
Public Service Commission ..	39,428	26

312. These figures can be misleading, because some officers were "dismissed" for leaving the Public Service without giving the required notice. On the other hand, resignations are sometimes sought or accepted in preference to formal disciplinary dismissal. Nevertheless, we are satisfied that there is too reluctant and tardy an approach to dismissal.

313. Two excuses were usually made for failure to take prompt action to dismiss in proper cases: the cumbersome nature of the procedures, and the complications induced by appeal rights. We do not accept that these are the real causes. We suspect that the hesitant use of the power of dismissal is rather the result of, first, a Public Service tradition which emphasises security as a basic element of employment, not to be forfeited except for grievous cause; and, second, a lack of resolution and courage on the part of supervising officers. Officers given the responsibility of reporting on staff too often fail to do so in terms which unambiguously describe the performance of their subordinates. Furthermore, controlling officers too often fail to record instances of inefficiency or bring them to the attention of the officer concerned. It destroys morale and discipline to retain officers whose work is obviously unsatisfactory; and when this is the fault of the officer himself, the welfare of the Service demands that he be asked to resign, or be dismissed.

### *Fines*

314. It is not always appreciated that State servants can be fined and surcharged as part of Service discipline, for there are no such penalties in private enterprise. It is claimed that these penalties are justified because they make State servants aware that they hold positions of trust with a duty to account for public moneys, and that they often give services on the efficiency of which public safety and convenience can depend. But, though State servants can and do

suffer these penalties, there is a counterweight; generally speaking they cannot be dismissed as easily as can employees outside the Services.

#### SUMMARY DISPOSAL OF MINOR OFFENCES

315. Under section 11 (2) of the 1927 amendment, "minor offences" can be dealt with summarily by Permanent Heads who may reprimand, caution, or fine up to £2. It was suggested by the Public Service Commission and some Permanent Heads that the amount of £2 is now insufficient. A maximum fine of £10 was proposed. We agree that this would be a reasonable amount. We suggest, too, that the present £5 limit of the General Manager of Railways be raised to £10. The Post Office limit is already £10.

316. A survey reveals that Permanent Heads in the Public Service have, in fact, made relatively little use of their power to fine. For instance, the following fines of £2 or less were imposed in the five years from 1 April 1956: 1956-57, 10 fines; 1957-58, 12; 1958-59, 15; 1959-60, 39; 1960-61, 26. The General Manager of Railways imposed 509 fines not exceeding £5 in the year ended 31 March 1961. We have no comparable figures for the Post Office.

317. Section 11 (2) also provides that the imposition of a fine must be reported to the Commission for confirmation, reduction, or remission. This automatic review is burdensome. We should prefer to see it abolished, placing the onus on the officer fined to ask the State Services Commission for a review, if he desires one. Fines should still be reported periodically to the State Services Commission so that a record can be kept and control exercised over the Permanent Head's power to punish.

#### LOSS OF PUBLIC MONEYS OR STORES

318. Offences sometimes entail loss of public moneys or stores. The Controller and Auditor-General can then surcharge the offender with the amount of the loss. There is a right of appeal against the surcharge to the Minister of Finance. Where there is a criminal element in the loss, the Audit Office is obliged to prosecute (s. 26 (7) of the Public Revenues Act 1953) and the practice of automatic reference to the Police is well established. But even where there is no criminal element (for example, in loss by negligence) an officer can face both a penalty under the Public Service Act, and an audit surcharge. The present procedure requiring consultation in each case between the Controller and Auditor-General and the Public Service Commission has certain unsatisfactory features. The Commission has a wide discretion in



deciding on a penalty, but the Controller and Auditor-General, once having decided to surcharge, must impose the full amount of the loss. If the offender appeals against the surcharge, the Minister does not deal with the appeal until the Commission has fixed its penalty. Thus the Commission must arrive at its decision before it knows the full payment that the officer will eventually be obliged to make.

319. There was no disagreement with the proposition that the legislation should be altered. Amendments proposed were: (a) the Public Revenues Act should provide that, where the officer has been charged under the Public Service Act, the Controller and Auditor-General is not to impose a surcharge; and (b) the Public Service Act should empower the Commission to impose a surcharge (after consultation with the Audit Office) in addition to any other lawful penalty; and (c) both the penalty and the surcharge should be open to appeal to the Public Service Appeal Board whose decision on both would be final.

320. We favour these proposed amendments. We also recommend similar amendments to Post Office and Railways legislation.

#### DISMISSAL FOR NON-SERVICE OFFENCES

321. Some dismissals are required by section 57 (1) of the Public Service Act 1912 which reads:

If any officer is convicted of any crime which prior to the coming into operation of the Criminal Code Act 1893 would have been classed as a felony, or of any infamous offence, he shall be deemed to have forfeited his office.

322. In those cases, the offence compels dismissal; the Public Service Commission has no discretion. We consider that this provision does not agree with modern penal thinking, and that it should be changed to give the Commission the same discretion as the Post Office and the Railways Department have. The Commission should be allowed to suspend any officer charged with an offence punishable by imprisonment (the present description in s. 57 (1) is completely out of date) and if a conviction is entered, to dismiss or impose such other Service penalty as the Commission thinks fit. The officer concerned should be given a right of appeal (not now available) against the penalty.

323. Section 57 (2) provides that if an officer becomes bankrupt, applies to take the benefit of any Act for the relief of insolvent debtors, or makes an assignment for the benefit of his creditors, he shall be deemed to have committed an offence and his services shall be dispensed with unless he proves to the satisfaction of the Commission that his money troubles have not been caused by fraud, extravagance,

or dishonourable conduct. We consider that this should also be amended to give the Commission a discretion over penalty, and the officer a right of appeal against the penalty.

#### DISMISSAL OF PROBATIONERS

324. Most of the dismissals from the Public Service are made during the probationary period. (Ninety-four probationers were dismissed compared with 26 permanent officers in the year ended 31 March 1961.) A probationer is not an "officer" during his probation and is thus not entitled to the protections built into the disciplinary code. His appointment can be annulled at any time (s. 5 Public Service Amendment Act 1951), and that is, as we have shown, often done. Nevertheless, we were left with the impression that more use could be made of this probationary period to test the probationer's fitness to become an officer. It is not only in the public interest but it is also in the interest of the probationer – particularly if he is a youth beginning a Public Service career – that he should be advised reasonably early if, in fact, he is unsuitable for a particular line of work. The State Services Commission should insist that officers whose duty it is to report on probationers exercise a keen sense of responsibility in doing so, make it their business to know how a probationer is progressing and report on him fully and frankly. We are aware that probation periods are often extended where there is doubt about a probationer's suitability, and that is justifiable. But in most cases it is better if the decision can be promptly made.

#### NON-CULPABLE INCOMPETENCE

325. Controlling officers are naturally reluctant to deal firmly with officers who, through no fault of their own, find themselves unable to do their work efficiently. The State Services have always shared the public duty of employing a number of these people. Some controlling officers reason that so long as such people can give some productive return for the wages paid them, they should be retained and kept off social security benefits.

326. The very size and complexity of the Public Service justifies an attitude towards such employees somewhat different from that often found in private business. There is in the Service a much greater variety of posts among which an employee can be given a chance of finding his proper place. A person who is unsuitable in one post may yet do valuable work in another. We believe also that the Public Service should continue to employ its full share of those people who suffer from severe handicaps to employment (say, physical disability)

but who are willing and often anxious to play as useful a part as they can in the life of the community. Indeed, the Public Service, with its great variety of occupations, is better fitted to provide suitable employment for handicapped people than are most other employers. We should not wish it otherwise.

327. But there will be times when it will be necessary to terminate the services of, or transfer, or reduce the grading of an officer who in the words of section 11 (1) (e) of the 1927 Act "is not qualified either temperamentally or otherwise for the efficient and satisfactory performance of the duties of his office". As a consequence of the wording of the preceding paragraph of the Act (s. 11 (1) (d)), we read paragraph (e) as referring only to incompetence arising from causes not within an officer's control. The result would seem to be that such incompetence can only be dealt with as a disciplinary matter, and the officer charged. We believe that it is not proper to include in a disciplinary code the procedures relating to officers who, though blameless, are unable to do their work efficiently. Conscientious and efficient officers often become inefficient through causes beyond their control, for example, through physical or mental deterioration. They should not be treated as offenders and subjected to formal disciplinary action. The problem of dealing with them should be considered as administrative, and their cases should be investigated informally.

328. There is no doubt need to guard against arbitrary and hasty judgments, and to make sure that the officer can have the decision of his employing authority reviewed. We think that an Appeal Board is not the most suitable or convenient authority to undertake such reviews, and that what is needed is a review board, or boards, assembling more informally, and recommending to the employing authority the action to be taken. So that there may be no delay (for we believe that delay aggravates the problem) it may be necessary to have several such review boards throughout the country. Their constitution could be decided after discussion with the staff association. To safeguard against any misuse of the power to terminate employment for this kind of inefficiency, any such review authority should have the power to recommend that the case be treated as a disciplinary case and a charge laid.

329. We therefore consider that paragraph (e) of section 11 (1) of the Public Service Amendment Act 1927 should be repealed and that incompetence beyond the officer's control should be dealt with administratively, with a right of review by a board such as we have described. There will need to be legislation to establish such boards, and to confer on the State Services Commission powers to act according to their recommendations. We also recommend that a similar provision be written into the Acts of the Post Office and the Railways Department.

## SECTION 51, PUBLIC SERVICE ACT, 1912

330. Section 51 of the 1912 Act provides that every officer shall "be deemed a three monthly servant and removable by the Commission at any time after three months' notice". The effect upon this provision of section 11 of the 1927 Act embodying the present disciplinary code (par. 303, 305) is not clear. It has long been uncertain whether section 11, by implication, repeals the Commission's power (as distinct from the Crown's inherent power) to terminate employment on three months' notice pursuant to section 51, in those cases where the matter could properly be the subject of a disciplinary charge. This uncertainty was deepened considerably by the judgment of the Court of Appeal in *Deynzer v. Campbell and Others*, [1950] N.Z.L.R. 790, where some members of the Court expressed the opinion (though the issue was, perhaps, not strictly before them for decision) that section 51 could no longer be used in those cases.

331. We consider that section 51 should not be available to deprive an officer of the protection of the disciplinary machinery in truly disciplinary cases. The use of section 51 is justified only in the following circumstances: (a) termination of services on the ground of redundancy; (b) termination of services where an officer has absented himself without leave or reasonable excuse for more than 14 days; (c) termination of services pursuant to retirement policy. The legislation should be made clear on this matter.

## DELEGATION TO PERMANENT HEADS

332. Some witnesses advocated that the Public Service Commission should delegate to Permanent Heads the right to deal with offences of a more serious character, for at the moment a Permanent Head can deal only with "minor offences".

333. We have no doubt that in the future some such delegation will be necessary. Considerable care will, however, need to be taken in selecting the departments to which such delegation can be extended and in limiting the penalties delegated. We do not think that departments have yet reached the stage where such delegations ought generally to be given. It is a subject which the State Services Commission should keep in mind for further action.

334. It might seem that the State Services Commission could now delegate to Permanent Heads the right to annul the appointments of probationers, or to extend the probationary period. We are not convinced, however, that there is yet throughout the Service a keen enough appreciation of the considerations surrounding such decisions — the need to advise probationers promptly if they are unsuitable, to provide that probationers receive proper training and attention, and to ensure that, although decisions are made reasonably promptly,

probationers have had opportunity to settle to their work before action is taken. Moreover, a probationer who is found unsuitable in one department may turn out to be suitable in another. The State Services Commission should certainly try to bring about conditions in departments which will allow these powers to be delegated, but it must be left to the Commission to judge when the conditions are favourable. It may also be desirable and practicable to differentiate in this respect among different classes of probationers; for instance between youths entering the Service for a career and adults entering the Service with much of their working life already behind them.

335. Though the considerations mentioned in the preceding paragraph may also apply to the termination of the services of temporary employees, we think that here they must have less force. We consider therefore that the State Services Commission might delegate to such departments as are ready for it, and with such reservations as may be necessary, the authority to terminate the services of these employees.

## RECOMMENDATIONS

We recommend that:

- (85) The Permanent Heads' authority to impose fines for "minor offences" in terms of section 11 (2) of the Public Service Amendment Act 1927 and section 90 of the Government Railways Act 1949, be increased to £10 (par. 315).
- (86) The provisions of section 11 (2) of the Public Service Amendment Act 1927 prescribing a review by the Public Service Commission of all fines and surcharges imposed by Permanent Heads within the Public Service be repealed and in lieu thereof the officer fined be given the right to seek such a review (par. 317).
- (87) (a) Section 26 of the Public Revenues Act 1953 be amended to provide that where the officer concerned has been charged under his employer's statute the Controller and Auditor-General shall not impose a surcharge (par. 318-320).
  - (b) The relevant legislation be amended to empower the employing authority to impose a surcharge in addition to any prescribed penalty, the amount of the surcharge to be determined after consultation with the Controller and Auditor-General (par. 318-320).
  - (c) A right of appeal to the relative Appeal Board against the determination of penalty and surcharge be given (par. 318-320).

- (88) Section 57 (1) and (2) of the Public Service Act 1912 be amended to allow the State Services Commission a discretion in fixing penalty, and to allow the officer concerned a right of appeal against the penalty fixed (par. 321-323).
- (89) Paragraph (e) of section 11 (1) of the 1927 Act be repealed and the necessary legislation enacted to enable review boards to be established to deal with cases of non-culpable incompetence and to empower the State Services Commission to act in accordance with the recommendations of such boards. Similar amendments to be made to the Post Office and Railways Acts (par. 325-329).
- (90) Section 51 of the Public Service Act 1912 be amended to define in positive terms the circumstances in which an officer's employment can be determined under that section (par. 330-331).
- (91) The State Services Commission consider from time to time the advisability of delegating to specified Permanent Heads within the Public Service (a) power to impose limited penalties in respect of major offences, (b) power to annul the appointment of probationers or to extend their probationary periods, and (c) power to terminate the services of temporary employees (par. 332-335).

## RETIREMENT

### PRELIMINARY

336. Two distinct problems need to be discussed in this section. The first is: at what point in time should an officer become *eligible* to retire? The second is: at what point in time should an officer be *obliged* to retire? These two points may coincide. That is, all officers may be obliged to retire as soon as they are eligible for retirement. We shall refer to this practice as an *automatic* retirement policy. But if an officer who is eligible to retire is permitted to continue to work on before reaching the point of compulsory retirement, the policy will be described as *flexible*. Under such a flexible policy an employing authority may reserve the right to retire any officer once he has passed the point of eligibility, even though he may not have reached the compulsory retirement point and may wish to continue his service.

337. We stress at the outset the desirability of an orderly retirement policy. Whether the policy be automatic or flexible, it is important that fixed points (or a fixed point) in time be selected for eligibility

and obligation respectively. It is in the interests of the employer, and of the employee and his fellow officers, that each should know when a given officer is eligible to retire, and when he will be obliged to retire, so that all can adjust their plans accordingly. Service morale demands that officers should be entitled to look forward to a reasonable period of retirement. And in the national interest there should be a policy which gives a reasonable assurance that State servants are retired before old age impairs their efficiency. Age affects different people in different ways, but in a large organisation there must be some general rules governing retirement. A policy must be adopted fixing a retirement point or points which, in the circumstances, are reasonable.

#### PRESENT RULES GOVERNING ELIGIBILITY TO RETIRE

338. Any officer, unless he is a bonded bursar, is entitled to *resign* from the State Services at any time, if he gives due notice. But eligibility for *retirement* is laid down in the Superannuation Act, and strictly speaking applies only to contributors to the Government Superannuation Fund. A contributor to the Fund is entitled under the Act to retire from the Government service once he qualifies to receive an annuity from the Fund.

339. The next paragraph explains how male contributors qualify for an annuity. The rights of women in this matter are at present being changed following the decision to pay men and women at equal rates.

340. State servants who contribute to the Government Superannuation Fund qualify for an annuity by right :

- (a) At the age of 65 (60 in the case of Railways employees) irrespective of length of service :
- (b) On completing 40 years' contributory service, provided that the officer is aged 60 or more :
- (c) On completing 40 years' contributory service, irrespective of age, if employed continuously in Government service from before 1 January 1946.

With the consent of the employing authority, or in cases of ill health, an officer may qualify for an annuity earlier, but these exceptions are not germane to the question of general retirement policy. In all cases the annuity is payable only after retirement from Government service. A superannuitant may, however, take another job (even in Government service) without prejudice to his pension rights (save in the case of early retirement on grounds of medical unfitness). Many in fact do so.

341. Section (c) of the previous paragraph is accounted for by the fact that until 1946 there was no requirement that a contributor who completed 40 years' service should also attain the age of 60 to qualify for an annuity. The 1945 Act which introduced this provision exempted from its effect those officers already in Government service, who would otherwise have been deprived without compensation of a right which they had previously enjoyed and to which they felt morally entitled. This is significant, for two reasons. First, it demonstrates that the superannuation provisions may be regarded as an implied term of the contract of service. Second, it means that some officers will still be retiring under the traditional "40 years' service" rule up to 1986. It is apparent that many Government servants are reluctant to see that rule qualified even then by the "60 years of age" provision.

#### PRESENT RULES GOVERNING OBLIGATION TO RETIRE

342. There is no legislation establishing general compulsory retirement points in the State Services. Each employing authority has determined its own compulsory retirement policy. The policies of the Post Office and the Railways Department are very similar, but they differ significantly from that of the Public Service Commission.

343. In the Public Service, an officer is normally obliged to retire: either on completing 40 years' service (actual or contributory), provided that he is aged 60 or more (a few officers are granted extensions to meet the needs of their departments); or at the age of 65, irrespective of length of service. (There are some exceptions to this rule, especially in the basic grade where longer service does not hold up the promotion of other officers, and where the retiring officer cannot be readily replaced. An officer so retained is usually placed on the temporary staff.) The Public Service Commission reserves the right to retire any officer who has completed 40 years' service, even though he has not reached the age of 60.

344. In the Post Office, an officer is obliged to retire: either on completing 40 years' permanent service above the rank of message boy; or at the age of 65 irrespective of length of service.

345. In the Railways Department, an officer is normally obliged to retire: either on completing 40 years' service; or at the age of 65, irrespective of length of service. (This policy has been followed since 1924, and has applied with few exceptions to all officers whose retention would deny or delay promotion for an officer with less service.)

346. It will be apparent that the retirement policies, especially those of the Post Office and the Railways Department, are essentially automatic; that is, officers are in general obliged to retire



at the point at which, if they were contributors to the Superannuation Fund, they would become eligible to retire. There are some comparatively minor areas of flexibility, namely:

- (a) A public servant who completes 40 years' contributory service before reaching the age of 60 may retire at that point, but if both he and the Commission are willing, he may continue until he is 60 years of age.
- (b) In the Post Office, an officer may retire when he has completed 40 years' *contributory* service, but in the relatively few cases where this does not coincide with *actual permanent* service he may if he wishes continue until he has completed 40 years' actual permanent service.
- (c) In the Railways Department, an officer may retire at the age of 60, or if he wishes may continue until he has completed 40 years' actual service.

347. It will also be apparent that present retirement policies have been moulded by the terms of the Superannuation Act. In principle it would seem that the reverse should be the case—that one should first adopt an appropriate retirement policy, and then arrange one's pension plan to conform with it. In the present section our primary concern will be to discover the principles which govern the appropriateness of a retirement policy, bearing in mind however that existing superannuation rights must be taken into account in applying those principles.

#### PRINCIPLES OF A RETIREMENT POLICY

348. Three questions need to be discussed if the principles affecting a retirement policy are to be clarified. Should the points of eligibility and obligation coincide or not? That is should a retirement policy be *automatic* or *flexible*? Should the points of eligibility and obligation be defined in terms of *age*, or of *length of service*, or of a combination of the two? In the light of the answers to the first two questions, what factors determine which particular age, or length of service, or combination of both would be appropriate?

#### *Automatic or Flexible?*

349. A flexible policy benefits the individual officer approaching retirement by giving him a choice either to retire when he reaches the point of eligibility, or to continue in his present employment until he reaches the point of obligatory retirement. It may be argued that an automatic policy leaves him free to seek employment elsewhere if he so wishes. But this is no adequate substitute if he is interested

in the work itself, rather than in the income he derives from it. Furthermore, the ease with which superannuitants have found jobs in recent years is a reflection of overfull employment. No one can say how much longer this condition will persist, and when it ends many State servants may well be less enthusiastic about early retirement.

350. A flexible policy may, however, have serious disadvantages to the fellow officers of a man who could retire and does not. All the staff associations who made submissions on this matter favoured an automatic retirement policy. They pointed out that flexibility made promotion prospects more difficult to calculate, and, by increasing the average age of retirement, slowed down the rate of promotion. For these reasons it could lower the morale of the Services. These submissions have force, but they need to be analysed further.

351. To introduce a flexible system in place of an automatic one, while holding the point of eligibility constant, is necessarily to increase the average age of retirement. While this average age is increasing, the rate of promotion is slower than it would otherwise have been. But this is merely a transitional effect. When the age of retirement becomes stable at its new level, the rate of promotion returns to normal. The difference is that some promotions occur rather later in an officer's career than would otherwise have been the case. This, apart from the difficulties of the transitional period, seems to be the most important adverse consequence to the employee.

352. Flexibility would certainly make promotion prospects more difficult to calculate, but the consequences for morale are by no means clear cut. If the effect of the policy was (as the Public Service Commission has proposed it should be) to make the point of eligibility the normal retiring age, but to allow a minority of officers to continue in employment, then those who stayed on would tend to upset the calculations of their subordinates, with a bad effect on morale. If, however, the effect was to bring the normal retiring age to the point of compulsory retirement, with a minority of officers retiring earlier, then it would be the early retirements which would upset the calculations and these would not damage morale. In the latter case the transitional effects noted in the previous paragraph would last longer.

353. Flexibility would be a mixed blessing to the employing authority. It would permit the retention of efficient and experienced officers who wished to continue in service. It could therefore take advantage of variations in the rate at which individuals age. Sometimes such men are difficult to replace, but the argument has force even when this is not the case. The general pool of skill and experience upon which the Service can draw is obviously greater if efficient and

experienced officers can be retained. Indeed, the chief objection to present compulsory early retirement is that the country loses much skill and experience – qualities which are often wasted even when a superannuitant takes another job after retiring.

354. Flexibility has this disadvantage. A flexible policy is not as easy to administer as an automatic one. It is more difficult for the employing authority, as well as for the staff, to predict retirements and to plan consequential promotions. This problem is less serious if the employing authority reserves the right to retire any officer at any time after he reaches the point of eligibility. But then a further acute problem arises. The employing authority has to decide whether or not to retain a certain officer. Some of these decisions will be difficult to make, some will arouse resentment in an officer who is obliged to retire, some will upset the subordinates of an officer who is retained. By adopting an automatic policy, the employing authority avoids these tribulations. But it was suggested to us that those who administer retirement policies are paid to make hard decisions, and that the responsibility for making them should not be evaded.

355. The practice of other employers gives no clear guide. The British Civil Service, the United States Federal Service, and the Australian Commonwealth Public Service operate flexible retirement policies. We were unable to discover the proportion of private employers in New Zealand who do so, but among 319 of the larger corporations in the United States, 55 per cent are said to have flexible policies and 45 per cent automatic ones. Of 20 business firms recently surveyed in Britain six operated flexible schemes, seven had automatic ones, and six had fixed-age schemes to which they made frequent exceptions. At an important conference in the United States, convened jointly by the McGregor Foundation, the National Committee on Ageing, and the National Social Welfare Assembly, it was generally agreed that the employee should have the right to retire at a fixed age if he wished to do so. The majority favoured flexible policies for compulsory retirement to take account of the variations in the rate at which individuals age, and to make better use of the country's resources of labour. The minority supported an automatic policy, mainly on the grounds of administrative simplicity and of better relations between employer and employee.

356. From the preceding discussion we conclude that a flexible policy is preferable in principle to an automatic one, but only if it incorporates fixed points for eligibility and for compulsory retirement, and reserves to the employing authority the right to retire any officer (after giving him reasonable notice) at any time after he reaches the point of eligibility. The country's need to make the most effective use of the skill and experience of its State servants is the main factor in this conclusion.

*Age or Service?*

357. It has been explained that the normal point of eligibility for retirement under the Superannuation Act has till now been based on length of contributory service, and will (for officers who joined after 1 January 1946) be based on a combination of age and length of contributory service. Compulsory retirement policies have in turn generally followed the provisions of the Superannuation Act. We have also noted that the staff associations are strongly in favour of retaining length of service as a basis for retirement policy. In spite of this strong support, the Post Office Association's was the only argument based on a point of principle.

358. The Post Office Association argued that only by requiring a uniform length of service could that equality of opportunity for promotion appropriate to a career service be ensured. If officers were made to retire at a fixed age (say 60), one who joined the Service at the age of 20 would have 40 years in which to get to the top, while one who joined at 25 would have only 35 years. The association considered that this would unfairly deny to the latter officer an equal chance to make a career in the Service. We are not persuaded by this argument. In the first place it unduly stresses length of service as a constituent of merit for promotion. (We have deprecated this in par. 205 above.) Second, it fails to take account of what the hypothetical late recruit was doing between the ages of 20 and 25. If he was gaining qualifications or experience which would help his future career, then he would probably have the advantage of a higher salary at entry, and might have a better chance of promotion than would the officer who joined younger. If he was not, we see no reason for allowing him to recover at the end of his career the years he lost at its beginning. Above all, we consider that a sound retirement policy must be based on wider principles which take into account the efficiency of the Service and the best use, from the national point of view, of the skill and experience of its officers.

359. The other main argument in favour of basing retirement on length of service was founded not on principle but on expediency. It was contended that the "40-year rule" was traditional, that it was understood and accepted by the staff, and that any change would be unpopular. Whether, and to what extent, it would be unpopular must depend on the nature of the changes suggested. It must, moreover, be remembered that present legislation will lead to a change in 1986. Change would be justifiable if its advantages outweighed the disadvantage of possible consequent unpopularity (par. 374 below).

360. Other arguments against departing from the "40-year rule" were of little help in settling the relative virtues of age and length of service for fixing retirement points. It was contended for instance that to abandon the *status quo* would have the effect of raising the age

of executive and supervisory officers, so that they would become less efficient. Leaving aside the question whether there would be a loss of efficiency, the argument points rather in the direction of basing retirement on age than of maintaining the *status quo*. It was likewise contended that in some branches of the Railways Department and the Post Office, conditions of service were so arduous (involving much shift work and overtime) that an officer who had completed 40 years' service had earned the right to retire, and should do so. This may be so; but if an officer who joined at 15 is worn out at 55, then it is unrealistic to suppose that an officer who joins such a branch of the Service at the age of 25 is not worn out before he completes 40 years' service. Efficiency in the latter part of an employee's working life is related to his physical and mental condition, rather than to the number of years he has been working for a particular employer.

361. A fixed length of service before compulsory retirement has some bizarre results. For instance, an executive can be retired aged 58 and be succeeded by his deputy, aged 62, merely because they joined the Service at different ages. This does in fact happen. A combination of age and length of service may reduce, but will not eliminate, such anomalies. Under the present Public Service rules, the executive in the example already given would normally be allowed to continue in office until aged 60, even though he had completed 40 years' service at 58: but he might then be succeeded by a man of 62 who joined the Service late. This too happens in practice. Only a system based on age alone can prevent such anomalies.

362. In the United States Federal Service, eligibility for retirement is based on a combination of age and length of service, while retirement is normally obligatory at a fixed age. In the British Civil Service, the Public Service of the Commonwealth of Australia, and the civil services of those European countries which we have information about, both eligibility to retire and compulsory retirement points are normally fixed in terms of age. Nearly all the private employers in New Zealand whose superannuation and retirement schemes have come to our notice use age and not length of service as a basis of their schemes.

363. In defining the points both for eligibility and for compulsory retirement, the main consideration must be the probable efficiency of employees in the later years of their working life, as this is affected by their physical and mental condition. These factors are in turn more closely related to age than to length of service or to a combination of both. As we have already noted, efficiency will vary considerably among officers, and among different classes of employees. But these variations can best be dealt with by means of flexible retirement policies. We agree therefore with the conclusion of the Public Service Commission that retirement policies should be based on age and not

on length of service. We recognise, however, that the *size* of the retiring allowance should be based on the number of years of contributory service; our point is that *eligibility to receive* a retiring allowance, and liability to compulsory retirement, should normally depend on age alone.

### *Retirement – At What Age?*

364. It will be remembered that when the provisions of the 1945 Act (par. 341) become operative, officers will not become eligible to retire until the age of 60, even if they have completed 40 years' service earlier. It would seem appropriate therefore to make the age of 60 the point of eligibility, irrespective of length of service.

365. We have considered establishing an earlier age than 60 as the point of eligibility, but can see no reason for doing so. Not only is that the point towards which the system is working under the 1945 Act, but greater proportions of recruits now enter the State Services at ages approaching – and even exceeding – 20. Comparatively few would now join at 15, as many did half a century ago. Moreover, according to the Public Service Commission's submissions most officers can work efficiently until they are 60, and the cases of those who for various reasons have become incapable below that age can be met under the special retirement provisions of the Government Superannuation Act. It should also be noted that 60 is the age at which a retired officer may qualify for an age benefit under the social security scheme. It is possible that there may be some special occupational groups for which an age earlier than 60 might be appropriate, but in the absence of evidence it is not necessary for us to provide for such a situation.

366. At what age should employees be obliged to retire? At the present time an officer is normally required to retire at 65, if he has not completed 40 years' service before then. We do not favour setting a higher maximum age for permanent officers, though in exceptional cases it may be desirable to retain on the temporary staff officers over 65 whose continued service does not impede recruitment or promotions.

367. The age limits we propose – 60 for eligibility, 65 for compulsory retirement – are consistent with those used by other employers here and overseas. The British Civil Service and the Australian Commonwealth Public Service usually observe those limits. In the United States Federal Service the age limits are normally 60 and 70, while the larger private corporations in America tend to make 65 the point of eligibility. The private superannuation schemes in New Zealand

which have come to our notice divide fairly evenly between 60 and 65 as the point of eligibility. The average age at which men leave the labour force in New Zealand (for reasons other than death) is 64.

368. We think it likely that many officers could continue to serve efficiently even beyond the age of 65. However, we think it desirable (for the reasons set out in par. 337 above) to set a fixed age for compulsory retirement; and having regard to the past retirement policies in the State Services, and the present practices of other employers in this country, the age of 65 seems the most realistic figure. In other words, we do not propose any change in age limits for eligibility and compulsory retirement where these now apply. We do propose that retirement be based on those age limits instead of length of service. And within those limits, we favour a retirement policy which will assist those officers who are fully efficient and willing to do so, to continue in the Service until they reach the upper limit. We do not seek a policy, which, like the present one, compels many of them to retire at or near the lower limit.

369. We recognise that the policy which we favour in principle would need to be judiciously applied. The employing authority must have the right to compel the retirement of any officer once he has passed the point of eligibility, and must be prepared to make use of that right to maintain efficiency. Moreover, in some types of occupation, retirement much before the age of 65 may well be desirable as a normal practice. We have in mind for instance certain categories of Railways and Post Office employees who do a good deal of overtime and shift work; groups such as prison officers, for whom a retirement policy similar to that for the Police would probably be appropriate; and members of the Administrative Class, whose ability to sustain the pace and withstand the continuous strain of high-level administration, while preserving the capacity for creative and forceful leadership, may be impaired before they reach the upper age limit.

370. We come now to the problem of uniformity of retirement practices in the State Services. The differences of policy noted in paragraphs 343-346 were criticised by Sir William Dunk and by the Public Service Commission. We consider that common upper and lower limits (for obligatory retirement and for eligibility respectively) should be observed by the employing authorities, and in applying compulsory retirement policies within those limits, the employing authorities should treat like groups in a like way. It does not follow, however, that all occupational classes should be treated identically, since, as the previous paragraph suggests, there may be sound reasons for distinguishing between them in respect of retirement as well as of other conditions of service.

371. The retirement system which seems to us most logical, and most appropriate to New Zealand conditions, would closely resemble that of the British Civil Service. There, as we have already noted, the lower and upper age limits for retirement are 60 and 65 respectively. The following description of the retirement policy applied between those limits (as submitted to us in evidence) represents a convenient summary of our views:

Departments endeavour to employ all fit and willing officers of all grades for as long as is practicable and to achieve the highest possible degree of uniformity in the age of retirement in the direction of maximum retention. In determining what is practicable, the following considerations may be taken into account:

- (a) *Efficiency*: It is the normal practice of departments to review the efficiency of officers about to reach the age of 60, and thereafter regular reviews are made. Officers who no longer reach an acceptable level of efficiency are retired and it is generally understood that the higher the grade the more exacting the acceptable level of efficiency will be. Therefore, in general, the higher the grade the lower will be the age at which officers are likely to be retired.
- (b) *Contraction and Reorganisation*: Where a department is contracting or reorganising, some officers over 60, who would otherwise be retained, might be retired.
- (c) *Physical Fitness*: In certain grades special standards of physical fitness are required and officers who no longer reach these standards are not retained beyond the age of 60.
- (d) *Necessity of Promotion*: Some measure of compulsory retirement of officers aged from 60 to 65, who are fully efficient and willing to remain, may be unavoidable so that individual promotions from a lower to a higher grade may be made in accordance with the best interests of the Service. It may be that certain officers should receive advancement at an age when they are still capable of adapting themselves to higher duties or of undertaking foreign service.

#### CONCLUSION

372. We have examined the principles on which a logical retirement policy might be based, and made suggestions – the introduction of flexible retirement policies, based on age, and so applied as to encourage retention of efficient officers eligible to retire – which differ markedly from present practice. Our main concern has been to enable the country to make fuller use of the skill and experience of State servants who are at present compelled to retire too soon. We recognise, however, that against this advantage must be balanced the intrinsic difficulties of the scheme we propose. While few (if any) legislative changes would be needed to implement our proposals,



we are satisfied that they could not be introduced by the employing authorities without the full support of the Government. It is for the Government, therefore, to decide where the balance of advantage lies.

373. Two main difficulties would be involved. We have already made passing reference to them, but wish to single them out. The first is that a flexible retirement policy is less easily administered than an automatic policy. It can only be applied effectively if each employing authority, to whom the necessary discretion must be given, is capable and willing to make it work. That it can be made to work is clear from the experience of public services overseas. Furthermore, the Public Service Commission already operates a flexible policy, though within narrower limits than the ones we propose (par. 346 above) and in evidence it declared itself in favour of flexibility. The managements of the Post Office and the Railways Department preferred that an automatic policy should continue. It would be desirable, if it were possible, to secure agreement among all three employing authorities on the lines proposed in paragraph 370 above.

374. The second main difficulty is the attitude of the staff associations, supported by substantial sections of the staff of all three Services, who are wedded to the "40-year rule". To abandon that principle might well disturb employer-employee relations, in the short run at least, with consequent effects on morale and efficiency. We think that there might be a change of heart on the part of many State servants if (as may well happen) fewer jobs were available in private employment for retired officers. Even then there would be some real disadvantages from the employees' point of view in the flexible system which we favour (par. 350 above). Though it would not deprive any officer of his existing rights of retirement, it would, during the transitional period, slow down the rate of promotion. It should be noted here that promotion prospects in the Public Service are better now than they have ever been before so if a change is to be made, now will be the best time. Indeed, some witnesses argued that the critical shortage of experienced officers in the supervisory and lower managerial grades makes it essential that a greater number of senior officers be induced to stay on until the gap is filled. But this argument does not apply with equal force to the Railways Department, where promotion is slower. A longer and more gradual transition period might be necessary there.

375. If officers were encouraged to defer their retirement when labour is short, a contrary policy might possibly be pursued if it became more plentiful. Can it then be argued that flexibility in retirement policy necessarily works to the disadvantage of the retiring employee, on the grounds that the employer seeks to retain him when jobs are readily available elsewhere, but discharges him when they are

scarce? We think not, since the employee has corresponding advantages: he can seek to remain when jobs are scarce, but choose to retire when they are readily available. The decision of either party in favour of a longer term may be upset by the decision of the other party in favour of a shorter one.

376. The other real disadvantage to the employee is that after the transitional period some promotions would occur rather later in an officer's career than would otherwise have been the case (par. 350 above). This is true, but two qualifying comments must be made. First, the opportunities for promotion in large organisations like the State Services are such that, if there is a proper system of merit promotion, the intelligent young officer will have excellent chances of getting ahead. The second point is that the system of early retirement is not generally characteristic of private employment in this country (par. 367 above). Provided therefore that salary scales in public employment are kept in line with those in the private sector, the State servant would be as well off, age for age, as an employee in private enterprise. For these reasons we consider that the changes proposed would not result in a loss of staff.

#### *Application*

377. The policies we propose cannot become fully effective until 1986. Those officers who, until 1986, have the right to retire before the age of 60 should retain that right. They should however be encouraged, in line with our general policy, to continue their service beyond the point of eligibility, though the employing authorities should retain the right to compel any necessary retirement at any time after that point.

378. The other change which should become effective immediately applies to those officers who reach the age of 60 before completing 40 years of service, and who are therefore not usually allowed (except in the Railways Department) to retire under present legislation. If retirement policies are to be based on age, such officers should be allowed to retire (if they wish to do so) when they reach the age of 60, and to receive an annuity based on their years of contributory service; the employing authority should gain the equal right to oblige any such officer to retire once he has passed the age of 60, irrespective of his length of service. We think it would be proper to make such a change immediately, since the risk of obligatory retirement would be offset by the advantage of earlier eligibility. It would however be necessary to give any officer affected the right to "buy back" sufficient superannuation service (in no case exceeding five years) to ensure that by the age of 60 he may have as many years of contributory service as he would have had if he had retired under present rules.

379. In conclusion, it must be remembered that under present legislation changes in retirement policy are in any case to be made in 1986. It was mentioned in evidence that it would be necessary to graduate these changes to stop them from having too abrupt an effect. We do not feel that we should recommend how this should be done. We merely observe that the situation will pose no problems if the employing authorities adopt flexible retirement policies, as we have suggested.

## RECOMMENDATIONS

We recommend that:

- (92) Subject to approval by the Government (par. 372), each of the three State Service employing authorities adopt a retirement policy which:
  - (a) Is flexible, that is, distinguishes between the point at which officers become eligible to retire and the point at which they are generally obliged to retire (par. 349–356):
  - (b) Defines those points in terms of age, regardless of length of service (par. 357–363):
  - (c) Fixes those points at normally not less than 60 for eligibility nor more than 65 for compulsory retirement (par. 364–369):
  - (d) Recognises that different compulsory retirement points (between the limits of 60 and 65) may be appropriate to different occupational classes (par. 370):
  - (e) Sets common points of eligibility and compulsory retirement for similar occupational classes throughout the State Services (par. 370).
- (93) The right of those officers employed in Government service before 1946 to retire after 40 years' service but before the age of 60, be preserved but that they be encouraged if efficient to continue beyond this point (par. 377).
- (94) The present superannuation legislation be amended to give officers now serving who reach the age of eligibility before completing 40 years' service the right to retire, provided that the employing authority is given the power to retire such officers in accordance with Recommendation 95; and that every such officer is

given the right to "buy back" sufficient service for superannuation purposes (in no case exceeding five years) to ensure that by the age of 60 he may have as many years of contributory service as he would have at the point of eligibility for retirement under the existing law (par. 378).

- (95) Each State Service employing authority retain the power to retire any officer (giving him reasonable notice) at any time after he reaches the point of eligibility (par. 356, 369).
- (96) Each State Service employing authority so exercise its discretion, in administering the flexible policy proposed in Recommendation 92, as to assist those officers who are fully efficient and willing to do so to continue in the Service until they reach the age of compulsory retirement (par. 368), except in cases when departmental reorganisation or contraction, or the needs of the promotion system, justify earlier retirement (par. 369).

## SUPERANNUATION

### PRELIMINARY

380. Our terms of reference direct us to inquire into and report upon superannuation only as far as it affects the recruitment, retention, and retirement of staff. We stress this limitation; the omission of any aspect from our discussion merely means that it is not considered significant to recruitment, retention, or retirement.

### EFFECT ON RECRUITMENT, RETENTION, AND RETIREMENT

381. From the employer's point of view, a superannuation scheme aims to attract recruits to particular employment, to retain them in it, and to enable a retirement plan to work smoothly. A poor scheme could do none of these things; and though a good scheme is only one of the factors in recruiting and retaining staff, it is a most important factor in the smooth working of a retirement plan.

382. It is therefore pertinent to assess the general merits of the present Government superannuation scheme. It is clearly a good scheme. While more liberal than earlier counterparts, it is however

less effective than they in recruiting and retaining staff. The first State superannuation schemes were outstanding in their day for providing financial security in retirement. Now most large and many small private employers have adopted superannuation schemes which may be better in some respects than the State scheme. Moreover, the national social security system guarantees everyone an income in old age. Thus today, a superannuation scheme is only one of many aids to security. State employment has accordingly lost some of its special attractions.

### *Recruitment and Retention*

383. The Government superannuation scheme has little effect on present recruitment, the three employing authorities stated. The following figures showing the proportion of staff who contribute to the Government Superannuation Fund bear this out: Railways, 45 per cent; Post Office, male 61 per cent, female 15 per cent; Public Service, male 56 per cent, female 24 per cent. Almost half the present staff have not chosen to join the scheme. It is, moreover, probably true that an even smaller proportion of younger staff contribute because they have not been compelled to do so as were all officers up to 1946. It is apparent therefore that superannuation benefits did not attract them to State employment.

384. It is likely that many older officers keep on contributing because they have a stake in the scheme. Such a stake can indeed be a significant factor aiding retention once an employee has, say, 15 to 20 years' contributory service, when his stake in the Fund is such that he is reluctant to sacrifice it.

### *Retirement*

385. A superannuation scheme should enable a retirement plan to work smoothly, first by enabling the employee to provide against his retirement, and second by enabling the employer to enforce compulsory retirement without inflicting hardship. The Government scheme appears to meet these requirements because in general it enables the contributor to qualify for a retiring allowance ("annuity") at the time when he may be compulsorily retired. Some comments however must be made:

- (a) It is obvious that retirement policies in the State Services have been designed to fit superannuation provisions rather than the superannuation provisions having been designed to serve retirement policies.
- (b) The Government scheme does not affect the large proportion of employees who are not contributors.

- (c) The Government Superannuation Act (as amended in 1945) provides that those who became contributors after 31 December 1945 will not qualify for a superannuation allowance until they are 60, notwithstanding that they may have completed 40 years' service, and thus (in the Post Office and the Railways Department) have become liable to compulsory retirement. It seems certain that this amendment expressed (and prepared the way for) the Government-of-the-day's intention to change the retirement policy by requiring *future* State employees to serve until they reach 60. If the Government in office in 1986 is of the same mind it will presumably carry out that intention. Otherwise officers will be compelled to retire before they have qualified for an annuity.

#### THE PRESENT SUPERANNUATION SCHEME

386. We summarise the main provisions of the present Government superannuation scheme :

- Membership of the Fund is optional. Permanent officers have a right to join; temporary employees may do so under certain conditions.
- Members contribute at a basic rate of 5 per cent of salary, but entrants over 30 years of age contribute at higher rates (up to 10 per cent).
- Each year of contributory service entitles a member to an annuity equal to a sixtieth of his average salary over the last five years (subject to some reduction where the annuity so calculated exceeds £1,000).
- Contributors may retire on an annuity, in general: (a) at age 65 (60 in the Railways); or (b) on the completion of 40 years' contributory service if age 60; or (c) on the completion of 40 years' contributory service if this commenced before 1 January 1946; or (d) if medically unfit for further duty. (There are some special provisions for women, and for early retirement in certain cases.)
- On retirement, members may elect to surrender up to one-quarter of their annuity and receive a lump sum of nine times the amount surrendered.
- Widows of deceased superannuitants or contributors receive one-half of the annuity being paid, or earned up to date of death, plus 10s. a week for each child under 16 years of age.
- Contributors who leave the Service or withdraw from the Fund before becoming entitled to retire on an annuity receive a refund of their own contributions without interest.

## SUBMISSIONS ON CHANGES

387. Any marked improvements in superannuation benefits would make superannuation a more potent factor in recruiting and retaining staff; though by how much more, it is hard to determine. On the other hand improvements which might have the greatest effect on recruitment and retention might at the same time conflict with retirement policies.

388. We received many suggestions for increases in the benefits payable under the present Government scheme, and for other changes. We have examined these suggestions in the light of their likely effect on recruitment, retention, and retirement. We discuss only briefly those cases the likely effect of which would appear negligible. We discuss more fully cases where the effect would seem to be great; but there are other considerations to be taken into account even where the effects would be beneficial and equitable.

389. To assess the cost is the first of these considerations. We have not been given any calculations of the final cost of the changes proposed. We believe that a long and expert investigation would be needed in most cases.

390. Further, superannuation, to the extent that the fund is subsidised by the employer, can be regarded as essentially a reward for services rendered, deferred to encourage workers to join and stay with the organisation. We consider (Ch. 7/12-14) that fair relativity between State employees and others must take account not only of salaries, but also of other conditions of service. Superannuation can be a significant condition of service.

391. These considerations have led us to the attitude that although a particular proposal may clearly tend towards improved recruitment, retention, or retirement, the Government may prefer to gain the same result in some other, and possibly less costly, way. We have therefore not made firm and specific recommendations where it is apparent that considerations outside our terms of reference may be material to the Government's decision.

*"Buying-back" Pre-entry Service*

392. It was suggested that late entrants to the Service should be given the right to buy not more than five years' pre-entry service back to (but not beyond) the age of 20. This suggestion was designed to encourage professional, technical, and executive graduates to join the State Services after finishing their degrees. They would, if they bought pre-entry service, have the equivalent of 40 years' contributory service, at the age of 60, although their working service would have been less. It was suggested that other suitably experienced recruits would also be attracted.

393. This suggestion, if adopted, would presumably encourage recruitment, and would also help retention because those who "bought back" would so much sooner have a valuable stake in the Superannuation Fund. However, the opportunity to buy pre-entry service is already given to those who have spent their pre-entry time gaining some qualification, skill, or experience which is of substantial benefit to the State Services. The Superannuation Board determines what qualifications or types of experience are to be considered of substantial benefit and no doubt takes into account the changing needs of the Services.

394. The suggestion would therefore apply only to those possible entrants who do not come within the Superannuation Board's policy – that is, those who do not bring with them skill or experience of substantial benefit to the Services. If it is proposed that such people be permitted to buy pre-entry time on advantageous terms (for example, by paying only their own contribution but not the equivalent of the State subsidy) it may be doubted whether improved recruitment and retention would justify the State paying the subsidy. If it is proposed that the late entrants should pay the full cost (including the Government contribution) in respect of their pre-entry years, then there would be little incentive to recruitment.

395. However the effect of the concession on retirement must also be considered. It would enable those who joined between 20 and 25, to have 40 years' contributory service at 60 and so be eligible (under present practice) to retire then. If our recommendations on retirement are adopted, all officers will in any case be eligible to retire at 60, and will be liable to compulsory retirement from that age, irrespective of the length of actual or contributory service. We have said that superannuation should be designed to fit retirement policy, which implies that there should be no avoidable hardship on officers forced to retire or who become eligible to retire at 60.

396. Entrants of 25 years of age who had bought back the maximum of five years' pre-entry service could retire or could accommodate themselves to compulsory retirement when they reached 60 years of age. Those who joined after 25 would not be quite so well off, but would at least have five years' more contributory service, and thus a larger annuity, than they would otherwise have had.

397. We therefore conclude that if, as we recommend, the age of 60 is adopted as the point of eligibility for retirement, and also of liability for compulsory retirement, then superannuation policy should be altered to allow late entrants to buy back up to five years' pre-entry service but no further back than age 20.

398. We have no recommendations to make on the important corollaries: whether pre-entry service of no "substantial benefit" to the Services should be bought back cheaply, or whether, for an



entrant over 30, buying back pre-entry service should lead to a reduced rate of contribution. We leave such matters to the consideration of the Government and the Superannuation Board. However, we have already recommended that officers now serving who will reach the age of 60 before completing 40 years' service be given the right to retire (and become liable to be retired) from that age, and that they be given the right to buy back up to five years of service. The case for giving them favourable terms of purchase seem strong, and it may also be so for occupational classes in which the point of compulsory retirement is fixed at an age less than 65 (par. 369). We consider that the Superannuation Board should be given power to fix such special terms, if it does not already have that power.

### *The Lower-paid Employee*

399. We were told that the Government superannuation scheme is not attractive to those lower-paid employees who usually remain on the same salary for most of their working lives. Many of them will not contribute to the scheme and reduce their take-home pay when they are already obliged to contribute to social security. They know that a superannuation annuity may disqualify them partly or wholly for an age benefit between 60 and 65.

400. Our attention was drawn to one of the recommendations of a committee set up in 1953 under the chairmanship of Mr Justice Archer to examine, consider, and report on the claims of Government superannuitants. This recommendation reads:

That in recognition of the fact that pensions and purchased annuities contain a capital element provided by the recipient the sum of £65 out of the annual income receivable by any person by way of pension or purchased annuity (or the full amount in the event of the amount receivable being less than £65) be disregarded in the computation of benefits under the Social Security Act 1938.

401. The Combined State Service Organisations reaffirmed their support for this recommendation (with the sum of £65 adjusted to a present equivalent) and suggested that it was one way by which lower-paid employees might be induced to join the Government Superannuation Fund and remain in the Services.

402. There is doubtless merit in this proposal. However it is more limited than when the Archer Committee made its recommendation because now the full age benefit is paid in the form of universal superannuation at 65 to everybody irrespective of other income. We think that the proposal would have little effect on recruitment, retention, or retirement and therefore we have no recommendation to make on it.

403. There was also a proposal for employees to be entitled to elect to pay a small contribution (say 30 per cent of standard contribution) and receive an annuity not exceeding the maximum in-

come which can be received without reducing social security age benefit. We know of no reason why such an alternative scheme should not be provided, if it is agreed that it would be attractive to lower-paid employees. We stress, however, that the material period is only the five years between 60 and 65, and may be less, as many lower-paid employees retire when they are over 60. The proposal is worth the Government's consideration if the staff associations are confident that it has the support of sufficient of their members.

404. *Overtime and Penal Rates:* Members of the Government superannuation scheme can now contribute only on the wage or salary received excluding overtime or penal rates of pay. Therefore the annuities of those earning considerable overtime or penal time are appreciably less in proportion to normal take-home pay than the annuities of those who earn no overtime or penal time. Some occupations include overtime or penal time as almost a usual constituent of total pay. For example, locomotive enginedrivers presumably have little or no choice when they will work. They must keep the trains running night and day throughout the year and are paid overtime and penal time for doing so. Those who retire from such occupations suffer a reduction in pay on retirement much greater than those who retire from "normal" wages or salary. The retirement plan is not well served when there is such potential cause for hardship.

405. There are obvious pitfalls in allowing contributions to be paid on overtime. The contributor would lose his contributions if he did not work overtime in the last five years of service. Conversely some officers might obtain inflated annuities by working inordinate amounts of overtime in the last five years of service. To allow overtime earnings to qualify for superannuation would seem to present inescapable and inequitable anomalies. The difficulties over penal time, while similar in nature, would seem to be surmountable in special cases, for example where penal time (as distinct from overtime) is virtually inseparable from the job. This could be done, for example:

- (a) By keeping a separate account of contributions on penal time, by calculating this annually as a proportion of ordinary contributions, and at the end of service by spreading these extra contributions over the contributor's whole service. (Example: An officer with 40 years' service retires on a qualifying salary of £900. Normal annuity is £600. For 20 years he contributed on penal rates which amounted on an average to one-quarter of ordinary salary. A quarter multiplied by 20 is spread over 40 years' service and amounts to an eighth of his salary each year. The annuity is therefore increased by an eighth, from £600 to £675.) ; or

- (b) By fixing salaries which take account of conditions (such as night and weekend work) which are virtually inseparable from the work of the particular occupational class. Contributions would then be paid and annuities calculated on the basis of such salaries. (This is the system applying to the Police and the Armed Forces.)

406. This matter is worth the Government's consideration if it is supported by the employee organisations, if some such basis can be agreed on and equitably applied, and if the factors mentioned in paragraphs 389–390 are taken into account.

407. Some minor suggestions were made, including increased payments for dependent children of a contributor who dies. These, even if approved, would have only a marginal effect on recruitment, retention, or retirement.

408. Though we have no firm recommendations to make on any of the specific matters concerning superannuation and the lower-paid employees, the following comments are pertinent. First, the Government superannuation scheme's value to lower-paid employees should not be seen solely in relation to the social security age benefit payable between the ages of 60 and 65. The cover for a dependent wife and children if the contributor dies early or is retired early on medical grounds, and the provision for capitalisation are important elements of the scheme. These sometimes appear to be ignored in assessing its value for lower-paid employees.

409. Second, we have stressed that a superannuation scheme aims to help recruit and retain staff, and to enable orderly retirement. If indeed the present scheme is not attractive to lower-paid employees, it does not serve its purpose in respect of the greatest number of State servants. If the unattractiveness is due to prejudice or ignorance, the remedy is to make sure that all employees know what they ought to know about the scheme. If, however, it can be shown that the scheme is intrinsically unattractive to lower-paid employees, there seems to be no reason why the employing authorities and employee organisations cannot cooperatively work out improvements to recommend to the Government.

#### *Removal of Limits on Annuities*

410. A State servant's annuity includes an employer's subsidy calculated according to a formula. There is a lower limit to its amount, and at higher levels the rate of subsidy decreases (Appendix 11). The lower limit of the subsidy was fixed at a time when salaries were much less than they are at present. However, no one suggested raising the amount of the minimum subsidy. The point at which the rate of subsidy begins to decrease was fixed in 1955 in relation to a salary of £1,500 a year and 40 years' service. Because salaries have generally increased since then, the limit now bears more harshly on (and on

many more) retiring contributors than it did when it was fixed. It has this effect: only those officers whose average salary for the five years before retirement was not more than £1,500 can obtain the normal annuity of two-thirds salary after 40 years' contributory service. Officers whose salaries are higher than this (or in marginal cases whose salaries are lower, but whose service is longer) suffer a reduction in the employer's subsidy in spite of the fact that they have contributed on the full salary.

411. The Public Service Commission recommended that both the lower and upper limitations should be removed, except that in no case should the subsidy exceed one-third of the qualifying salary. This proposal would, in effect, still allow contributory service beyond 40 years to increase the earned portion of the annuity, but would allow no increase in the subsidy portion of the annuity. The proposed new limit would also apply to salaries well below the present £1,500.

412. Treasury, supported by the Civil Service Institute, advocated the complete removal of the present upper limitation, maintaining that it discriminated against those on the higher salaries. It was said that the incidence of taxation tends to level out higher salaries but is general in its application, whereas such a restriction applies narrowly and unfairly to a particular group of State servants.

413. Some examples may clarify the points of difference in effect between the present practice and the two proposals:

Table 13

Qualifying Salary	Annuities		
	Present	P.S.C.	Treasury
(a) After 40 years' contributory service			
£	£	£	£
900 .. ..	600	600	600
1,200 .. ..	800	800	800
1,500 .. ..	1,000	1,000	1,000
1,800 .. ..	1,150	1,200	1,200
2,100 .. ..	1,300	1,400	1,400
2,400 .. ..	1,450	1,600	1,600
(b) After 45 years' contributory service			
£	£	£	£
900 .. ..	675	638	675
1,200 .. ..	900	850	900
1,350 .. ..	1,009	956	1,013
1,500 .. ..	1,094	1,063	1,125
1,800 .. ..	1,263	1,275	1,350
2,100 .. ..	1,431	1,487	1,575
2,400 .. ..	1,600	1,700	1,800

414. We do not expect that the adoption of either proposal would have any significant effect on recruitment. But many valuable officers attain a salary of £1,500 comparatively early in their careers before they have a large stake in the scheme. They are not encouraged to remain in the Services by having their subsequent promotions reduced in superannuation value – as is now the case. The balance of attraction to other employment could be easily swayed by an apparent inequity, the final effect of which may be exaggerated far beyond its mere money value.

415. Any reduction of annuity to less than the generally accepted proportion of qualifying salary (two-thirds after 40 years) must accentuate the normal reduction of income on retirement and thus increase the possibility of hardship. Both of the proposals made to us would remove this disadvantage. However, the Public Service Commission's proposal reduces the additional annuity gained by staying in the Service beyond the point of eligibility to retire. This conflicts with the retirement policy which we recommend. We do not support it. It must be noted that the proposal also conflicts with the 1945 provision which will in due course prevent officers from retiring on superannuation until they are 60. It would be inequitable to deny them full superannuation rights for the extra years which they are compelled to serve.

416. The Treasury proposal on the other hand could have significant value for retention, and conforms to our recommendations on retirement. We think it has considerable merit and recommend it for consideration by the Government, recognising that its cost will need to be investigated.

417. Some factors incline us to believe that its cost would not be great. Although the superannuation annuity is increased, in some cases it will be drawn for a shorter period, and the officer will contribute for a longer period. (Example: The annuity of an officer who retired on a salary of £2,400 after 45 years' service would be £350 greater than if he retired under the present provisions after 40 years. But the annuity would not be paid until five years later – a saving of £7,250; meanwhile the officer would have contributed a further £600 at least. He would have to live for another 20 years for there to be any additional cost.) There will naturally be other cases where the officer's retirement is not postponed and yet he would draw a higher annuity under this proposal (for example, £150 per annum more on a salary of £2,400 after 40 years). But the amount will be significant only for high salaries, and therefore will affect comparatively few officers.

#### *Sustaining the Value of Annuities*

418. If the amount of an annuity remains fixed in a period of inflation it obviously declines in value. A number of witnesses favoured

periodic adjustments in superannuation annuities, supporting their case by an impressive list of precedents from Great Britain, the United States of America, Australia, and other countries.

419. Some such adjustments have in fact been made in New Zealand, but only on a small scale. It is unlikely that the extension of such a policy with a view to maintaining the purchasing power of annuities would have a significant effect on recruitment, though the general realisation that Government superannuation would maintain its value in spite of inflation would presumably be an indirect attraction. There could be a greater effect on retention directly through the increased incentive, and indirectly through a greater confidence in the State as an employer. The effect on retirement might not be significant, but could be adverse to continued service.

420. The fact that in other countries Governments have accepted this responsibility for retired employees argues either that they accept a responsibility in equity, or that they consider that they, as employers, will benefit from the good effects on their employees or from the higher general reputation of their Services.

421. However, it is obvious than any policy of adjusting retirement incomes of State servants to match inflation must have vastly wider implications affecting, for example, returns on Government stock and superannuation benefits of other classes in the community. It must also take account of such compensating factors as universal superannuation. In the light of these wider implications, we consider that we should be stepping outside the range of our inquiry if we were to recommend a policy which rewarded former State servants on a basis fundamentally different from that adopted generally throughout the country. Moreover its cost has not been estimated, let alone calculated, by those who propounded it. All that we can properly do is to draw the attention of the Government to the difficulties under which State superannuitants suffer during prolonged inflation, and leave it to the Government to decide whether it can justifiably take steps to ameliorate those difficulties.

#### *Transfers to the National Provident Fund*

422. We were told that the ease with which an officer of the State Services can transfer his superannuation rights from the Superannuation Fund to the National Provident Fund is a factor which hinders retention. For example, we understand from evidence that Audit officers are frequently lost to local bodies which operate retirement allowances through the National Provident Fund. The Controller and Auditor-General is satisfied that these losses would be materially reduced if transfer between the two Funds was not permitted.

423. Section 38 of the National Provident Fund Act 1950 enables members of the Government Superannuation Fund to be taken into the National Provident Fund on certain conditions. Acceptance into the National Provident Fund is entirely at the discretion of the National Provident Fund Board. Section 25 of the Superannuation Act 1956 makes the practice reciprocal. The Minister of Finance is the Chairman, and the Secretary to the Treasury is a member, of the Boards of both Funds. One Treasury officer is the Superintendent of both Funds.

424. These provisions enable officers in departments or sections of departments which are formed into corporations or other organisations (such as producer boards) to transfer to the National Provident Fund without any loss of superannuation rights. They also make it easier for the State Services to recruit officers from local bodies (for example, fire officers to the Fire Services Council of Internal Affairs, nurses from hospitals to the Health Department). The provisions may be needed for these purposes in the future.

425. If officers could not carry their superannuation with them on joining local authorities, they might choose to remain in the State Services. But the same rule applied to nurses would presumably hinder their recruitment to the Health Department. On balance, we consider that the repeal of the provisions governing transfer between the Funds is not desirable. It appears to us that the better course is to ensure that State Servants are paid in fair relativity with outside employment, and our recommendations elsewhere are designed to do this. Another course would be for the Government to take some control over local body salaries, but that is an issue beyond our terms of reference as explained in Chapter 7 paragraph 59.

### *Compulsory Membership*

426. From 1908 until 1946 permanent staff were compelled to join the superannuation schemes. Optional membership was allowed with the setting up of the one Fund in 1946.

427. The employee associations (with two exceptions) advocated compulsory membership for all staff up to the age of 25. It was contended that juniors have little real appreciation of the benefits of membership, and often fail to join the Fund, finding later when they wish to join that they cannot afford to buy back their years of non-contributory service. It was argued that by the time an employee is 25 his stake in the Fund and his need for security would encourage him to remain in the Fund and in the Service.

428. There is no doubt that it would help to retain staff if future entrants to the State Services under the age of 25 were compelled to contribute to the Fund. We have considered whether this might adversely affect recruitment among those in lower-paid occupations

who, regarding membership of the scheme as of doubtful value, might be disinclined to take up State employment. Women, too, have in general shown a marked reluctance to join the scheme. If the compulsory provisions discouraged them from entering the Services, the State would lose a valuable source of staff. However, both these groups might well regard the proposed provision as an avenue of compulsory saving until they reach the age of 25, so that its adverse effect on recruitment might be small, and would in our opinion be outweighed by its advantages.

429. Also it follows from what we have said earlier that if this proposal has the effect (as we think it would) of increasing the proportion of employees who are contributors to the Fund, the scheme will be a more effective aid to retirement policies.

430. For all of these reasons we recommend the proposal for consideration by the Government.

#### EFFECT OF CHANGES IN RETIREMENT POLICY

431. The present retirement policies are flexible only to a minor degree. To achieve greater flexibility we have recommended that in all three Services an officer may retire or may be compulsorily retired at age 60 (irrespective of service), and that if (and while) both he and the employing authority are willing, he may in many occupational groups continue until age 65.

432. Assuming that an employing authority wishes to retain a significant proportion of officers for some time after they reach age 60, the question is whether the superannuation provisions will, or will not, help to induce these officers to continue to serve. In paragraphs 411-417 we discuss proposals made to us in respect of the present limitations on annuities, and recommend amendments which would remove a positive hindrance to retention. But this may not be enough.

433. It is to be expected that those whom the employing authorities will wish to retain will be efficient and valuable officers. They will in general be eligible to retire with an annuity approximating two-thirds of their salary. Most of them could, under present conditions, easily find other paid work which would raise their total income considerably above their present salary. This may be a strong inducement to retire.

434. Various suggestions were made to offset this incentive to retire by incentives to remain in the Services - such as (a) an annual salary bonus to compensate for additional income lost; (b) a considerably increased annuity to compensate for income lost during the extra years spent in the Services; (c) the payment of an annuity as well as salary for the Service years between eligibility to retire and compulsory retirement. To calculate either (a) or (b) one would need to know, or be able to estimate, how much each officer could earn



outside the Services. This is not only impracticable, but is an unsound basis on which to determine either pay or superannuation. If (c) were adopted the State would be paying only the annuity for which the officer is eligible, and the salary which he is earning in his position. However we find it difficult to accept a formula which abandons the concept that superannuation is due to a man only in his retirement. We can imagine that many unforeseen complications are likely to follow an attempt to give a contributor a right to an annuity before he has retired. Conversely, we are not attracted to the notion that an officer could retire on superannuation and be retained on a temporary basis in a permanent position.

435. The removal of the upper limitation of subsidy on annuities (par. 416) may not of itself sufficiently induce an officer to remain beyond the date when he is eligible to retire. But when this is added to other powerful considerations, we believe that many who are asked to remain will do so. For those who will be asked to remain will most likely be efficient officers in responsible positions, interested in their work and enthusiastic about it. They will be receiving salaries as high as they have ever earned before. Their extra years of service will probably raise their "qualifying salary" as well as count in full towards their annuity.

436. If events prove us wrong in this, some other inducement may have to be found. But for the time being we favour no changes in the superannuation scheme other than those already recommended in this and the previous section on retirement.

## RECOMMENDATIONS

We recommend that:

(97) If our recommendations concerning retirement policy are adopted, the Government Superannuation Act be amended as proposed in Recommendation 94, and also:

(a) To give to all contributors who join the State Services after the age of 20 the right to buy no more than five years' pre-entry service back to the age of 20 (par. 392-397):

(b) To give the Superannuation Board the power (if it does not already have it) to fix favourable terms for the purchase of pre-entry service particularly in respect of officers now serving who as a result of changed retirement policies may be obliged to retire before completing 40 years' service, and of those in occupational classes for which the upper limit of compulsory retirement is fixed at an age less than 65 (par. 398).

(98) The following matters, having considerable merit for the recruitment, retention, or retirement of staff, but needing further investigation into cost or into other effects which do not come within our terms of reference, be so investigated :

(a) The introduction of compulsory membership of the Fund for future entrants to the permanent staffs of the Services who are under 25 years of age, such compulsion to subsist until they reach the age of 25 (par. 426-430) :

(b) The repeal of the second proviso to section 35 (1) (b) of the Superannuation Act 1956 to remove the upper limitation on the "subsidy" portion of annuities (par. 416).

(99) The following matters, appearing to have some merit, but requiring further investigation, be considered by the Government for such investigation :

(a) The adoption of some formula or procedure enabling members of particular occupational groups to contribute in respect of penal-time earnings where penal time is virtually inseparable from the work of their occupational groups, provided that the proposition is supported by the employee organisations and a basis can be agreed on and equitably applied (par. 404-406) :

(b) The adoption of a scheme whereby employees may elect to pay (say) 30 per cent of the standard contribution and receive on retirement an annuity not exceeding the maximum income which can be received without reducing social security age benefit, provided that the staff associations are confident that the proposal would have the support of sufficient of their members (par. 403).

(100) The apparent failure of the superannuation scheme to attract lower-paid employees be further investigated, and that :

(a) To the extent that this is found to be due to prejudice or to ignorance, steps be taken to ensure that employees are more fully informed about the scheme (par. 399, 409) :

(b) To the extent that the scheme is found to be inherently unattractive to lower-paid employees, employing authorities and employee organisations be invited to cooperate in devising improvements and recommending them to the Government (par. 399-403).

## PHYSICAL WORKING CONDITIONS

## PRELIMINARY

437. It was beyond our resources to inquire into the working conditions of all the State employees scattered throughout New Zealand and working, for instance, on construction projects, in hospitals, laboratories, institutions, stores, workshops, telephone exchanges, and railway buildings. We have been obliged to restrict our attention in the main to office accommodation. But our general observations on the value of good working conditions apply equally to other areas of State work.

438. We supplemented the evidence we heard by inspecting a number of departmental buildings in Wellington, Auckland, and Christchurch, in each case selecting what we were told was a fair sample of good and poor accommodation. The accommodation we saw ranged from excellent to deplorable. These visits were well worth while for we could thereby see for ourselves something of the conditions under which State servants work, and make comparisons with other employment.

439. During our inspections and our consideration of physical working conditions we directed our attention to three matters of central importance—is the accommodation adequate? to what standard is it maintained? and how is it used by the department concerned?

440. We conclude that, for the most part, State departments are given reasonably good physical working conditions. We are informed that some of the worst premises will be vacated when buildings now under construction are completed. Nevertheless we are left with the impression that the planning of new premises to meet increased State activity, and to replace poor present accommodation, is neither comprehensive nor forceful enough. Moreover, we are dismayed by the apparent indifference of some controlling officers to the maintenance, appearance, and general housekeeping of their premises, and by their inability to make the best of the accommodation they have.

441. We believe that these faults arise from the division (and confusion) of responsibility for providing office accommodation and for maintaining and caring for it. This statement must be qualified for those departments which provide their own accommodation—the Post Office, the Railways Department, and some trading departments in the Public Service. Elsewhere, the responsibility is divided among five authorities—the Government Office Accommodation Board, the Treasury, Ministry of Works, Internal Affairs Department, and the occupying department.

442. The Accommodation Board consists of the Chairman and another member of the Public Service Commission and one representative from each of Treasury and the Ministry of Works. It is serviced by a small secretariat in the office of the Public Service Commission. It allocates office space among Public Service departments, sets standards for the use of that space, and has assumed some responsibility for obtaining office space. It is not generally responsible for other than office accommodation, nor for maintenance or house-keeping, nor for the office accommodation needed by some trading departments, the Post Office, and the Railways Department.

443. Both Treasury and the Ministry of Works, though members of the Accommodation Board, have other responsibilities in this matter. Treasury's financial role requires it to advise on the priority to be given the construction and maintenance of State buildings. In doing that, it does not act as a member of the Board. The Ministry of Works has five areas of responsibility related to physical working conditions. With Treasury, it prepares the Works Programme, which covers office accommodation. As a servicing department it prepares estimates, inspects plans, and provides the necessary architectural and engineering services for design, construction, and alterations. It is directly responsible for most of the maintenance of office accommodation and it provides legal and accounting services. It sets standards for such matters as heating, lighting, ventilation, fire protection, and structural safety.

444. Internal Affairs Department cleans Government offices and employs any necessary custodians and lift attendants. The Permanent Head of the occupying department, and his controlling officers, are responsible for using their accommodation as efficiently as possible, and for seeing that it is properly maintained and kept clean and tidy.

445. Thus different bodies each have different responsibilities but these are not precisely defined, nor is there any agency to coordinate them and see that they are consistent. Not unnaturally, there is confusion and an absence of resolute action in the matter of Government office accommodation.

#### PROVISION OF NEW PREMISES

##### *Need for Planning*

446. Good accommodation and amenities should not be regarded simply as a matter of improving working conditions for the staff as if this were a staff benefit. Few employers can have any doubt, nowadays, that satisfactory amenities are essential to the morale and efficiency of staff, and affect recruitment and retention. Good working conditions for State employees need no further justification.

447. But it is also important that accommodation be suited to the efficient organisation of the department's work. Related sections should not be widely dispersed, nor should congestion and poor design prevent the best use of office space. Yet the Education Department is still housed in 17 buildings in Wellington, despite some recent consolidation from 26 buildings. Some of these are houses converted to office use; none was designed specifically for the work of the department. Coordination and supervision become increasingly difficult in such conditions. The best arrangement of staff and work is almost impossible, and there are extra costs for messengers and servicing. This is only one example of many: the total extra costs in money and loss of efficiency must be considerable.

448. Departmental offices should be sited conveniently for the public, taking into account the sections of the public they serve. We see no need for all departmental buildings to occupy expensive space in the centre of a city. However, related departments should, if possible, be placed reasonably close together, for the benefit of people who may be directed from one to another.

449. Accommodation suited to a department's work, satisfactory for its staff, and convenient for its public, cannot readily be provided at short notice. In particular, to acquire land and to erect buildings takes time. Nor can all needs be satisfied at once; an order of priority must be devised. For these reasons it is essential to plan ahead. We were therefore surprised to find that there has never been a comprehensive survey of the needs of all departments in all centres, although limited surveys have been made from time to time. In the absence of such a comprehensive survey we cannot judge whether such plans as have been made are sufficient for the needs of the next five or 10 years. We doubt whether they are. No firm decision has yet been made, for example, to provide a building for the National Library Service, which is at present deplorably housed.

#### *Delays in Construction*

450. Moreover, construction has seldom kept pace with planning. For the four years to March 1962, the amount included in appropriations by Parliament for office accommodation for departments under the Accommodation Board has averaged £571,000 a year. But we were told that the amount actually spent was substantially less (the precise figure is not known) because of delays in starting and completing projects. For the present year an expenditure of £557,000 is intended—£254,000 for buildings already under construction, £210,000 for works in an advanced stage of design (but still subject to Government approval to call tenders), and £93,000 for works under investigation which may be begun this year. This programme

includes 22 separate projects in 15 cities or provincial centres. A further 12 projects are being investigated, but some of these may not be begun even next year. These figures do not include office accommodation needed by the Post Office, the Railways Department, and some other departments (Police, for example). Nor do they show what office accommodation will be needed, or built, by trading departments (for example, the insurance offices). The programme includes not only new premises, but also projects for altering or improving present premises.

451. In the last five years for which complete figures are available, the overall expenditure on public buildings, including those for the Accommodation Board, has always fallen short of the approved programme (often by large amounts) as the following table taken from vote, "Public Buildings" shows:

Table 14

Year	Appropriation	Expenditure	Under- expenditure
	£(000)	£(000)	£(000)
1956-57 .. ..	3,000	2,822	178
1957-58 .. ..	3,740	3,116	624
1958-59 .. ..	3,610	2,969	641
1959-60 .. ..	4,545	2,987	1,558*
1960-61 .. ..	4,050	3,830	220
	18,945	15,724	3,221

\*This underexpenditure is attributable in part to construction delays on New Zealand House, London.

Reasons given for the underexpenditure include delays in completing plans and specifications, delays in negotiating contracts, and delays in construction, often through lack of material and labour.

#### *What Needs to be Done*

452. We recognise the difficulties which all Governments face in allocating available finance among the many competing interests. We are not in a position to say that past Governments could (or should) have spent more on the accommodation of the State Services, but we can justifiably deprecate the lack of any long-term programme founded on a comprehensive survey of present and future needs and taking into account the financial and other resources likely to be available. It was claimed that the difficulties of the Accommodation Board have largely stemmed from its lack of long-term finance for building and its dependence on annual allocations. We have discussed

the value of capital programming elsewhere in this report (Ch. 3/125-139), but no Government can be expected to adopt a capital programme unless a long-term plan, based on a comprehensive survey, has demonstrated the need for it.

453. A much more forceful approach is needed to achieve a comprehensive programme. First, one authority only should be made responsible for assessing building needs, planning the building programme, and for allocating office space (par. 461 below). What is required is a national forecast of departmental needs for the next 10 years which, when compiled, should be continually amended as the needs change.

454. This continuing survey should at any time provide a reasonably accurate estimate of the requirements up to five years ahead. Any estimate can then be assessed against existing and projected new accommodation, taking into account any buildings to be erected by trading departments. If the assessment reveals a prospective shortage of office space, the Government will be better able to decide whether more should be built, bought, or leased.

455. A shortage of State accommodation is no new thing, as this extract from the *Evening Post* of 4 February 1867 illustrates:

Some time ago complaints were made of the poor accommodation of the Government Buildings, and of the inconvenience arising from want of room for the increasing staff of clerks, and at last some attempts are being made to increase the convenience of the officials. Both the Upper and Lower Chambers, the Speaker's rooms, Bellamy's, and even the kitchen being filled with officers belonging to different departments, the Government have made arrangements with Mr Johns to run up a temporary suite of offices in Molesworth Street, which they agree to occupy for a year, and the work of erection has been commenced by the contractor, who hopes to have it ready for occupation in a few weeks.

456. The question of overcoming present shortages will turn, no doubt, not only on the resolution with which the subject is tackled, but on the availability of finance and resources of manpower and materials. But certainly there will be no solution unless there is a plan.

#### MAINTAINING AND SERVICING DEPARTMENTAL PREMISES

457. For those departments covered by the Accommodation Board, the responsibility for the maintenance and general house-keeping of buildings owned or leased by the Crown is shared between the occupying department, the Ministry of Works (for repairs and maintenance), and the Internal Affairs Department (for cleaning and custodial services). Repairs costing less than £10 may be placed with outside firms if the Ministry of Works cannot undertake them immediately, otherwise departments must depend entirely on the

Ministry of Works and the Internal Affairs Department. The Accommodation Board has no responsibility in these matters, and no staff to inspect premises. In buildings occupied by several departments the responsibility is even more diffuse.

458. This position is again unsatisfactory. It is made worse by too many controlling officers accepting a poor standard of housekeeping – ill-kept furniture and fittings, unsightly notices, and untidy public spaces. Some offices have a down-at-heel look caused more by lack of attention than by any defects in the premises. We believe that the status of the Service suffers in the eyes of the public, when it sees the effects of poor departmental housekeeping.

459. Some years ago Lord Reith expressed stronger sentiments about British conditions:

Pride, enthusiasm, eager efficiency, cheerfulness, consideration, good manners. There indeed was a supreme tribute to the staff which would please any chief executive who believes, as I do, that one can tell something – a good deal – about the qualities of the man in charge from what one sees and meets at the front door and in the entrance hall. The entrance hall of Broadcasting House – the visible shop front – was, in its furnishings, its order, the demeanour and attire of its attendants, an earnest of the qualities which so impressed Bryant within. And they were in striking contrast to what obtains elsewhere – in many, if not most, government offices. Often, it seems, a positive cult of sluttish, slovenly disorder; at any rate, a seemingly deliberate absence of anything which might give air and tone to the establishment; impress the visitor; encourage self-respect and pride among the inhabitants. . . .\*

460. Neither the Ministry of Works nor the Department of Internal Affairs seem able to give an entirely satisfactory service, possibly because of present difficulties in recruiting and retaining good staff for this work. We believe, however, that better control and supervision should remedy the apparent lack of drive and purpose in giving these services. It is clear that the authority and responsibility for setting and enforcing good standards of maintenance and housekeeping must be more clearly defined. We deal with this later.

#### DEFINITION OF RESPONSIBILITY

461. We have shown that the adequacy of accommodation for its purpose, the standard to which it is maintained, and the way it is used by departments occupying it, have an important bearing on efficiency. In Chapter 3 we propose placing general responsibility for the efficiency of the State Services in the State Services Commission, as agent of the Government. The State Services Commission should

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\**Into the Wind*: Hodder and Stoughton: London: 1949: p. 250



therefore have a responsibility for physical working conditions, and this responsibility needs to be defined in relation to the responsibilities which other Government organisations have in this area.

462. The Commission should have responsibility (limited by the exceptions in par. 465–467 below) for procuring office accommodation, for allocating it to departments, and for supervising its efficient use, its maintenance, and its general housekeeping. To do this it should among other things:

- (a) Survey accommodation needs (par. 453–454) and prepare a programme to show the Government what needs to be built, bought or leased:
- (b) Use the Ministry of Works for design, construction, and alteration of Government offices, and where its services are not readily available obtain outside consultants and contractors:
- (c) Approve plans, design, and subdivision of new or altered office accommodation:
- (d) Allocate office space among departments:
- (e) Set standards for physical working conditions in offices, and enforce those standards by inspection, using its own staff or that of other departments – for example, Labour Department which has experience of inspection under the Shops and Offices Act.

463. The position of the Accommodation Board will be substantially changed if its responsibilities are thus absorbed by the State Services Commission. The Board should, however, remain as a body advisory to the State Services Commission and we recommend its reconstitution in that form, with some flexibility to allow the co-opting of additional representatives from the departments and the staff association.

464. It is consistent with our view that the Ministry of Works and the Internal Affairs Department should continue to perform their present duties (par. 443–444), but as servicing agents of the State Services Commission.

465. Departments must continue to be responsible for surveying their own needs, and for keeping their premises up to standards set by the State Services Commission. This responsibility cannot be stressed too strongly. While standards must be enforced by the State Services Commission, no Permanent Head should need to be told that his department is ill-kept. In buildings such as prisons, stores, hospitals, laboratories, the standards set by the State Services Commission will still apply to the physical working conditions of staff. It is, however, not the function of the Commission either to procure such accommodation or to approve the plans.

466. The State Services Commission's responsibility for trading departments will relate only to the space in their buildings used by public servants (including the staff of the trading departments themselves) and to their requests for more office accommodation.

467. Its responsibility to the Post Office and the Railways Department will also be limited. It should prevent undue and costly competition for office space, and satisfy itself from time to time that physical working conditions among other things are being efficiently and economically controlled.

468. The Post Office and the Railways Department are not affected by the division of responsibilities in the area covered by the Accommodation Board. They will therefore not be affected by most of the recommendations which we shall make in this section. Their difficulties are related in the main to the problem of programming capital expenditure, and this matter is dealt with in Chapter 3.

#### ALTERNATIVE PROPOSALS

469. Two alternative proposals for dealing with problems we have discussed in this section were put to us. It was urged that either of them would provide the greater vigour which we have said is required. They are:

- (a) Concentrating within a single department the responsibility for providing and servicing Government accommodation; and
- (b) Establishing a single-purpose statutory corporation to discharge these responsibilities, giving it power to raise finance for new buildings and alterations.

470. If the proposal for concentrating the responsibilities mentioned within a department (single-purpose or otherwise) involves giving that department the final responsibility for physical working conditions within the State Services, or within any part of them, that would conflict with our conception of the responsibility of the proposed State Services Commission for efficiency and economy, a responsibility which, as we have already explained, necessarily embraces the duty of ensuring that adequate working conditions are provided. If, however, the selected department were to act merely as an agent of the Commission, we could have no objection in principle. However, unless the Ministry of Works is the choice, practical difficulties arise. To create a new organisation with sufficient specialist staff in all centres to provide and service the various State premises throughout New Zealand would prove extremely expensive, and could seriously aggravate the present shortage of architects, draughtsmen, and other technical and professional staff. Most of these difficulties disappear if the Ministry of Works is selected, and it may be that the State Services Commission will choose to extend the use it makes of that department as its servicing agent. But that is for the Commission itself to decide.

471. The alternative proposal for a statutory corporation with borrowing powers has certain attractions. It would facilitate long-term planning, and it might relieve the Government of some of the difficulties associated with raising finance for State buildings, though no such Corporation could have unlimited freedom to borrow and to invest, irrespective of Government policy. But on the other hand, it might not be easy to avoid encroaching on the responsibility of the State Services Commission for efficiency and economy. Moreover, the proposal is open to the practical objections to creating a new department; the added strain on the technical resources of the country. Nevertheless it may be that these objections can be met and the State Services Commission may, when it is established, find profit in examining the proposal further. At this stage it would be unwise for us to make any definite recommendation.

## RECOMMENDATIONS

We recommend that:

- (101) The State Services Commission be given responsibility (subject to the limitations outlined in par. 464-467) for physical working conditions of State servants, including the procurement of office accommodation, its allocation to departments, its maintenance, its efficient use, and the setting of standards for its use (par. 461-467).
- (102) In discharging this responsibility it continually survey needs, plan ahead, use the resources of agent departments for essential services (and where resources are insufficient engage outside agents), set standards for physical working conditions in offices and enforce those standards by inspection (par. 462).
- (103) The Government Office Accommodation Board be reconstituted as a body advisory to the State Services Commission with enough flexibility to allow the co-opting of any necessary additional representation from departments or the staff association (par. 463).

## EMPLOYER - EMPLOYEE RELATIONS

### PRELIMINARY

472. Employer-employee relations cover both the working relations between a department's senior management and its staff, and those between the employing authorities and the recognised staff associations. In the former case they are affected, for example, by the quality of leadership and the adequacy of supervision in the department, and

by the degree to which staff are consulted and encouraged to take part in planning departmental work. These matters are, as far as we consider it necessary, discussed elsewhere in our report. We intend in this section to discuss relations between the employing authorities and the recognised staff associations. These relations are both formal and informal. They cover negotiations concerned with salary and with the enforcement, interpretation, or amendment of the conditions of service of broad classes and of individual officers. A brief description of the character of these relations in the area of each employing authority is given below.

#### RAILWAYS DEPARTMENT

473. With few exceptions Railways employees must join one of the four staff organisations – the Railways Officers' Institute, representing the Salaried Division; or the Amalgamated Society of Railway Servants, the N.Z. Locomotive Engineers, Firemen, and Cleaners' Association, or the Railway Tradesmen's Association, the last three representing groups in the General Division.

474. Only two of the staff organisations (the Railway Officers' Institute and the Amalgamated Society of Railway Servants) made submissions to us, the former on retirement, and the latter on the various subdivisions of Warrant Item IV. Neither they nor the Railways management criticised existing relations, but we gained the impression that all parties were rather reserved in their approach to this matter.

475. Formal relationships exist in the work of the Government Railways Industrial Tribunal, the Railways Appeal Board, the Railways Welfare Society, works councils in larger workshops, area safety committees, the Government Superannuation Board, and such temporary committees as the five-yearly regrading committee on which the Railway Officers' Institute is represented. Informal relationships occur in the normal course of business where consultation takes place on problems as they arise. Harmonious attitudes and the traditional Railways *esprit de corps* are fostered in various ways – for example, through staff bulletins, awards and commendations, departmental sporting activities, and recreational amenities.

#### THE POST OFFICE

476. The Post Office Act recognises the Post Office Association as the only staff organisation and requires almost all Post Office staff to belong to it. The Association and management both asserted that employer-employee relations are excellent, and that this condition contributes materially to the efficiency of the Post Office. We heard no evidence to the contrary.

477. It was claimed that these excellent relations flow from the attitude of trust developed by both sides and from the existence of suitable machinery for negotiation and consultation. It is also significant that the Post Office is at once the employing authority and the departmental management; there is no division of responsibility such as could be said to exist in the Public Service.

478. The machinery for negotiation and consultation is highly formalised. It was said to be an adaption of the Whitley Council system used in the British Civil Service. We were told that it has been most successful. Formal relations are maintained through the Post Office Staff Tribunal (infrequently used), the Promotions Board, the Appeal Board, and the Government Superannuation Board, as well as through the highly developed joint-advisory system involving a Joint Advisory Council at headquarters and a supporting structure of district and branch committees.

479. Informal contact between the two parties is also well developed. It is used frequently to ascertain the feelings and attitudes of employees towards a wide range of problems of Post Office business and conditions of service.

#### THE PUBLIC SERVICE

480. The Public Service Association, with a voluntary membership of 90 to 95 per cent of eligible permanent public servants, is recognised by the Government and by the Public Service Commission as representing the staff of the Public Service. The Association is not recognised explicitly in the Public Service Act, and the Government and the Public Service Commission could, if they wished, recognise any other association of employees. Both sides saw advantages in there being only one staff association. Casual employees in the Public Service are represented in the main by their trade unions (in particular the New Zealand Workers' Union) which negotiate directly with the Public Service Commission on wage rates and conditions of service.

481. Relationships between the Commission and the Association are mainly informal, and develop in response to various situations. They are formalised only in the Government Service Tribunal, the Public Service Appeal Board, the Government Superannuation Board, the Public Service Welfare Society and such formal consultative committees as may be set up from time to time. Neither party wanted more formal or legislative definition of their relationships as for instance exists in the Post Office. It was contended that the Public Service is not homogeneous as the Post Office is and includes a much greater range of Government activity, and hence that Post Office formality would be inappropriate. There are many informal

contacts between the Association's executive officers and the Commission, and also much consultation and negotiation at the departmental and district levels with Association officers and departmental section representatives.

*Further Joint Consultation in the Public Service*

482. The submissions of the Public Service Association and the Public Service Commission gave less appearance of the harmony suggested by evidence from the Post Office and the Railways Department. We recognise that there is almost limitless room for differences of opinion in a large and varied Public Service with its many occupational groups. The existence of such differences is not an unhealthy sign and thus does not disturb us at all. But what does disturb us is the presence of what we would call "hardened attitudes" in the Commission and the Association.

483. By hardened attitudes we mean the spirit of suspicion with which the representatives of the Association tended to greet the Commission's proposals, and the obviously reserved manner which the Commission was inclined to adopt towards the Association. These attitudes have doubtless developed over many years, and it will take time to change them. We believe, however, that both parties will find it easier to reach mutually acceptable solutions to the innumerable problems which will continue to arise if they can develop a more cooperative spirit. Some ways of helping this to come about occur to us.

484. The first is by gradually developing and making more use of the machinery of joint consultation about general conditions of service. The Public Service Welfare Society seems an example of successful cooperation in this field. We think that the Association would be willing to move in this direction as exemplified by its expressed desire to be granted a seat on the Government Office Accommodation Board, the operations of which affect the physical working conditions of Association members. However, the Commission met this proposal in a somewhat discouraging manner.

485. This kind of machinery could also benefit departmental work by helping to create in the Association an informed opinion on the problems and responsibilities of management. We are aware that such an attempt was made after the Second World War by appointing a representative of the Association as a Public Service Commissioner. The experiment seems to have failed. We are also aware that the Public Service Association is not as willing as the Post Office Association to involve itself in the problems and responsibilities of management. Nor do we consider such involvement essential to efficiency of departmental work and administration if the full abilities and potentialities of staff are being brought out by departmental leaders. Some

participation by a staff association through joint consultation may however do much to inform and make that association aware of the problems of management especially in negotiations about general conditions of service. It would also help to make management aware of likely staff reactions at an early stage.

486. Next, the Commission's role in salary negotiations has done little to sweeten its relations with the Association. There could properly be some change here. It goes without saying that in salary matters the Commission must behave in a responsible fashion; but its statutory responsibility is to maintain the Public Service in a state of efficiency, not to attempt to correct inflationary tendencies in the national economy. The principles upon which State wages and salaries should be based are more fully discussed in the next chapter of this report. In general, State wages and salaries should compare fairly with those in outside employment. The Public Service Commission is correct in observing that, in an inflationary situation, incomes in outside employment will tend once again to move ahead as soon as State Services salaries have been brought into line. But it does not follow that those salaries should be allowed to fall behind. While in the short run such a policy may help to check inflation, it does so at the long-term cost of reducing the quality and availability of staff for the State Services, and at the more immediate cost of exacerbating employer-employee relations. The proper remedies for inflation are appropriate economic and fiscal policies. It is for the Government to deal with inflation and for the Commission to keep Public Service salaries as far as it can in line with income levels in outside employment. If the Government considers it necessary to oppose a wage claim on economic grounds, Treasury and not the State Services Commission should be responsible for making that case before a wage-fixing authority.

#### RECOGNITION OF OTHER STAFF ASSOCIATIONS IN THE PUBLIC SERVICE

487. We received a submission suggesting that there is room for recognition of more than one staff association in the Public Service on the ground that no single association can represent all groups of employees adequately, since the interests of the different groups must sometimes conflict. It is not within our terms of reference to inquire into the internal organisation of the Public Service Association (or indeed of any other employee group), but we assume that if dissatisfaction exists among members, they can seek their remedy in the first instance through the Association's democratic processes.

488. It is then open to any group of public servants which tries to use the machinery of the Association, and finds this impossible, to form a separate organisation and apply to the Government and the

Public Service Commission for recognition. Such an application would, we assume, be treated on its merits. Nothing in the legislation prohibits more than one employee association, nor is recognition of any new organisation by the Government and the Public Service Commission precluded. It is our understanding, however, that the Public Service Association has well developed occupational-group activities which enable it to give particular attention to the special needs of distinctive groups.

#### CONCLUSION

489. The nature of employer-employee relations will always be affected by the economic, social, and political circumstances of the time. It will also be moulded by the past behaviour of each particular employing authority and each particular staff association; the pattern of long-standing interaction between them conditions their present attitudes, and these in turn affect the opportunities for future cooperation between them. The differences in employer-employee relations among the three State Services (to which we have already drawn attention) provide sufficient evidence for these propositions.

490. Therefore we consider it impracticable to attempt to control this process of interaction by proposing legislative changes or administrative devices. We have given one or two examples of the kind of approach by which, in our view, employer-employee relations might be improved. We feel that matters beyond this can only be left to the good sense of the parties; hence we make no recommendations.



## Chapter 7. WAGE FIXING

Item V of our warrant reads:

“The machinery for wage and salary determination and the principles on which wages and salaries should be based.”

### PRELIMINARY

1. “Principles” in this context we take to mean guiding rules to be used in fixing pay rates, rather than the ultimate ends (such as fairness) which the rules are designed to foster. What we consider those ends to be will emerge in the course of our discussion of particular principles, and we need not define them at this point. However, we must show at the outset why it is important that the wages and salaries of State servants should be fixed according to principle. The question arises because the State is not an ordinary employer: for example, fixing the salaries of its servants, and imposing taxes to pay them, are potentially of political significance. If the non-political character of the State Services is to be maintained, their pay disputes should not become matters of party-political controversy. For the very reason that the State is not an ordinary employer, its pay rates must be fixed according to principles which are acceptable to successive Governments, whatever their political complexion (also, as far as possible, to the general public and to State servants themselves). State pay rates must therefore not be left to the arbitrament of political pressure.

2. But principles do not take effect automatically. Someone must apply them, and it is ultimately the Government’s responsibility how that shall be done. If the Government is to carry out that responsibility without jeopardising the non-political nature of the Services, it must be seen to act within the framework of accepted principle, after receiving proper advice, and using recognised procedures. In this chapter we shall accordingly be concerned first to formulate appropriate principles, then to deal with the constitution and procedures of advisory and pay-fixing authorities, and finally to consider miscellaneous topics raised in submissions under this heading.

3. It will be noted that we were not required to investigate the adequacy of present wage and salary rates, nor have we done so.

## THE PRINCIPLES OF STATE WAGE DETERMINATION

### THE PRINCIPLE OF FAIR RELATIVITY

4. The first requirement to be borne in mind is that, in the long run at least, the State must pay whatever is necessary to recruit and retain an efficient staff. That is true of any employer who wants to remain in business, but for the State the imperative is absolute, since it cannot in the national interest afford to go out of business.

5. To recruit and retain an efficient staff is a necessity, but that general aim is not a sufficient guide to the level of wages and salaries that should be paid, for two reasons. On the one hand, it suggests no upper limit; any remuneration, however high, would satisfy the test, provided only that efficient staff were recruited and retained. On the other, it is an insufficiently sensitive test for the purpose of determining the minimum rate which can safely be paid. By the time an employing authority has satisfied itself that it is consistently failing to recruit and retain efficient staff, considerable damage may well have been done to efficiency and to morale. Nor does the test give any indication of the amount by which wages and salaries should be increased in such a situation.

6. What is needed is a test for the adequacy of State wages and salaries which satisfies the following conditions: (a) It should indicate wage and salary levels which are sufficient, in the long run, to enable the State to recruit and retain an efficient staff. (b) It should indicate quickly where adjustments to State wage and salary levels need to be made, and specify the amount of adjustment needed. (c) It should represent a standard which can be accepted as fair by the Government, the employing authority, its employees, and the general public. Since the general public provides through taxes most of the money for the salaries of its servants, the last condition may be taken to incorporate an effective check on the height of those salaries.

7. A test of this kind is needed because few State activities result in the production of a marketable commodity or service. Government accounts cannot therefore be used as a guide to the profit derived from employing a particular class of officers, by reference to which an appropriate wage or salary could be fixed. How can one measure the cash value of the work done by a probation officer, an examiner of patents, the registrar of a Court of law, a registrar of lands, the superintendent of a prison, or a staff training officer (to select a few examples from merely one of the departments of State)? The Public Service Consultative Committee on Salaries, which was established

by the Government in 1945 to recommend new salary scales for the Public Service, drew attention to this problem when it reported in 1946.

While the level of the wages which a commercial business can afford to pay is determined largely by the profit accruing to the business from the employment of those individuals to whom the wages are paid, that criterion is not applicable to State operations. Those operations, even in the case of trading departments, are conducted for other purposes than the making of a profit. The State is entitled to expect efficient service from its servants, but, unlike the business man, it does not measure the efficiency of that service entirely by its effect on the profit and loss account.

8. The Consultative Committee went on to draw attention to the "fair-relativity" principle adopted by the British Government in 1910, in terms of which the State pays wages not less favourable than those commonly paid by outside employers at the same time and place. The Consultative Committee adopted this principle, and restated it in a form which we shall summarise in this way:

- (a) Public Service positions shall be defined in terms of job-content:
- (b) The salary for a Public Service position shall be fixed at a level comparable with the rate paid for jobs with a similar content in private employment.

9. In 1953, a Royal Commission on the Civil Service (the Priestley Commission) was appointed in the United Kingdom. Its report, published in 1955, endorsed the fair-relativity principle, and restated it in the following terms: "the primary principle of civil service pay [should be] fair comparison with the current remuneration of outside staffs employed on broadly comparable work, taking account of differences in other conditions of service". (Priestley Report, par. 96.)

10. In the light of the conditions laid down in paragraph 6 above, how serviceable is this formula as a test for the adequacy of State wages and salaries? The Priestley Commission paid attention to the various points we have set out here. In the first place, it considered that to base salary rates on those prevailing in outside employment would enable the State to compete effectively yet fairly for staff. Second, it recognised the practical difficulties in making the necessary comparisons between the different varieties of State and private employment, and hence in determining when and to what extent State salaries need adjustment. It concluded that with better fact-finding machinery those difficulties could be overcome. Third, it maintained that the formula could be seen to be fair. It is fair to the Government, since it can be applied consistently by successive Governments of different political complexions; it therefore prevents the question of State salaries from becoming a party-political issue, and

helps to preserve the non-political character of the State Services. It is fair to the employing authorities, since it enables them to compete for staff on equal terms with private employers. It is fair to the State employee :

He is entitled to some guarantee that his just deserts will not be sacrificed to political expediency or to uninformed Press or public criticism. We think that the principle of fair comparison affords such a guarantee. Equally if his remuneration and conditions of service taken together approximate to those prevailing in the outside world he cannot legitimately complain of injustice. (Priestley Report, par. 101.)

Finally, it is fair to the general public :

If the Government which represents him pays what other responsible employers pay for comparable work, the citizen cannot reasonably complain that he is being exploited. Equally we consider that he would agree that he could not, in the long run, obtain an efficient service by paying less. (Ibid., par. 97.)

11. It has been shown that there are good reasons for believing that the principle of fair relativity, or "external relativity", or "fair comparability" (as it has been variously called) is a reasonably satisfactory test for determining the adequacy of State salaries. Moreover we agree with the Priestley Commission that there is no alternative to fair comparison as the primary principle for fixing State salaries. But that is not the end of the matter. We have already noted that there are practical difficulties in making the necessary comparisons between State and private employment, and we shall return to this question when we discuss the machinery for fixing salaries. In the meantime three important aspects of the problem remain to be investigated: when, to what extent, and on what grounds does the principle of fair relativity need to be modified or supplemented by other principles? It will be remembered that the Consultative Committee of 1945 adopted the fair relativity principle subject to certain qualifications. Similarly, the Priestley Commission regarded fair comparison as the primary principle, but considered that it needed in many cases to be supplemented. Most of our witnesses were prepared to support fair relativity in principle, but reserved the right to reinterpret, modify, or supplement it as they saw fit. This being so, the exceptions may be more important than the rule and need careful study. In the following paragraphs we shall try to define the proper interpretation of the rule, and to indicate when it may justifiably be qualified or replaced by other principles.

#### ALLOWANCE FOR CONDITIONS OF SERVICE

12. The Priestley formula requires State pay to be based on a fair comparison with remuneration for comparable work in outside employment, *taking account of differences in other conditions of service.*

What is the significance of this qualification? The New Zealand Employers' Federation contended that it would be unreasonable not to take into account the attractive Government superannuation scheme, the security of employment, the provisions for leave, and other unspecified privileges which State servants enjoy. The staff associations drew our attention to the "fringe benefits" allegedly available in outside employment; housing assistance, staff buying-privileges, entertainment allowances, bonuses, right to private use of the firm's car, and other unspecified benefits. We felt obliged to study these submissions, because it was clear that such conditions of service create feeling both among State servants and among the general public. It seems to us that the fringe benefits allegedly available in private employment vary appreciably according to the occupation, the locality, the time, and the employer. We find it impossible to discern any general pattern of fringe benefits in private employment from which an appropriate addition to *all* State salaries might be calculated. Equally we noted that many State servants do not choose to contribute to the Government Superannuation Fund. Nor is it possible to measure the relative benefits they derive for instance from security of employment and from the "in great degree" provision, especially since security of employment and the advantages of the career-service principle are also enjoyed, in varying degrees, in commerce and industry. We find it impossible therefore to discern any general pattern from which an appropriate deduction from *all* State salaries might be calculated.

13. Nevertheless, conditions of service, other than salary, may properly be taken into account in fixing salaries when those conditions can be evaluated as an addition to or a subtraction from salary. A non-contributory pension scheme, for instance, could be so evaluated, and indeed this might be possible with some contributory schemes. State pay rates, then, should be based not on a comparison of *salary* but on a comparison of *effective remuneration* for comparable work, when effective remuneration can be shown to differ from salary. From the discussion in the previous paragraph it is apparent that no such calculable variation can be permanently applied to all State salaries, but it is still possible that an appropriate variation might be assessed for a particular occupational group at a particular time. For example, pay research might reveal occupations which are better paid in businesses where there is little security of employment than in those giving greater security. It would be proper to align State rates with the latter.

14. It is likely, however, that in some cases conditions of service which can be shown to vary materially between State and outside employment could never in the nature of things be convertible into

a demonstrable cash equivalent. This might prevent any true comparison. One must remember that fair relativity is not an immutable principle but merely a convenient test, designed to give a suitable approximation to the level of salary which supply and demand require. When it can be shown that variations in conditions of service other than salary are sufficiently important to prevent this, then some other principle will be needed. We return to this later.

#### CONSIDERATIONS OF SOCIAL AND ECONOMIC POLICY

15. The Consultative Committee of 1945-46 contended that, in making comparisons outside the Service, "the State should be a good employer and should accept and maintain the standard set by other good employers". With this we agree, since we think it would be generally accepted that in determining conditions of service for its staff the State should not be required to take into account the practices of bad employers. But that is not to say that the State should take the lead—that it should attempt to set the pattern for what good employers should do. The Priestley Commission made the point that social objectives should be promoted and debated in Parliament in the form (for instance) of minimum wage legislation, rather than by introducing specially favourable conditions of employment for State servants. Social objectives are prone to be politically contentious, and to introduce politically contentious themes into the process of negotiating State salaries is to jeopardise the non-political status of the State Services. If it were to be suspected that in fixing those salaries the Government was promoting debatable social policies in a surreptitious way, neither the process of salary negotiation nor the particular salary scales which resulted would be regarded as fair by the community which had to foot the bill. We are aware that Governments have on occasion used their powers as an employer to set an example to other employers; this is undoubtedly a possible and sometimes a convenient way to pursue policy aims, and we can conceive of circumstances in which such action might be justified. Remembering, however, that any specially favourable conditions of employment for State servants must be paid for in part by taxing workers who enjoy less favourable conditions, we think there is a powerful presumption against modifying fair relativity for reasons of a Government's social policy.

16. Similar considerations apply to the manipulation of State salaries in the interests of the Government's economic policy. In an earlier section of this report (Ch. 6/486) we deprecated any reluctance on the part of the Public Service Commission to compete for scarce staff in an inflationary situation and suggested that it should leave to the Government the responsibility of correcting inflationary

pressures. How proper is it then for the Government to depart from the principle of fair relativity in order to check inflation? It can be argued that State employees are a substantial proportion of the labour force, and that in a period of inflation it would be folly to increase their pay since to do so would not only swell the surplus of purchasing power already in existence without adding to the supply of goods and services, but would also set off a chain reaction of wage increases in the private sector which would add to costs and thereby hamper national export industries. We fully appreciate the harmful consequences of inflation, and on that account recognise the force of these contentions. A number of points must however be made on the other side. The first concerns justice. The fair relativity rule merely enables State servants to catch up with previous salary changes in similar occupations in outside employment. In a time of inflation State servants labour under a disadvantage, for such changes occur by definition in the private sector first. Hence to abandon fair relativity in an attempt to check inflation is to aggravate the injury. The remaining points are concerned with consequences. The immediate consequences will be to exacerbate employer-employee relations in the State Services, to undermine staff morale, and to make the determination of State pay a politically contentious issue. In the long run the attraction of State employment must necessarily diminish, making it more difficult to recruit and retain an efficient staff. It is for the Government to weigh these various matters; we are in no position to say that it would never be justified in modifying even the timing of a salary adjustment to take account of economic circumstances. Nevertheless we think there is a powerful presumption in favour of maintaining the fair relativity principle, and consider that inflationary pressure should be checked by economic and fiscal policies, not by manipulating State salaries.

17. If this be so, a further conclusion follows: that in times of declining wages, there is an equally strong presumption that State pay must also go down in agreement with the fair relativity principle.

#### THE PRINCIPLE OF INTERNAL RELATIVITY

18. The scope of the principle of fair relativity is more limited in New Zealand than it is, for instance, in the United Kingdom. As the Public Service Commission has noted:

In some fields, particularly scientific and technical fields, the State is the major or perhaps even the only employer of the skills concerned, and it is quite true that the Government influences the market to such an extent that outside rates are not an independent guide. In fact, in some cases in New Zealand the Government *is* the market or very nearly so.

It must be remembered, however, that in the case of some scientific and technical staff there is an effective international market which tends to set the price for the officers concerned. For them a salary must be fixed which, taken with other factors, will retain in New Zealand sufficient officers of sufficiently high quality to maintain efficiency in the work concerned. Fair relativity can be applied, though in a modified form. But how does one fix the salaries of, say, prison officers, or lighthouse keepers, or locomotive engineers, if no one is doing broadly comparable work in outside employment in New Zealand? Clearly the principle of fair relativity does not provide the solution, and a different principle must be used. As the Priestley Commission has put it:

. . . the only comparisons which can be made are with grades or classes within the Service whose work, although not truly comparable, is conventionally regarded as being of roughly similar status or whose members are required on recruitment to show roughly similar attainments. (Report, par. 124.)

Such comparisons are based on internal *horizontal* relativity.

19. Again, it may be possible, using the principle of fair relativity, to determine what salary is appropriate at certain levels within a given occupational class; but to fix the remaining points so as to define all the grades in the class, one may need to take account of conventionally accepted margins for skill and responsibility. Such comparisons are based on internal *vertical* relativity.

20. Most of our witnesses accepted internal relativity, just as they did fair (or "external") relativity. Disagreements will occur in deciding which principle should apply in a given situation, and what relative weight should be given to each principle if more than one is applicable. We share the view of the Priestley Commission that external relativity should be the *primary* consideration, and in Chapter 6 above we have proposed a system of classification based on occupations, so that salaries within the State Services may follow more closely the movement of comparable salaries outside. If this is to happen, some internal relativities must inevitably be upset. As the Priestley Commission said:

It is in our view essential that changes in the relative value of different occupations or professions outside the Service should be reflected inside the Service. . . . We consider, therefore, that where fair comparison indicates a change in current relativities between different classes such a change should be made and that internal horizontal relativities should not be allowed to exercise any inhibiting influence. (Report, par. 120.)

21. We have no doubt that such a policy, even though generally supported by the submission of the Combined State Service Organisations, would arouse opposition in practice from some quarters within the State Services. On more than one occasion it was argued before us that if two professions require an equally long training and



equally difficult qualifying examinations, then they should be paid the same salary. Again some witnesses commended the practice of paying tradesmen within the Services at the same rate, whatever the differences among those trades in outside employment. The Public Service Commission itself quoted the following extract from its 1955 annual report :

It is important . . . that "fair relativity" should be maintained not only between the Public Service and private employment but also between the various occupations in the Public Service itself – indeed most public servants would regard internal relativity as the more important of the two whenever they conflict. This conflict between "external relativity" and "internal relativity" makes it extremely difficult to favour any particular occupation with a salary premium just to alleviate a shortage. Preferential treatment for any one group usually sets up a chain reaction within the Public Service.

This passage identifies with admirable clarity the difficulty of subordinating internal to external relativity, but in doing so it reveals quite unconsciously the need for that subordination. We must draw from it a conclusion contrary to that drawn by the Public Service Commission: it is important that relativity should *not* necessarily be maintained among the various occupations in the Services, precisely because it would otherwise be extremely difficult to pay a salary premium to alleviate a shortage in any occupation, since such special treatment would usually set up a chain reaction. In its final submissions to us, the Public Service Commission claimed that difficulties of recruitment to the Public Service were essentially limited to certain key occupations; it is our belief that those difficulties cannot be overcome until internal relativity has been relegated to its proper position. Key groups will remain short of staff for as long as the rest of the Service is allowed, by internal relativity, to hang on their coat tails.

22. There are other circumstances in which vertical relativity may qualify the principle of fair relativity. The salaries of officers in the Administrative Division, and those over £2,800 a year, are appropriated annually by Parliament on the recommendation of the Government. It has been suggested that the authority responsible for fixing salaries below the limit of £2,800 a year must take account not only of fair relativity but also of a different and possibly inconsistent factor – the maintaining of proper margins for responsibility between positions below the limit and those above it. The way out of this difficulty seems to lie in applying fair relativity to salaries above the limit – which in this case means that they should reflect the margins for responsibility given in outside employment. It is our impression that any past anomalies may have been due less to a deliberate Government intention to ignore fair relativity for high salaries than to a lack of appreciation of salary levels for high posts in outside employment. Later in this chapter we shall make recommendations to correct this.

## THE PRINCIPLE OF REGIONAL UNIFORMITY

23. Finally, it remains to be discussed whether State salary scales should apply uniformly throughout the country, or be adjusted to take account of variations in outside rates among different localities. It will be remembered that the original statement of the fair relativity principle (par. 8 above) required a comparison with the wages commonly paid by outside employers at the same time and *place*. New Zealand practice however has generally been to maintain national uniformity, though in a few cases special allowances are paid to State servants in remote localities. Since the Second World War, conditions of full and overfull employment have induced some employers to pay considerably above award rates in areas where labour is particularly short, so that wage rates in outside employment now vary significantly between one locality and another. For State pay to reflect such variations would clearly be consistent with the fair relativity principle and could be to the advantage of the State Services, since so many officers work in Wellington, where labour is scarce. We understand indeed that the Public Service Commission has recently been reconsidering the problem of locality allowances. To introduce such allowances on a large scale would however add considerably to the complexity of pay administration. Moreover it may well be difficult to make accurate salary comparisons for a wide range of occupations in a large number of localities. Because of these practical difficulties we cannot recommend that the present system should be changed, but we consider that the problem might well be reviewed from time to time.

## CONCLUSION

24. The principles that should guide any authority responsible for fixing wage and salary rates in the State Services can be briefly stated thus:

- (a) Where possible, pay shall be fixed at a level comparable with the current remuneration received by those doing broadly comparable work in outside employment, subject to the following provisos:
  - (i) It should be adjusted, as and when necessary, to enable the Service to recruit and retain an efficient staff:
  - (ii) It may be adjusted to maintain adequate margins for responsibility.
- (b) In applying principle (a) the following rules shall be observed:
  - (i) "Current remuneration" shall be taken to mean "current wage or salary rates" unless it can be shown, taking into account other conditions of service, that effective remuneration differs from wage or salary; and that such a difference can be evaluated:

(ii) "Outside employment" shall be limited to good employers within New Zealand, unless it can be shown that there is an effective demand outside this country for New Zealand staff of the occupation and grade concerned, in which case the pay shall be fixed (taking into account overseas salaries together with other relevant factors) at a level enabling the Services to recruit and retain an efficient staff:

(iii) For any occupational class, State wage and salary scales shall be fixed on a national basis and shall be based on comparisons with outside employment throughout New Zealand, unless regional considerations compel the use of local rates based on local comparisons.

- (c) (i) Where no comparison with broadly comparable work in outside employment is possible; or  
 (ii) Where the outside remuneration for such work can be shown to be based on State pay rates; or  
 (iii) Where conditions of employment other than salary or wages differ sufficiently to prevent fair comparison with outside employment;

then wages and salaries shall, subject to the provisos noted in paragraph (a) above, be fixed by comparison with such other group or groups within the Services as may, in the particular case, be deemed appropriate.

## THE MACHINERY FOR STATE WAGE DETERMINATION

25. It has been shown that to fix fair and adequate pay rates for the various occupations in the State Services, the present level of remuneration for those occupations in outside employment must be known. Machinery to collect this information is necessary. But we cannot accept the view (maintained by the New Zealand Employers' Federation) that once the facts are known, the changes to be made follow automatically. We think there must be room for negotiation, first about which outside groups can properly be compared with which groups in the Services, second, about the effective remuneration of the groups concerned (since as noted in par. 13 above, this may differ from pay rates), and third, about the relative weight to be given to each of the outside groups if pay rates differ among them. There must therefore be machinery for negotiating solutions to these problems (and to analogous problems involving internal relativity). We follow the Priestley Commission in favouring machinery for this purpose separate from that needed for fact finding. It is important

that the latter should be expert and impartial and should be recognised to be so. Finally, there must be machinery for determining disputes when it is impossible to reach agreement through negotiation.

26. We have confined our inquiry to the Public Service, the Post Office, and the Railways Department. Hence we do not discuss the machinery for fixing the pay of such groups as the Police, the Armed Forces, and the teaching service. Moreover, we have in the main confined our attention to permanent staff as distinct, for instance, from the large number of casual workers.

#### FACT-FINDING MACHINERY

27. There is at present an annual survey of the rates paid to printing tradesmen by large private printing firms in Wellington, and the gradings and pay rates for the specialist staff of the Government Printing Office (all of whom are employed in Wellington) are adjusted if the survey shows this to be necessary. This is the clearest example we have found of fair relativity actually operating in the State Services.

28. Another survey (known as the ruling rates survey) is carried out periodically by the Labour Department to discover the ruling rates paid by outside employers to eight types of tradesmen and to labourers in the engineering and building industries, based on samples drawn from eight urban areas from Auckland to Invercargill. The coverage and method of sampling have varied from time to time, and the survey is now reasonably accurate not only for calculating changes in the average levels of tradesmen's and labourers' wages surveyed, but also for discovering the rate paid to each surveyed occupation taken separately. However, the information is not used for the latter purpose, since (as already mentioned) tradesmen in the State Services are in the main paid at a uniform rate based on a weighted average of the trades covered in the ruling rates survey. There is no logical basis for using an average of this sort; its effect is to overpay the building tradesmen and underpay those in the engineering trades. With that qualification the ruling rates system as it is applied to tradesmen and labourers clearly agrees with the principle of fair relativity. The surveys are not carried out at regular intervals, but whenever authorised by the Government, with an average of from 18 months to two years between them.

29. The ruling rates survey is also used for another, more controversial, purpose. The increase in the ruling rates between surveys is assumed to be a measure of the general increase in wages and salaries throughout the economy, and the adjustments applied to tradesmen's and labourers' rates form the basis for a negotiated adjustment of most or all other pay rates in the State Services. In

this way internal relativities are for the most part preserved. Outside the Service this practice often gives rise to the complaint that the State bases the wages of its clerical and professional officers on those of tradesmen. It is clear, however, that it would be more accurate to say that *changes* in the salaries of clerical and professional employees are based on those which occur in the wages of tradesmen and labourers. We shall discuss the propriety of this practice in paragraph 32 below. For the moment it is sufficient to note that the ruling rates survey is not designed to provide information about *levels* of remuneration, save for tradesmen and labourers.

30. Two years ago the Public Service Commission established a Pay Rates Section to gather such information as it could about salary levels in other occupations in outside employment. It is quick to add that much more could and should be done in this direction. The managements of the Post Office and the Railways Department share this opinion. It was proposed that a Pay Research Unit should be established, preferably in either the Labour or the Statistics Department, to conduct surveys which will provide for other occupational groups the external comparisons at present available only for printing staffs, other tradesmen, and labourers. There are two difficulties. The first, evident particularly in the case of clerical workers, is the initial problem of measuring the skills, responsibility, and output required in different positions to discover which post is broadly comparable with which. The second, once the points of comparison have been agreed on, is to gain from outside employers information about salaries paid and other conditions of service. These problems are serious, but not insuperable. A Pay Research Unit was established in the United Kingdom on the recommendation of the Priestley Commission, and this has supplied material which is generally recognised by both sides to be impartial and accurate. The most serious difficulty has apparently been the time it takes to design and carry out each survey, and the submissions of the New Zealand staff associations were critical of pay research for this reason. We understand that the subsequent negotiations in Britain have also been protracted. A Pay Research Bureau was set up in Canada about four years ago, and the Canadian Civil Service Commission reports that it is working successfully.

31. We recommend that a Pay Research Unit be established in New Zealand to carry out surveys of this sort. The designing of the surveys and the preparation of reports should, in our view, be the responsibility of the Statistics Department, to which the Unit should therefore be attached, though the Labour Department could collect much of the data. The occupations to be surveyed should preferably be agreed upon by a steering committee representing employing authorities and employee organisations (as in the United Kingdom).

This committee can recommend to the Unit the outside comparisons which may be significant. As the Priestley Commission observed, the staff associations should be encouraged to participate fully in the work of fact finding. The Unit's reports must of course be freely available to both sides, and care taken to respect the anonymity of outside employers. We further suggest that consideration be given to using in the first instance, in a consultative capacity, industrial consultants experienced in the application of work measurement to clerical and professional activities. This would help to overcome the initial problem of identifying comparable posts within and outside the Services, and might also help to gain the confidence and cooperation of outside employers, without which such a scheme could not achieve its purpose.

32. Overseas experience suggests that such surveys take considerable time to prepare, at least in the first instance, if their results are to be acceptably accurate. In the United Kingdom it has taken a long time to produce reports on some occupational groups. The Government Statistician, giving evidence before us, considered that a survey of clerical employment would involve several times the work of the present ruling rates survey. However attractive the idea may be of adjusting clerical and professional salaries solely by reference to the levels of remuneration in those occupations outside the Services, we think that for some time at least such comparisons could not be made often enough to eliminate the need for interim adjustments. The work of the Pay Research Unit should be programmed to provide an external comparison (where one is possible) for each occupational group at least once every five years; but it will be remembered that during the past decade, ruling rates adjustments have been made at rather less than two-yearly intervals. There must clearly be some system for making such interim changes. We heard objections to using the ruling rates survey for this purpose. The New Zealand Employers' Federation stated in their submission, "The sampling of tradesmen's and labourers' wage rates to determine increases for clerical workers is one of the more obvious crudities of the present system". But equally strong objections could be made against any other measure at present available. An average based on the half-yearly statistical series for actual earnings, prepared by the Department of Labour, might be reckoned unsuitable on the grounds that it is based on earnings and not on rates of pay, that it does not distinguish between male and female employees, and so on. The quarterly Retail Consumer Price Index, published by the Statistics Department, measures changes in the cost of living and not the way in which outside remuneration is changing, hence it can be objected that it is not directly related to fair relativity. We take the view that for the time being these periodic readjustments should continue to be based on the ruling rates survey, despite its crudity. Pay research may

discover some other easily sampled groups which could be added to those covered by the present survey – at least until external comparisons can be made for each occupational group often enough to eliminate the need for interim adjustments.

33. We recognise the need for such adjustments to supplement the work of the Pay Research Unit. Moreover, we are certain that the preparation of scales for some occupational classes cannot wait until the Unit is ready to conduct a survey for them. The information at present available to the employing authorities and staff associations is not as full as that from a survey, but it may be enough to suggest at least some of the necessary changes. Such material is already used to make analogous changes at the time of the five-yearly regradings. Our proposal that these regradings be abolished (Ch. 6/94–101) should make it easier to adjust the pay and grading of particular occupational classes whenever the need arises. To the extent that this is done, fewer groups will need to be dealt with by interim adjustments of ruling rates.

34. The relativity adjustments derived from the ruling rates survey are not however the only ones applied in the State Services. The Government Railways Act 1949 provides that every general order made by the Arbitration Court increasing or decreasing rates of remuneration shall be applied by the Government Railways Tribunal to all Railways employees, and since uniformity of rates is maintained among the State Services, the increases so granted to railwaymen are passed on to other State servants. On the face of it, this is an illogical procedure. Arbitration Court orders apply to *award* rates, and no employer need increase his pay rates if they are already above the newly fixed minimum. If the State Services apply the increase to their *actual* pay rates (which are based, in principle, on the rates actually ruling in outside employment), it is in theory possible that State wages could move ahead of those paid by outside employers. In practice, outside employers (however reluctantly) fairly rapidly pass on to most of their workers the amount of the Court order (or more) even where they are not under any legal obligation to do so. Therefore State employees are ahead only for a short time. Nevertheless, the situation is not wholly satisfactory. It is always possible that in a given case ruling rates in outside employment might rise by less than the amount of the general wage order. Moreover, under the present system, the State by its example directly encourages all employers to pass on in full an increase whose size has been determined with reference to award rates, not to actual rates.

35. It is clear that it would be unfair to State servants to abandon the present practice unless machinery were provided to keep their pay in fair relativity with that in outside employment after a general wage order has been issued. In this connection it should be noted

that, on other grounds, some witnesses (including the New Zealand Employers' Federation) have proposed that the ruling rates surveys should be conducted at fixed intervals, instead of at the Government's discretion. If these intervals were sufficiently short, they would enable the rise in ruling rates following a general wage order to be measured and applied to State servants' pay without undue delay. We recommend therefore that the legislation requiring any Tribunal to apply general wage orders to State servants be repealed, provided that ruling rates surveys be conducted at regular six-monthly intervals. Though the surveys should be carried out regularly and frequently, we do not propose that pay should be adjusted equally often; "levels of tolerance" should be determined which would allow outside rates to diverge from State rates, but as soon as a permissible margin had been exceeded, State pay should once more be brought into line. Permissible margins could vary among different levels of salary; an increase of  $\frac{1}{2}$ d. per hour might be applied to labourers' rates, but it would hardly be necessary to adjust engineers' salaries by the equivalent £4 a year.

36. In the preceding discussion we have suggested ways in which fact-finding machinery might be improved, the better to apply the principle of fair relativity to most of those State servants for whom outside comparisons can be made. One group, however, needs to be separately considered. We think it unlikely that a Pay Research Unit would be able to make adequate comparisons of the remuneration of Permanent Heads and similar highly placed officers with that received for work of like responsibility in outside employment. Nor do we consider the usual pattern of negotiation between employing authority and staff association to be appropriate at this level. Special machinery is therefore needed to determine the salaries of the most senior officers.

37. In the United Kingdom, a standing advisory committee (known as the "Coleraine" Committee) was set up, on the recommendation of the Priestley Commission, to inform the Government of desirable changes in the remuneration of higher civil servants. It consists of six distinguished citizens, and reports from time to time either at the request of the Government or on its own initiative. The Government retains the right to fix the salaries of higher civil servants, but we are informed that it has in practice adopted the principal recommendations of the Coleraine Committee. Witnesses from all sides were unanimous in maintaining that a similar committee should be established here, and we agree that that would be desirable. Its members should be of a high status, and should be so chosen that the committee collectively has a wide knowledge of the responsibilities attached to senior posts in outside employment. It should receive whatever relevant information any future Pay Research Unit may



collect, but would also need to collect much information independently and confidentially. As in the case of the Coleraine Committee, one or two of the members could properly have some personal experience of employment in the State Services, though serving officers should not be included.

38. The committee should be authorised to make recommendations on salary level and other conditions of service for any posts or grades the salaries for which are specifically appropriated by Parliament. At present this applies to all officers in the Administrative Division and to those receiving a salary above £2,800 a year. If, however, an Administrative Class is set up, as we have recommended (Ch. 6/54-71), we consider that Parliament should specifically appropriate the salaries for the higher posts and grades in that class and for similar posts in the Post Office and the Railways Department, leaving the employing authorities and the Tribunals to fix salaries (however high) in all other occupational classes. Thus the Coleraine-type committee we have in mind would be responsible for advising on higher administrative salaries only; furthermore, it should be free to confine its attention to a limited number of key positions should it so wish. (It is for the Government to decide whether it should advise on salaries over a wider field than the State Services alone.) Since the committee should have the right to report on its own initiative, as well as at the request of the Government, we think it unnecessary and undesirable that interim relativity adjustments made to salaries elsewhere in the Services should automatically be applied to the salaries within the committee's sphere of operation.

#### NEGOTIATING MACHINERY

39. At the present time, on single-service problems, each of the three employing authorities negotiates with its own staff association (or associations, in the case of Railways), using the various types of formal and informal machinery mentioned in the section of this report dealing with employer-employee relations. On problems common to the three State Services (such as the adjustments to be made following a ruling rates survey) the State Services Coordinating Committee, representing the employing authorities, negotiates with the Combined State Service Organisations, representing the staff associations.

40. The machinery has evolved to meet the needs of the situation, and it seems to do so reasonably well. Negotiation often results in agreement, and it is convenient therefore for the employing authority to have a statutory right to issue a "determination" which can embody an agreed solution, or can be subject to appeal in the event of disagreement. For many years the Director-General of the Post Office

has had such a power, and the Public Service Commission's powers in this respect were clarified and extended in 1955, but the General Manager of Railways lacks any such general authority. We recommend that the legislation be changed to bring his powers into line with those of the other employing authorities.

41. Treasury proposed a more radical change by which the State Services Coordinating Committee (somewhat modified) would be transformed into a State Services Commission, gaining in the process certain powers at present exercised by inter-service committees and by the employing authorities, including among the latter the right to make wage determinations. It felt that salary matters which *prima facie* were only of significance to a single Service might usefully be examined by such a Commission from an inter-service point of view. In our opinion such a change would in due course probably make the Commission the negotiator on behalf of all the employing authorities for all salary matters, whether inter-service or not, and thereby overburden it. Though the Treasury suggestion corresponds in certain respects with our own ideas, in this particular case we prefer to leave to the separate employing authorities the right to issue determinations.

42. It is likely that, if the proposals we have made for classification by occupation and for wage fixing by occupation are accepted, the emphasis in wage negotiations will shift from whole-service adjustments to occupational ones. This could require some modification in negotiating machinery – for instance, the development by both employers and employees of specialised inter-service machinery for dealing with occupations common to all three Services, such as accountancy. But we leave it to the good sense of the parties to make such changes as may prove necessary.

43. We hardly need to add that the State employing authorities negotiate not on their own behalf, but as agents for the Government, which determines the limits within which its agents may act. When a matter affects all of the State Services, the various staff associations join in the Combined State Service Organisations, and the various employing authorities in the State Services Coordinating Committee. To secure full coordination the Ministers in charge of the various Services, together with the Minister of Finance, join in the Cabinet Committee on Government Administration, which (subject to the control of Cabinet) determines these limits.

#### MACHINERY FOR DETERMINING DISPUTES

44. We have pointed out that, at present, salaries of officers in the Administrative Division and those in excess of £2,800 a year are appropriated annually by Parliament on the recommendation of the

Government. Our proposal for a "Coleraine" Committee, outlined in paragraph 37 above, leaves in the hands of the Government the power to fix higher administrative salaries. The following discussion of machinery for settling disputes does not apply therefore to those higher administrative salaries.

45. Disregarding the salaries appropriated by Parliament, the machinery for determining wage and salary disputes now falls into two parts within each of the three State Services. In each Service, the salary scale for the more senior officers is recommended by the employing authority and fixed by Order in Council; that is, it requires Government confirmation. Each Order in Council relates to a specific State Service, though in practice a uniform policy is worked out in the State Services Coordinating Committee, which acts as the agent of the Government in negotiating with the Combined State Service Organisations. In the Public Service and in the Railways Department there is no procedure for independent arbitration of disputes over salaries exceeding £1,530 a year; if the staff associations become dissatisfied with the course of the negotiations, they can do no more than make their representations directly to the Government. Higher salaries can be considered by the Post Office Staff Tribunal, a purely advisory body.

46. The method of fixing the wages and salaries of the less senior officers provides in all three Services for appeal to a Tribunal. There is a separate Tribunal for each of the State Services, though all three Tribunals have a common chairman. The Government Service Tribunal (for the Public Service) and the Government Railways Tribunal have power to fix salaries and wages up to £1,530 a year (though it was suggested to us that there may be some doubt whether the former has in law the power to prescribe scales for the Clerical and Professional Divisions). These two Tribunals operate under Acts which differ substantially. The latter for instance is bound to apply any general wage order of the Arbitration Court, while the former is not. The Post Office Staff Tribunal has no wage-fixing powers, but merely advises the Postmaster-General.

47. It is apparent that the various Tribunals have not been wholly satisfactory. They were established in order to remove State pay from the political arena, but in practice successive Governments have continued to find themselves deeply involved in wage disputes. Nor have the Tribunals satisfied the staff associations in all respects. We were informed that the Government Service Tribunal deals with very few contested cases, that for the most part it merely issues orders confirming agreements reached by negotiation, and that recently it has seldom met even for that purpose. The Amalgamated Society of Railway Servants declared: "We have argued many cases before the [Railways] Tribunal to such an extent now that we are very doubtful

of the actual worth of it as a body for fixing disputes, and we don't go there very often". And we were told that the Post Office Staff Tribunal has sat only three times since its formation 17 years ago. Moreover, the structure and powers of the Tribunals are such as to prevent them from being very effective. We have already noted that inter-service machinery has evolved to negotiate inter-service matters; the importance of the State Services Coordinating Committee and the Combined State Service Organisations is beyond question. But there is no Tribunal to arbitrate between the Committee and the Combined Organisations, so that in the event of a dispute the common chairman of the three Tribunals would have to attempt to arbitrate in three different disputes simultaneously, at the same time maintaining consistency among his various colleagues. Even single-service cases involving a particular occupational group are not readily handled if the higher salaries in the group extend beyond the limit of the Tribunal's jurisdiction (£1,530 a year for the Public Service and the Railways Department), since a Tribunal may be understandably reluctant to vary salaries below that figure without knowing what the appropriate authority is prepared to do for those above it. For these and other reasons the Tribunal system has not been a great success.

48. We might in passing dismiss the idea that any great improvement would be made by placing State servants within the jurisdiction of the Arbitration Court. Not only is there no support in the evidence for such a course, but, as previously noted, the Arbitration Court is concerned with fixing award (that is, minimum) rates, while a wage-fixing authority in the State Services is concerned with fixing actual rates. The two processes are quite different, and it would lead to confusion to expect one body to carry out both.

49. We were surprised, in view of the dissatisfaction expressed about its working, that the staff associations remain so emphatic that the Tribunal system should be retained. They agree that it is little used, and that most settlements are negotiated. But they suggest that such settlements are more readily made if there is a Tribunal in the background to which either party can appeal. However, an equally cogent case was made for the contrary proposition – that the existence of a Tribunal may make it more difficult to negotiate a settlement, since a party to a dispute may prefer to be over-ruled in arbitration proceedings than to concede a point in the preceding negotiations. The problem is not one that we think can be solved in general terms. The willingness or reluctance of the parties to reach a negotiated settlement depends on the history of their relationships with each other and on their experiences before the Tribunal concerned. In the present situation we suspect that one of the main reasons that the Tribunals are little used is that the staff associations have in fact an alternative and more satisfactory method of appeal, at least on issues

of general application. If they are dissatisfied in their negotiations with the employing authorities on such matters, they find it more useful to take their case to the Government than to a Tribunal. And successive Governments have been prepared to receive and consider the representations of the staff associations, rather than to direct that they present their case to the appropriate Tribunal. Experience suggests therefore that the disputes concerned are more amenable to a political than to a judicial resolution.

50. Is there then any reason to retain the Tribunal system? To answer this question one must consider whether in principle the Government should give to another authority the power to determine disputes over State pay, and whether in practice a judicial procedure for handling disputes is likely to prove any more useful than it has been in the past.

51. On the question of principle, it is argued on the one hand that the Government should be compelled, like any other employer, to submit to arbitration. However, the Government is not just an ordinary employer but the chief taxing authority, which is responsible to (and will be held responsible by) the voters for its actions. On the other hand, therefore, it is maintained that the Government must not surrender its control over expenditure on State pay (which must be met largely from taxation), otherwise it would have responsibility without power. We agree that final responsibility is inevitably borne by the Government, which must accordingly have the right to choose either to retain the power to fix State pay rates, or to delegate that power. But there are certain practical considerations which suggest that, in New Zealand at the present time, to delegate the power to a Tribunal would be the wiser course. First, authority to fix wages and salaries up to £1,530 a year (which absorb by far the greater part of pay expenditure) has already been delegated to the Government Service and Railways Tribunals. Second, compulsory arbitration is the traditional and generally accepted way of determining pay disputes in this country. Third, it is most important, as we have already stressed, that disputes over State pay should not become matters of party-political controversy; to prevent this, it is convenient not merely to lay down acceptable principles for fixing pay, but also to establish impartial authorities to interpret and apply those principles.

52. We believe that the Tribunals will have in future a useful and more active part to play if our proposals for classification and grading, and our principles for salary fixing, are accepted. We think that the Tribunal procedure will be found to be more appropriate than political negotiations in disputes affecting occupational classes, such as questions concerning the groups outside or within the State Services with which a given occupational class might properly be aligned. And there may be many cases of that kind.

53. If the Tribunals are to be more effective, however, the defects in their structure and powers will need to be remedied. The difficulty over the £1,530 salary limit, which impedes proper treatment of many occupational groups, could best be met by removing the limit. The "Order in Council" procedure for higher salaries should be abolished, and each employing authority given power to issue determinations covering the whole range of wages and salaries (apart from those which are appropriated by Parliament). The staff associations should have the right to appeal against any such determination to the appropriate Tribunal as well as the present right to initiate claims. According to our earlier proposal (par. 38 above) the only salaries to be specifically appropriated by Parliament would be higher administrative salaries and hence every other occupational group would fall entirely within the jurisdiction of the Tribunal.

54. The inability of the Tribunals to deal properly with inter-service problems is less easily remedied. Post Office and Railways staff associations wish to retain separate Tribunals for their own Services, and while this attitude may be based more on tradition than on substantial benefit, there are other arguments for the present system. In particular, there could be a considerable increase in the number of single-service occupational group cases if a serious attempt is made to discover and apply external comparisons and these could best be dealt with by single-service Tribunals. But it seems to us undeniable that, if there is to be a Tribunal system at all, it should be able to deal with such whole-service problems as the adjustments following a ruling rates survey, and with the problems of such occupational groups as exist in two or more of the State Services. Thus we recommend the establishment of an additional authority to deal with such problems, to be called the State Services Tribunal, and to consist of the chairman (who would also be chairman of the other Tribunals) together with one member chosen by the Government and one by the Combined State Service Organisations. These might, but (save for the chairman) need not, be members of an existing Tribunal. A Tribunal constituted to deal with single-service matters should have power to refer any case to the inter-service Tribunal, and any party recognised by a Tribunal should have the right to ask that any case be so referred.

55. We consider furthermore that there would be advantages in formally constituting the various Tribunals as one, to consist of the chairman and two other members, the latter varying according to the matter in dispute. Disregarding the procedure just proposed for inter-service cases, this would not change the present composition of any Tribunal (that is, the same people would hear the same type of case as they do now), but a single registrar and administration could service such a unified organisation and ensure that each of the

employing authorities and staff associations was kept informed of proceedings, wherever initiated, which might affect its interests. If the State Services Tribunal we have already recommended is established, then it would be merged into the one Tribunal which we now propose. If, however, a State Services Tribunal is not established, then the single-service Tribunals could still with advantage be constituted as one.

56. The staff associations were emphatic that, whenever possible, the chairman of each Tribunal should be selected by agreement between the employing authority and the staff association. Since there is, and should be, a common chairman for the several Tribunals this is difficult to arrange. We agree however that it is desirable that the chairman should be acceptable to both sides, and suggest that if a State Services Tribunal such as we suggest is established, the statute should provide for agreement where possible between the State Services Coordinating Committee and the Combined State Service Organisations, in a form similar to the provision in the Railways and Post Office Acts relating to the appointment of the chairmen of their Tribunals. Unless the various Tribunals are formally constituted as one, the other Acts should be amended to provide that the chairman of the State Services Tribunal shall be the chairman of each of the separate Service Tribunals.

57. The Act (or Acts) governing the Tribunal (or Tribunals) should require that regard be had, when fixing wages and salaries, to the principles set out in paragraph 24 above, instead of to the factors listed in the existing legislation. These principles should also guide the various employing authorities in issuing determinations. A similar approach has been adopted recently in Canada, in the Civil Service Act 1961 (s. 10 (2)). We appreciate that one effect of this recommendation would be to remove from consideration by the Tribunals such factors as changes in productivity or in the cost of living, and hence to deprive the employee association of the right to claim increases on such grounds. The Arbitration Court would continue to take those factors into account, influencing thereby the rates paid in outside employment by comparison with which State Service rates would be fixed. Indeed, we doubt whether our recommendation would alter the *de facto* position in this regard, since we understand that the Tribunals have preferred to leave such economic adjustments to the Arbitration Court. The staff associations have the right of access to the Court when general wage applications are being considered.

58. Apart from the changes proposed in the preceding paragraphs, the Tribunals should retain their present powers and functions, for example, to define occupational classes, to determine or make recommendations concerning conditions of service, and so forth. We have, however, already suggested (Ch. 6/100) that their discretion in

defining occupational classes should be limited by the rule that any occupational class for which a scale has been fixed by the employing authority becomes without further proof a class for the purposes of the Tribunal. This rule of procedure is not intended to prevent the Tribunal from deciding that a group not hitherto recognised as a class should be so recognised; nor from varying the composition of a class, however determined.

## OTHER MATTERS

59. It was often argued before us (by the Public Service Commission and the Treasury, among other witnesses) that the salaries and wages paid by local authorities should be controlled or coordinated in such a way as to prevent them from competing unfairly for Central Government staff. It is apparent that, in some occupations at least, the salaries and other conditions available are sufficiently attractive to induce an appreciable number of State servants to apply for and obtain positions in local government service. Whether this competition is fair or not, we cannot say; we were not called upon to investigate the merits of the salary scales in local body employment, but merely to take note of their effect upon the problem of retention in the State Services. Nor were spokesmen of local authorities called as witnesses to give evidence concerning their scales. We cannot therefore decide whether or not the Central Government should control or coordinate salaries in local government, nor (by our terms of reference) are we required to decide this question. It appears to us, however, that if our recommended machinery for pay research be introduced, it will soon become clear whether local authorities are paying salaries in excess of those paid by private employers, and the question of control can then be more usefully considered.

60. A similar question was raised about the salaries paid by Government agencies such as State corporations. This question does, however, lie within our terms of reference. We assert, as a general principle, that in the case of corporations wholly or substantially owned by the State and of agencies in which wages or salaries are paid wholly or predominantly from moneys voted by Parliament, the Government should retain power of control. The nature of this control, and the way in which it is exercised, are political matters in which the Government may properly exercise discretion. The older corporations, like the Bank of New Zealand and the Reserve Bank, have in practice been allowed considerable autonomy, but since the Government appoints their directors and has in addition statutory authority to issue directions to them, the machinery of control must be held to be adequate. Thus we did not consider it necessary to



investigate the manner in which the State corporations have used their salary-fixing powers, since it must be assumed that whenever they compete with the State Services for staff, they do so with the approval of the Government. Again, the introduction of pay research and of a Coleraine-type committee would enable the Government to exercise a more precise control, if it wished to do so.

## RECOMMENDATIONS

We recommend that :

- (104) Wage and salary rates in the State Services be fixed wherever possible according to the principle of fair relativity with the current remuneration of those doing broadly comparable work in outside employment subject to the definitions and adjustments detailed in paragraph 24.
- (105) Where no proper comparison with broadly comparable work in outside employment is possible, those wage and salary rates be fixed by comparison with such other group or groups within the State Services as may be deemed appropriate.
- (106) A Pay Research Unit be established in the Department of Statistics to conduct surveys designed to provide factual information on the salaries or wages and other conditions of service available in outside employment which is comparable with State Service employment, such information to be freely available both to the employing authorities and the staff associations of the State Services (par. 31).
- (107) Until such time as outside comparisons can be made for each occupational class often enough to eliminate the need for interim adjustments, such adjustments continue to be based on ruling rates surveys (par. 35).
- (108) Ruling rates surveys be conducted at regular six-monthly intervals; in which case the legislation requiring any Tribunal to apply general wage orders of the Arbitration Court to State servants should be repealed (par. 35).
- (109) A Committee of the type described in paragraph 37 be established to advise the Government on the salaries and other conditions of service of those officers whose salaries are specifically appropriated by Parliament (par. 37-8).

- (110) The salaries of higher officers in the proposed Administrative Class in the Public Service, and of similar officers in the Post Office and the Railways Department, be specifically appropriated by Parliament (par. 38).
- (111) Employing authorities be empowered to fix the salaries or wages and other conditions of service of officers in other occupational classes subject to a right of appeal to the appropriate Tribunal; the present £1,530 limit on the jurisdiction of the Government Service and Railways Tribunals to be abolished (par. 53).
- (112) A State Services Tribunal be established, to consist of a chairman (who shall be agreed upon by the State Services Coordinating Committee and the Combined State Service Organisations or, in default of agreement, shall be appointed by the Government) together with one member chosen by the Government and one by the Combined State Service Organisations; the chairman to be *ex officio* chairman of any Tribunal for a single Service (par. 56).
- (113) The State Services Tribunal be given power to hear and to determine disputes concerning salaries or wages and other conditions of service which directly affect more than one State Service (par. 54).
- (114) Any Tribunal constituted to deal with matters affecting a single State Service have power to refer any case to the State Services Tribunal, and a party recognised by any such Tribunal have the right to request that any case be so referred (par. 54).
- (115) Whether or not a State Services Tribunal is established consideration be given to constituting the various Tribunals in the State Services formally as one (to consist of the chairman and two other members) with the effect of preserving their existing composition in single-service cases (par. 55).
- (116) Any occupational class for which a scale has been fixed by the employing authority shall, without limiting the jurisdiction of the Tribunal to determine classes, be considered without further proof a class for the purposes of the Tribunal (par. 58).
- (117) Except as otherwise recommended, the existing Tribunals retain their present powers and functions (par. 58).

- (118) The employing authorities in making determinations, and the Tribunals in fixing wages or salaries and other conditions of service be required to pay regard to the principles set out in Recommendations 104 and 105 as amplified in paragraph 24 above, instead of to the factors listed in the present legislation (par. 57).

## *Chapter 8.* LEGISLATION

Item VI of our Warrant reads :

Any amendments that should be made in existing legislation to provide improvements in any of the aforesaid matters.

1. Our discussions have by this stage ranged over a very wide field, and we have, even yet, some further matters to consider. We have recommended the establishment of a State Services Commission; we have recommended the redistribution of a number of functions of different departments, involving even the demise of a department; and we have made a large number of recommendations in relation to a wide range of personnel problems, such as classification and grading, promotion, discipline, superannuation, appeal rights, and wage and salary fixation. These recommendations and those which will appear later must, if adopted, call for numerous alterations in existing legislation. They will certainly necessitate amendments to the following Acts :

The Public Service Act 1912 :

The Post Office Act 1959 :

The Government Railways Act 1949 :

The Superannuation Act 1956 :

The Government Service Tribunal Act 1948 :

The Transport Act 1949 :

The External Affairs Act 1943 :

The Scientific and Industrial Research Act 1952 :

The Public Works Act 1928 :

The Tourist and Health Resorts Control Act 1908 :

The Public Revenues Act 1953 :

Amendments may also be necessary to a number of other Acts, for example :

The Shipping and Seamen Act 1952 :

The Harbours Act 1950 :

The Boilers, Lifts, and Cranes Act 1950 :

The Fisheries Act 1908 :

The Waters Pollution Act 1953 :

The Customs Act 1913 :

The Land Act 1948 :

The Air Department Act 1937 :

The Civil Aviation Act 1948.

In addition, amendments will be needed to many of the regulations made under the various statutes.

2. We do not feel obliged to embark upon a detailed study of all this legislation and a consequent drafting of appropriate amendments, particularly as we believe that the Act most gravely affected by our recommendations, the Public Service Act, needs to be wholly redrawn and re-enacted. Over the years, amendments have been made to that Act without adequate regard to its original design, with the result that it is now shapeless and difficult to follow. Moreover, its language suffers badly from a want of precision. To redraft the Act and to fashion the numerous amendments to other legislation which our recommendations will call for is the task of a specialist, a Law Draftsman, and is, we think, best undertaken when the Government has indicated the extent to which it intends to adopt the various recommendations. Taking that view, we shall not discuss a number of minor amendments of a textual nature which the Public Service Commission thought desirable. The Commission can take them up with the Government.

## Chapter 9. GENERAL MATTERS

Item VII of our Warrant reads:

Any associated matters that may be deemed by you to be relevant to the general objects of the inquiry.

1. We have been able in preceding chapters to discuss most of the matters raised before us which were relevant to our inquiry and important enough to merit substantial discussion. There still remain some topics deserving mention which could not be conveniently or relevantly dealt with earlier under specific headings. We deal with them now, in this order:

- (a) Age of appointees:
- (b) Personnel selection and testing:
- (c) Annual classification lists:
- (d) Retiring leave:
- (e) Entertainment expenses:
- (f) Housing assistance to State servants on transfer:
- (g) Qualifications for professional and technical positions:
- (h) Government tender prices – publication:
- (i) Overseas staff.

### AGE OF APPOINTEES

2. Section 41 of the Public Service Act fixes a minimum age of 15 for the Clerical Division, and of 16 for the General Division, with a maximum entry age of 60 in both cases. The maximum entry age was 40 until it was raised to 60 in 1946. These limitations apply only to the permanent staff of the two Divisions. No general age limits are set by statute for the other Divisions. In the Railways Department and the Post Office, various minimum and maximum limits are prescribed by regulation for different occupational groups.

3. The Public Service Association proposed that the minimum age for all Divisions of the Public Service should be whatever school leaving age is prescribed from time to time. It also maintained that it was contrary to the public interest that appointments should be made at an age when it is impossible to make a career in the Service, but conceded that, when the number of career staff recruited was inadequate to fill all vacancies, older people should be engaged as temporary staff. It proposed a maximum entry age of 50 for permanent staff but commented:

It is not contended that there is any particular magic in the precise age of fifty. What the Association does contend, however, is, firstly, that the prescribed age must allow a reasonable *chance* of making a career and secondly, that only those who have such a chance should be appointed to the Permanent Staff.

4. Other witnesses did not question this proposition in principle but the Public Service Commission saw some difficulty in fixing a maximum age that would be appropriate to all occupational groups. Both the Association and the Commission conceded that the matter of minimum and maximum ages for particular occupations is one for administrative arrangement rather than legislation.

5. With this we agree. It is consistent with the occupational classification which we recommend. Indeed we think that the Public Service Act should be brought into line with the Post Office and Railways Acts by deleting the reference to minimum and maximum entry ages. If limitations are necessary they should be fixed having regard to the requirements of particular occupational classes. Clearly the minimum age for prison officers is likely to be higher than that for apprentices. An appointment as a school inspector is not the commencement of a career – it may well be its culmination. In such a case the fixing of a maximum entry age could be contrary both to the public interest and to that of the individual. New Zealand may need an eminent scientist for a position of vital importance. We cannot see that the public interest would be served by excluding him from permanent status because he is over 50 years of age, and if, as would be likely, he refused an offer of temporary status, the result could well be total exclusion.

6. In Chapter 6 we have made recommendations as to the matters which should be taken into account when appointments are being considered from outside the Services. Age will be one of the factors which affect relative suitability, and which will have a bearing on the public interest. But what effect and bearing it has will, no doubt, vary with the circumstances of the case. Only if the requirements of a particular occupational class clearly indicate that a specific limitation is needed, should one be fixed, and then administratively rather than by statute.

## RECOMMENDATIONS

We recommend that:

- (119) The provisions of the Public Service Act prescribing general minimum and maximum ages for appointment be repealed (par. 5).
- (120) Where age limitations are considered necessary for an occupational class, they be fixed administratively (par. 6).

## PERSONNEL SELECTION AND TESTING

7. In Chapter 6 we pointed to the need to extend the use of new techniques of testing—for instance, intelligence tests, aptitude tests, personality tests, and tests using case studies—to supplement the traditional written examinations as a means of selecting recruits. By doing so, not only could more accurate judgments be made whether a candidate will prove to be a satisfactory officer, but also he could be guided towards the type of occupation in which he is most likely to succeed.

8. However, the value of testing is not limited to the point of recruitment. It may have relevance whenever selection between officers is necessary, notably for purposes of training and of promotion.

9. Training can be expensive. The cost to the State of training each rural field cadet, for instance, is between £1,200 and £1,300. If the candidate fails at the end of his course, this expenditure is largely wasted. What is required, therefore, is a speedy and inexpensive method of distinguishing between applicants likely to succeed and those likely to fail. No such system of pre-selection is infallible, but it has been shown (in the case of rural field cadets, among others) that the chances of choosing successes and rejecting failures are increased if, in conjunction with interviews and other traditional selection techniques, specially devised tests are applied.

10. Testing may also be of value in selection for promotion. Too much should not be claimed for it, nor too much emphasis placed on it; the merit that is significant for promotion is merit in the job, not merit in passing tests. It has to be remembered, however, that merit in the job means suitability for the position to be filled, which is not identical with proficiency in the position currently occupied. To the extent that the position to be filled calls for qualities different from those which candidates have previously had an opportunity of showing, testing may prove a useful supplement. A type of test report likely to be of value in these circumstances is that based on



performance during training; the training process can indeed be used to test an officer's response to types of situation which he has not yet been called upon to face in the course of duty. Information from training officers about that response could be of value to a Promotion Board.

11. We are aware that tests must be specially designed to serve particular purposes; that highly qualified officers are needed to design them, and trained staff to apply them; and that results must be checked over lengthy periods before their value can be confidently assessed. We are also aware that some use is already being made of testing in selection for recruitment, for training courses and, exceptionally, for promotion. However, much less has been done than for instance in Australia and the United States. There is scope for the State Services Commission to investigate the wider use of testing in this country.

### RECOMMENDATION

We recommend that :

- (121) The State Services Commission investigate the wider use of testing in selection of officers at recruitment, for training, and for promotion (par. 7-11).

### ANNUAL CLASSIFICATION LIST

12. The Public Service Commission publishes annually a classification list of all permanent staff in the Public Service (including probationers). Staff are listed by department, and within each department by Division (or in some cases, Division and occupational group), and are further arranged within each Division or group by grades, in seniority order. The list gives each officer's date of birth, date of entry to the Public Service, grade and year of promotion into the grade, salary and the maximum salary for the position, and his relevant academic qualifications. The Post Office and the Railways Department issue similar annual lists.

13. Before 1951, section 28 of the Public Service Act 1912 required such a list to be promulgated as a supplement to the *New Zealand Gazette*. All subscribers to the *Gazette* received a copy of the classification list at no extra cost. In 1951, the section was repealed. Since then the list has been published as a supplement to the *Public Service Official Circular*, a limited number of copies still being available for sale to the public. One hundred and twenty-five copies of

the 1961 list were thus sold (at a price of £2 5s. each) out of the 1,272 copies printed. The total cost of production of approximately £1,700 was recouped by charges to departments, and by sales. (The Post Office and the Railways lists are not available to the public.)

14. It was contended in relation to the Public Service list that (i) because the list contains personal information, its sale to the public is resented by some officers (particularly scientific workers); (ii) it is expensive and unnecessary to print each year such a detailed list covering all classes of workers; (iii) the list takes a great deal of time to prepare and is often more than a year out of date when finally issued.

15. We are not in a position to assess the administrative value of such a published list. No doubt the matter it contains would in any case have to be recorded in the personnel records of departments or of the employing authority. However, to publish much of the present detail may well be unnecessary, especially as it is often out of date when published. We were given an example of what was said to be unnecessary listing of material. Fifty-eight pages are needed to list Health Department officers, most of whom are in the basic grade. The listing of dental nurses alone takes 13 pages. If our proposals for delegation of appointments in occupational classes peculiar to departments are adopted, there will be less need to publish these details in the classification list.

16. Some Australian employing authorities do not issue annual classification lists. They use other methods for such notifications as are necessary. Other methods were also used in New Zealand during the Second World War when printing of the list was suspended. As our recommendation for the elimination of seniority will, if approved, remove one of the reasons for detailed listing, it may be that some shorter form could be found if, indeed, listing is at all necessary. The British Imperial Calendar and Civil Service List offers an alternative arrangement that may be found useful. It lists officers within their relevant divisions and grades in alphabetical order, showing only names and the salary range for the grade. If this form of listing were adopted in New Zealand, many of the objections to the information being made available to the public would disappear.

17. As we have already said, we cannot judge whether it is administratively necessary to print and circulate a classification list; or if it is necessary, what detail must be included. But we think that whatever list is printed and circulated should be available to the public. This applies not only to the Public Service list, but also to the Post Office and the Railways Department lists. The public is entitled to know, if the information is accessible, how its servants are graded and paid, and the harmful effects of secrecy on public confidence may well outweigh any possible advantages.

## RECOMMENDATION

We recommend that :

- (122) (a) The employing authorities examine the need for annual classification lists, and if they are considered necessary, whether some of the present detail could with advantage be eliminated (par. 12-16) :
- (b) Whatever classification lists are issued, they be made available to the public (par. 17).

## RETIRING LEAVE

18. It was represented to us by employee associations that the existing retiring leave (183 days on completion of 40 years' service) should be extended to 12 months, and that officers should be entitled as of right to anticipate this leave by taking part of it earlier in the form of long service leave. The employing authorities, however, contended that retiring leave should be confined to the present 183 days, that it should be awarded only on completion of full service, and even then only at the employer's discretion.

19. The length of retiring leave, and whether it may be anticipated, are essentially conditions of service which should be settled in the usual way by negotiation between the employee associations and the employing authorities. Furthermore, leave benefits are included in the matters which should be taken into account when comparability in salaries is assessed (Ch. 7/13). We believe that we should not consider in isolation matters pertaining to the quantum of leave, retiring or otherwise, and therefore we make no recommendation in relation to them.

20. On the question whether retiring leave should be as of right or at the discretion of the employing authority, it appears to us that the practice of granting retiring leave at the end of service is, by now, so well established as to have become a matter of course. There should be no objection, therefore, to accepting the reality, and removing the discretionary character of retiring leave. Furthermore, if retiring leave were granted automatically it would fit better with the flexible retirement policies earlier recommended. It should never appear that an employer could refuse retiring leave so as to induce an employee to defer retirement beyond the point of eligibility. Any such possibility would be removed if the leave were available as of right, once the officer concerned had become eligible for retirement.

## RECOMMENDATION

We recommend that :

- (123) Retiring leave be made available as of right once an officer has become eligible for retirement (par. 18-20).

## ENTERTAINMENT EXPENSES

21. Commerce and industry commonly make provision for entertainment expenses. Similar provision for entertainment in the course of duty is seldom made in the State Services. As a result, a Permanent Head or senior officer is sometimes obliged to meet entertainment expenses out of his own pocket. The Public Service Commission favoured a system of refunds rather than specific personal allowances. It is sufficient for us to express our view that reasonable provision should be made for necessary entertainment expenses. The method to be adopted and the controls to be exercised must vary with the circumstances, and are purely administrative matters which do not call for a direction from us.

## RECOMMENDATION

We recommend that :

- (124) Provision be made for the payment of reasonable entertainment expenses incurred in the course of official duties (par. 21).

HOUSING ASSISTANCE TO STATE  
SERVANTS ON TRANSFER

22. We were told by the Public Service Commission that officers are often reluctant to apply for positions which would involve a transfer of location, because the margins between grades are such that the cost of changing homes is out of proportion to the increase in salary associated with the transfer. This statement was amply confirmed when we met officers in Auckland and Christchurch.

23. Some transfers are inevitable in a State Service. The reluctance of officers to transfer is intensified in a period of high property prices (as at present) to such an extent that many departments find it difficult to place the right man in the right position. The problem is most acute in Wellington, where property values are particularly high and where a concentration of departmental talent is required in head offices.

24. A number of departments provide departmental houses for some members of their staff where special circumstances (such as shift work or isolation) make this necessary. On 31 March 1961 there were just under 16,000 such departmental houses. The greatest numbers were: Railways (5,513), Education (for teachers, 2,156), Army (1,194), and Electricity (1,165). Comparatively few are in main centres.

25. There were also 1,387 houses in the Government "pool" provided in towns throughout New Zealand for officers on transfer. Some of these are allocated to the Education Service, the Armed Services, and the Police Force, as well as to the State Services. The pool house scheme has materially assisted in facilitating transfers of married officers.

26. Rental subsidies are frequently provided to help officers on transfer to meet high costs while seeking permanent accommodation. Soft furnishing allowances are also available. For officers who own their own homes a proportion of the legal expenses and stamp duty incurred on sale and purchase of homes is refunded, and a recent improvement is the preservation, in certain cases, of an officer's eligibility for a 3 per cent State Advances loan.

27. In spite of these and other forms of assistance, it is difficult, when salary margins are small, to persuade officers to transfer, particularly where this entails selling a home and buying another in a more expensive market. Broad-banding as proposed by us would reduce the number of transfers, and, because of wider margins, make transfer on promotion more attractive. But it will not solve all the problems.

28. We are reluctant to recommend forms of assistance which would give State servants marked advantages over other citizens. But it could well be that some additional assistance is called for as these transfers are necessary in the public interest. We think that in suitable cases the position might be met by granting supplementary loans (beyond existing lending limits if need be) with special suspensory and repayment provisions. We do not think that this would be inconsistent with what is done by some other employers in like circumstances. This possibility should be explored by the State Services Commission.

## RECOMMENDATION

We recommend that:

- (125) The State Services Commission investigate the desirability of supplementary housing loans being made to State servants on transfer to higher priced housing areas (par. 27-28).

## QUALIFICATIONS FOR PROFESSIONAL AND TECHNICAL POSITIONS

29. In Chapter 6 we discuss classification and grading, and promotion by merit. The relationship between these two topics raises some interesting and important problems, concerning which we received a number of submissions deserving of closer scrutiny than was possible in that chapter.

30. On the one hand, the Technicians' Certification Authority urged that there should be a salary scale and a promotion ladder for *qualified* technicians. This recently established authority is responsible for prescribing courses of study and training, and instituting examinations, to provide a recognised form of qualification for technicians of various kinds. From the national viewpoint this is a valuable development, and the authority naturally looks to such employers as the State Services to recognise its certificates when appointing and promoting staff and, by so doing, to give practical encouragement to youths to gain such certificates.

31. Equally, employing authorities and departments (some more than others) seek to recruit well qualified staff, and in some cases they have adjusted their salary scales and promotion systems to favour officers with particular qualifications. We have suggested that it is proper to impose appropriate entry qualifications for occupational classes, to fix qualification barriers in certain classes, to pay the better qualified recruit a higher starting salary, and in some circumstances to offer him a higher basic-grade maximum salary. However, the problems encountered in going further than this were explained by a number of witnesses in submissions relating to the Department of Agriculture.

32. We were told that until 1939 extension officers of the Agriculture Department formed a single group for purposes of classification. Since then they have been divided between the Professional and General Divisions. Those in the former Division are designated farm advisory officers, those in the latter, instructors in agriculture. In general, the farm advisory officers are graduates in science or agriculture, while the instructors hold the diploma in agriculture. In other words, there is a qualification barrier between them. The critics maintained that the instructors in agriculture are penalised in two ways. First, their grading depends not on the nature of their duties (which, they contended, are identical with those of farm advisory officers) but on their designation; they are paid less for doing the same work. Second, senior positions in the department are advertised as Professional Division appointments, hence the instructors are ineligible for them; their avenue of promotion is blocked.

33. A similar situation has developed since 1959 in the Horticulture Division of the department. Instructors in horticulture now find that senior positions are restricted to professional applicants, and that the gradings of officers with university degrees are higher than those with the relevant diplomas, even when both do the same work. They point out that when many of them entered the department after the Second World War, no New Zealand university offered a course leading to a degree in horticulture. Hence a number of officers undertook (at some personal sacrifice) the two-year course for a relevant diploma, which was the highest qualification then available.

34. The critics generally admit the desirability of raising the entry qualification from diploma to degree level as the number of graduates increases and makes this possible (though the Royal New Zealand Institute of Horticulture maintains that, for many purposes, its National Diploma, awarded after six years of practical work and study, is at least as useful as a university degree). Nevertheless, it is argued that, when doing so, care should be taken that the career opportunities for officers already within the Service are not arbitrarily curtailed. Thus the problem is essentially a transitional one as far as these groups are concerned. But that is not to say that, if neglected, the general problem will in due course disappear. The submissions of the Technicians' Certification Authority show, on the contrary, that it may recur whenever new qualifications are introduced; and in an era of increasing specialisation, this will be a frequent occurrence.

35. It was suggested that the problem would disappear if (as we have recommended) the system of divisional classification were abolished. But while its form would change, its essence would remain. It is not the labels "Professional" and "General" that are in question, but the differences in pay and promotion prospects between (for instance) farm advisory officers and instructors in agriculture. These differences might persist in a system of occupational classification. The problem must be tackled at a more fundamental level.

36. In our view, the solution lies in following, wherever possible, the principle of promotion by merit. It may well be that, in general, graduates are more suitable and efficient for such positions as horticultural superintendents or assistant superintendents than are non-graduates, but they should be capable of showing that superiority in competition for promotion. There should therefore be no need to fix a qualification-barrier between these grades and those of instructors in horticulture.

37. Two arguments were advanced to the contrary. First, it was suggested that it is necessary to offer graduates especially good promotion prospects to recruit enough of them. We repeat that it would be proper to offer them automatic progression to a higher salary, provided that the non-graduate can progress to that salary by showing sufficient merit. Beyond that point, they should compete for pro-

motion. In occupational classes to which no more non-graduates are being recruited, those already serving would hardly appear to represent unfair competition to the graduate, if his degree is in fact an indication of his greater suitability and efficiency. Second, reference was made to such occupations as engineering, architecture, medicine, and law, in which a qualification-barrier must be fixed between positions requiring, and those not requiring, a professional qualification. It is obvious that the State cannot run the risk of allowing an unqualified man, however competent, to design its bridges or prescribe medical treatment. However, in the case of these professions the difficult transition period is long past, and the safety factor is much more evident than it is in the case of agricultural instructors. The analogy seems to us of doubtful relevance.

38. The problem of disparity in gradings should, we think, be solved on similar lines. It was admitted that the work of farm advisory officers is the same as that of instructors in agriculture; but, in defence of different designations and grading, it was maintained that graduates generally do the work better. Nor is this an unsupported generalisation. It is based on a survey specifically designed to compare the performance of the two groups, and we do not question the result. The survey revealed, however, that while their average performance differed, there was an overlap between the groups – the best of the non-graduates were as good as the graduates. In these circumstances we consider that it is proper to maintain different designations and grades, but that the best of the non-graduates should be redesignated and placed in the higher grades. Again the guiding rule is promotion by merit, and what we suggest is analogous to passing a merit-barrier (Ch. 6/39).

39. Similarly, in providing career opportunities (as we hope they will) for technicians holding a certificate of the Technicians' Certification Authority, the employing authorities in the State Services should take care that the career opportunities of technicians already within the Services are not arbitrarily curtailed. The principles which should be observed are, in our view, sufficiently set out in the recommendations we have already made on classification and grading, and on promotion. Hence no specific recommendation is called for here.

#### GOVERNMENT TENDER PRICES : PUBLICATION

40. The practice of calling for tenders is widely used in Government business. For instance, most contracts for engineering works, and building and housing construction are let on tender. The Government also calls tenders for the supply of plant, equipment, stores, and services, and disposes of surplus items in the same way when auction is not appropriate.



41. We understand that in 1961 the Government reviewed the question of public notification of successful tenders. Following that review, the Prime Minister announced that in respect of construction works, and building and housing projects, it would be Government policy to publish the name of the successful tenderer and his price where the contract was for £10,000 or more. For contracts under £10,000, the name of the successful tenderer and his price would be disclosed to other tenderers on request. There is no publication in respect of supply or disposal contracts.

42. At least two witnesses contended that it is in the public interest that in all cases the name of the successful tenderer, the price, and the salient terms of the contract should be published. On the other hand, one professional association was against making such details public.

43. While secrecy is not generally conducive to efficiency, it was not demonstrated to us that the present practice hindered efficiency and economy in Government administration. We should be concerned with it only if that were established. As to other factors affecting the public interest, it seems that all the advantages and disadvantages have been brought to the Government's notice in recent years. It has made its decision. We do not consider it appropriate or useful to debate the issues further or to make a recommendation.

## OVERSEAS STAFF

44. Excluding those in New Zealand's island territories, 632 State servants are employed overseas, of whom 199 are seconded from New Zealand, and 433 are locally recruited at the point of employment. The Department of External Affairs has 444 employees overseas, Industries and Commerce has 86. Twelve other departments and the Armed Forces also have staff overseas.

45. The problems of ensuring fair and uniform treatment for staff of different departments at diverse posts overseas are not easy to overcome. Matters were improved in 1947 when the Government set up the Overseas Staff Committee to consider and make recommendations about the remuneration and other conditions of service of State servants employed abroad. This Committee, comprising the Chairman of the Public Service Commission, the Secretary to the Treasury, the Secretary of External Affairs, the Secretary of Industries and Commerce, and a representative of the Armed Forces has proved effective. We are confident that, of the problems brought before us which arise from the employment of staff overseas, those relating to conditions of service can be left to the Committee to solve, subject

to the guiding principles that the primacy of the State Services Commission in prescribing general conditions of service be accepted, and that a substantial measure of autonomy in applying them be left to the departments concerned (notably External Affairs). To the extent that the Department of External Affairs has taken the Public Service Regulations and the Public Service Manual as a basic guide for prescribing conditions of service overseas, as it has done in some cases, these principles are already observed.

46. Of the problems that remain, some arise from differing interpretations of the provisions of the External Affairs Act 1943 and of the Public Service Act 1912 regarding the appointment of staff. Despite the fact that the External Affairs Act expressly stipulates (s. 10) that the Public Service Act is not to apply to overseas representatives of the Department of External Affairs or to officers appointed to assist them, the Public Service Commission believes that the Public Service Act does in fact apply (concurrently with the External Affairs Act) to all *non-diplomatic* staff; and that may be so. The problem affects both officers seconded from New Zealand, and those locally recruited. As matters stand, locally recruited staff may be appointed under either Act: where an External Affairs officer is in control, they are in practice appointed under the External Affairs Act, while if a Public Service or military officer is in control, the Public Service Act is used. The Public Service Commission considers that there is little logic in the situation; the Department of External Affairs maintains that its results are satisfactory.

47. Provided that conditions of service are the same no matter which Act is used, the problem does not seem to be one of major importance. Doubts about the interpretation of the relevant Acts might well be removed, however, when the legislation is reviewed, to avoid possible future confusion. In doing so, it should be remembered that we have proposed that the State Services Commission should delegate to some departments the right to make appointments and promotions in certain occupational classes. It may be that the Department of External Affairs could enjoy all the freedom of action it needs, and avoid the delays and inflexibility it fears, by appointing its officers under such delegated authority instead of under the External Affairs Act.

48. In one respect, however, there may be doubt whether conditions of service are identical under the two Acts, since under the External Affairs Act there is no right of appeal against appointments or promotions. External Affairs officers while in New Zealand are subject to the provisions of the Public Service Act. When they are seconded overseas, they are granted leave without pay from the Public Service, and are employed under the External Affairs Act. But even then they continue to be listed in the Public Service Classi-

fication List, their gradings are reviewed each year to ensure that they are kept in relativity with officers serving in New Zealand, and it seems that rights of appeal against any promotion thus received will in fact be recognised though they may not be fully effective. Similarly, an External Affairs officer overseas has a right of appeal against a promotion under the Public Service Act in New Zealand, but this right too may not be fully effective. This situation might well be examined when the legislation is reviewed. As we have noted elsewhere (Ch. 6/290), if the purpose of exempting officers from the Public Service Act is to remove them from its appeal provisions, it would be of some advantage both to them and to the Service to bring them back under the Act, and to provide in that Act for any necessary exemptions from or variations in the normal right of appeal, and indeed for any other special conditions needed for External Affairs staff. This, too, might be borne in mind when the legislation is reviewed.

49. The Public Service Commission observed that, in contrast with the situation in the British and Australian Public Services, no regular system of inspection from New Zealand has operated in overseas posts, and suggested that such a system should be introduced. The Department of External Affairs did not dispute the need for regular inspections, but maintained that if there was to be real benefit, one of its own officers should always be included in the inspection team. Though the question of responsibility for efficiency and economy in overseas posts was not specifically argued before us, it must be resolved if the submissions on inspection are to be properly treated. In our view, the department responsible for a particular overseas post is primarily responsible for maintaining efficiency and economy in that post and should make periodic inspections. However, the State Services Commission, too, must have a power of inspection, to satisfy itself that satisfactory standards are in fact being maintained and to enable it to make appropriate reports to the Prime Minister. To what extent the State Services Commission should rely on the departmental inspection reports, and whether an External Affairs officer should be included in the Commission's inspecting teams, will be matters for it to decide.

50. A more fundamental question, however, was raised – whether the present method of staffing and organising overseas posts results in the most effective representation at the least possible cost. The problems with which overseas representatives have to deal, whether they are political, economic, or of trade promotion, are not self-contained; they are interwoven to create one issue which in some cases may well be vital to New Zealand. In such circumstances, as the Secretary for External Affairs said, “No country can afford to speak to the outside world with several voices.”

51. It is obvious that where several different departments have representatives in the same place, some of them appointed by one authority and some by another, and each reporting to and receiving instructions from his own head office in Wellington, there is a very real problem in achieving the necessary degree of coordination. A number of suggestions for solving this problem were made to us. One was that there should be a single corps of overseas representatives, under the control of the External Affairs Department. Another was that all overseas representatives should be primarily responsible to the Head of Mission to which they are attached. Other witnesses thought that the essential conditions could only be achieved by ensuring that the various departmental policies are fully coordinated in New Zealand, presumably by Cabinet.

52. We appreciate the importance of this matter. We heard some evidence on it, and we took note of the practice of some other countries. But we are not sufficiently informed to recommend any radical change, and indeed we believe that a formal inquiry is not the most appropriate for the fuller examination needed before such a change is made. Moreover, if the New Zealand system is imperfect we are unable to say that any other system is perfect; a recent press statement discloses that a further change is being made in the American system in an effort to achieve more effective coordination in that country's overseas representation.

53. Within the New Zealand system as it now exists, however, there seems to be room for improvement. The Head of Mission must be in a position to ensure that the policy laid down by his Government is carried out by all New Zealand officers in the country to which he is accredited and that the actions of the various departmental representatives are consistent with that policy. To do this he must at least know what is being done and what is contemplated, and have sufficient authority to intervene where necessary. We do not think that this need conflict unduly with the responsibilities of the several representatives to their own departments. As we see it, the immediate need is for a more precise definition of the relationship of departmental overseas representatives to their Head of Mission.

54. For the future, a development which seems to us likely to suit the needs of New Zealand is an extension of the practice of seconding the overseas representatives of other departments to the External Affairs Department for the duration of each overseas term. This is the practice now followed by the Treasury. Such a development might make more urgent the review of the possibility, mentioned in paragraph 47, of making External Affairs appointments under a revised Public Service Act. We think that secondment could go far to solve the problems of coordination; it would enable the fullest use

to be made of all officers; and provided that seconded officers could report directly to their parent departments as well as to their adoptive one, we see no real prejudice to the interests of the parent departments or to the interests of the officers themselves.

## RECOMMENDATIONS

We recommend that :

- (126) The Overseas Staff Committee continue to coordinate conditions of service overseas, subject to the guiding principles that the primacy of the State Services Commission in prescribing general conditions of service be accepted, and that a substantial measure of autonomy in applying them be left to the departments in charge of overseas posts (par. 45).
- (127) When the Public Service Act and the External Affairs Act are reviewed, attention be paid to clarifying their provisions governing the power of appointment, and that to that end the possibility of conferring on the External Affairs Department all necessary powers, and providing all necessary exemptions, under a revised Public Service Act be considered (par. 47-48).
- (128) The department responsible for an overseas post be recognised to be primarily responsible for maintaining efficiency and economy in that post, but the State Services Commission have full authority to inspect and report on it (par. 49).
- (129) The relationship of Heads of Mission overseas to the representatives of the several departments be more precisely defined so as to ensure the ability of the former to carry out their responsibility to the Government, while preserving the legitimate interests of the departments represented (par. 50-53).
- (130) The State Services Commission examine the desirability of securing closer coordination in overseas representation, whether by extending the practice of secondment to the External Affairs Department or otherwise (par. 52, 54).

## Chapter 10. CONCLUSION

The general part of our Warrant requires us :

. . . to receive representations upon, inquire into, investigate, and report upon the organisation, staffing, and methods of control and operation of Departments of State and, to the extent that [we] may consider necessary or desirable, of agencies of the Executive Government of New Zealand, and to recommend such changes therein as will best promote efficiency, economy, and improved service in the discharge of public business, having regard to the desirability of ensuring that the Government service is adequately staffed, trained, and equipped to carry out its functions. . . .

1. In Chapter 2 we explained the interpretation which we place upon our Warrant. In the light of that interpretation we consider that by examining the specific topics listed in the Warrant, as we have done in the preceding chapters, we have at the same time fulfilled the requirements of this general part of the Warrant. We shall therefore bring the report to a conclusion.

2. It is perhaps necessary to point out that, though we are called upon to recommend changes to promote efficiency, we are not called upon to record a verdict on the overall efficiency of the State Services. It would consequently be improper for us to express such a judgment, particularly as the evidence brought before us was not directed to that end. It may properly be inferred from the detail of our discussion that in some respects we find parts of those Services to be efficient, while in other respects we find parts to be less so. Such judgments are, however, incidental to our purpose, which is to seek improvements. Certainly we have not attempted to assess the efficiency of every part of each State Service. To do so must be the continuing task of the whole machinery of inspection and control which we have previously described; the terms of our Warrant recognise implicitly that it is not a task to be undertaken by a transient Royal Commission.

3. It is true that by means of a widely publicised invitation we sought evidence (to be taken, if need be, in private) of specific cases of inefficiency in the State Services. Our purpose in doing so was not, however, to enable us to pass an overall judgment, nor yet to redress individual grievances (though in most cases we investigated the particular complaints submitted). Instead we were concerned to identify points of weakness, the better to propose remedies. Unfortunately the response to our invitation was small.

4. If some are disappointed that we do not announce in general terms that the State Services are or are not efficient, others will doubtless be equally disappointed that we bring forward no proposal for a drastic and immediate reduction in the number of State servants or in the cost of government. As we have pointed out, efficiency can be increased and economy attained in many different ways – by improvements in organisation, in control, and management services, in mechanisation, and in personnel policies and practices. But all the evidence suggests that there is only one way to secure a sudden and dramatic decrease in numbers and expense; by reducing existing services. Our concern has been with the efficiency with which those services are provided. Whether they are to be provided at all is a political question which it is no part of our duty to answer; but this decision is the most important single factor in determining the size and cost of government. It is apparent that there has been a strong tendency for Central Governments to accept additional responsibilities and to provide additional services, with the inevitable result that State Services have been expanded and that State servants have been entrusted with greater responsibilities and powers. It is the more important therefore that the State Services should be kept efficient and fully responsive to the Government.

5. To that end the central theme of this report has been the need for a State Services Commission – to review on behalf of the Government, in detail and in a continuing way, those matters which we have been reviewing in general and in a brief space of time. Would the establishment of such an authority remove the need for future Royal Commissions on the State Services? We think not. On the contrary, we believe that there would be value in holding an inquiry such as our own at regular, though not frequent, intervals. However efficient an organisation, it can benefit from an independent appraisal. It is important that such reviews should be at regular intervals; for otherwise the proposal to hold one may create the impression that alarming deficiencies exist, and arouse disquiet. The period of 50 years which separates us from the Hunt Commission seems excessively long. An interval of 15 or 20 years would be more appropriate.

6. In suggesting that future Royal Commissions would be worth while we must point out that, whatever the value of this report, the inquiry itself served a useful purpose. It acted as a catalyst. The very existence of this Royal Commission has led, and will lead, to changes, regardless of what action is taken on our recommendations. It induced State servants to formulate in submissions ideas which had previously been dormant; to define an approach to issues on which no firm stand had hitherto been taken;

above all, to raise their eyes from immediate duties to survey past trends and future possibilities. In all these ways it proved a stimulus to thought and self-examination, the consequences of which are already becoming apparent, and could increasingly become so in the future.

7. To that extent we can take some satisfaction from our task. But it would be wrong to conceal our belief that if nothing else is done, this forward momentum will not long persist. We have stressed the Government's responsibility for the efficiency of the State Services, and for giving the leadership which that efficiency demands. We trust that this report and our recommendations will aid the Government in discharging that dual responsibility.



## LIST OF RECOMMENDATIONS

The following is a list of the recommendations we make in the course of our report, grouped under the relevant items of our Warrant.

### *Chapter 3. MACHINERY OF GOVERNMENT*

Item I of our Warrant reads:

Any improvements that should be made in the machinery of Government, in relation to the organisation, coordination and control of Departments of State and Government agencies.

#### C A B I N E T

- (1) Responsibility for overall efficiency and economy of government administration be accepted by the Prime Minister (Ch. 3, par. 5).
- (2) In the allocation of portfolios and Ministerial offices due regard be had to the administrative desirability of entrusting departments with related functions to the one Minister (Ch. 3, par. 6-14).
- (3) Portfolios and Ministerial offices be allocated so that, as far as possible, each Permanent Head is responsible to only one Minister (Ch. 3, par. 14).
- (4) Whenever matters affecting the overall efficiency of the State Services come before Cabinet or its committees, the opinion of the State Services Commissioner (proposed in Recommendation 8 (a) as the Government's chief adviser on questions of government administration) be sought (Ch. 3, par. 22).
- (5) The Cabinet Secretariat be strengthened for the role suggested in Chapter 3, paragraphs 28-29.

#### C O N T R O L   A U T H O R I T I E S

##### THE PUBLIC SERVICE COMMISSION

- (6) The Public Service Commission be replaced by a State Services Commission consisting of a State Services Commissioner and two or more Deputy Commissioners (some of whom could with advantage be drawn from outside the State Services and from technical or professional backgrounds) to be appointed by the Governor-General, the Commissioner for an indefinite term and each deputy for a stated term (Ch. 3, par. 43-55).
- (7) Within the Commission, the right of final decision rest in the State Services Commissioner (Ch. 3, par. 53).

- (8) The State Services Commission have wider responsibilities than the Public Service Commission now has. Those wider responsibilities are described in detail in Chapter 3, paragraphs 60 to 77, and are to include:
  - (a) A responsibility in the State Services Commissioner to act as the chief adviser to the Government on all matters bearing on the overall efficiency and economy of the State Services; and
  - (b) A responsibility in the Commission for reviewing and reporting to the Prime Minister on general administrative efficiency and economy in the State Services including the Post Office, the Railways Department, the Legislative Department, and such Government agencies as it is directed to investigate.
- (9) The State Services Commission be constituted a Department of State responsible to the Prime Minister, but that as the employing authority for the Public Service it be given statutory independence in matters relating to individual officers, such as appointments, promotions (except those to permanent head positions), transfers, grading, classification and discipline (Ch. 3, par. 46-51).
- (10) In salary and status the State Services Commissioner be superior to any other State servant, his deputies to have salary and status equal to those of a Permanent Head (Ch. 3, par. 54).
- (11) Committees consisting of senior State servants and leading citizens who are not State servants be used whenever possible to advise the Commission on such matters as allocation of functions, coordination among departments and others referred to it by the Government (Ch. 3, par. 57-58).

#### THE TREASURY

- (12) Consideration be given to further delegation of financial authority to Ministers and Permanent Heads (Ch. 3, par. 109-124), such further delegation to be based on the principles stated in Chapter 3, paragraph 122.
- (13) The ability of departments to exercise adequate control of financial expenditure be fostered and improved along the lines suggested in Chapter 3, paragraphs 118-124.
- (14) Every effort be made by the Treasury and by departments to develop and extend the techniques of programming expenditure on the basis of surveys or forecasts both of the anticipated needs for such expenditure, and of the prospective resources (Ch. 3, par. 125-139).

- (15) Consideration be given to providing for post-expenditure review of the financial operations of departments by a Select Committee of Parliament, to strengthen Parliament's control of finance and to ensure higher standards of financial responsibility in departments (Ch. 3, par. 140-145).

#### THE MINISTRY OF WORKS

- (16) The role of the Ministry of Works as a control department be re-examined to ensure that it is in accordance with the Government's requirements.
- (17) In this examination, particular attention be given to:
- (a) Distinguishing the Ministry's responsibility to advise on the priorities of State works having regard to the available resources, from the general responsibility of the Treasury to advise on priorities of State expenditure (Ch. 3, par. 150-159).
  - (b) Defining more clearly the Ministry's responsibility for investigating proposed schemes of construction so that due regard may be paid to the proper purposes of such investigation; to the professional competence and reliability of consultants and contractors; and to the degree of confidence which can and should be reposed in departments (Ch. 3, par. 160-168).
- (18) The State Services Commission ensure that controls imposed in respect of State works are not operated to the detriment of efficiency in the State Services (Ch. 3, par. 173).

#### THE DEPARTMENTS OF STATE

- (19) The responsible character of the role of Permanent Heads in the machinery of government be reinforced by:
- (a) Repealing regulation 31 of the Public Service Regulations 1950 and replacing it by a statutory provision stating that a Permanent Head's responsibility for the efficiency and economy of his department shall be to his Minister and, at the same time, imposing an obligation on all Permanent Heads (including those of the Post Office, the Railways, and the Legislative Departments) to supply such reports and information as the State Services Commission may require and to make their departments constantly available for inspection by the Commission (Ch. 3, par. 180).
  - (b) Delegating to Permanent Heads greater authority in matters which come within the scope of control departments thereby matching responsibility with authority (Ch. 3, par. 179).

- (c) Establishing systems of control which enable the control departments to rely on periodic checks, thereby encouraging initiative within departments (Ch. 3, par. 179).
- (20) Along with this increased authority, Permanent Heads accept a more lively personal responsibility for efficiency, and, in the event of their failing to measure up to the requirements of their position be transferred to other duties (Ch. 3, par. 181).
- (21) Permanent Heads regularly review the operations and functions of their departments and supply reports to the State Services Commission to aid its continual review of the machinery of government (Ch. 3, par. 182).
- (22) The State Services Commission establish permanent machinery to review regularly the need for, and composition of, boards and committees (Ch. 3, par. 187).

#### *Chapter 4.* DISTRIBUTION OF FUNCTIONS

Item II of our Warrant reads:

Any major functions that should be redistributed among Departments and Government agencies, or that should be transferred to or from any new or existing agency or body.

#### TRANSPORT

- (23) The machinery for coordination of transport should be improved to advise the Government on general transport policy, on public investment in transport facilities, on fiscal and expenditure policy affecting the fairness of competition among different forms of transport, and on such other policies as may continue to be necessary for regulating competition (in charges or otherwise) among different forms of transport. And to achieve this improvement, that:
- (a) One Minister hold all transport portfolios, and be Chairman of the National Roads Board (Ch. 4, par. 36):
- (b) The Cabinet Committee on Transport continue in existence (Ch. 4, par. 36):
- (c) A Transport Commission be established in terms of Chapter 4, paragraph 44, above, chaired by a Chief Commissioner of Transport, and aided by advisory councils comprising transport operators and users (Ch. 4, par. 51):
- (d) A new Department of Transport be established (with the Chief Commissioner of Transport as Permanent Head) comprising three divisions formed from the present Transport Department, part of present Marine Department, and a servicing division (Ch. 4, par. 45).

- (24) The Civil Aviation Administration (with the Meteorological Service) be detached from the Air Department and made an independent department serviced administratively by Air Department until it is economical and convenient for the new Transport Department to take over this servicing (Ch. 4, par. 47).
- (25) Major roading proposals be subject to the oversight of the Transport Commission and the Cabinet Committee on Transport (Ch. 4, par. 48).

#### M A R I N E

- (26) The Marine Department be abolished and its main functions distributed among the Marine Division of the proposed Department of Transport, the Health Department, the Department of External Affairs, and the Department of Labour, in the manner mentioned in Chapter 4, paragraphs 55-63.
- (27) The future location of the Department's various functions in relation to sea- and freshwater-fishing be the subject of investigation and report by the State Services Commission (Ch. 4, par. 60-62).

#### T R A D E

- (28) Early consideration be given by the Government to the issues raised in Chapter 4, paragraphs 70-82, to determine whether the Overseas Trade Division is to remain within the Department of Industries and Commerce.
- (29) In the event that it be decided to detach the Overseas Trade Division from the Department of Industries and Commerce, a new Department of Trade and Customs be established, as outlined in Chapter 4, paragraphs 87-90.

#### D E F E N C E

- (30) The Cabinet Committee on Defence be retained (preferably with the Prime Minister as chairman) supported by an Officials Committee chaired by a Secretary of Defence and including among its members the Secretary to the Treasury, the Secretary of External Affairs, and the Chiefs of Staff of the Armed Services. The Officials Committee should investigate, examine, and report upon such matters as may be referred to it by the Cabinet Committee on Defence (Ch. 4, par. 95-99).
- (31) The Chiefs of Staff Committee be retained with the right of direct access to the Minister of Defence (and, where necessary, to the Prime Minister) to express a military judgment on all defence proposals (Ch. 4, par. 100).

- (32) A small Department of Defence be established under a Secretary of Defence to:
- (a) Advise the Minister of Defence on defence commitments, the broad programme of defence expenditure for the present and the immediate future, and the allocation of defence funds among the three Services:
  - (b) Advise the Minister on matters of joint-Service activities, integration, and conditions of service in the Armed Forces:
  - (c) Provide staff and facilities for joint-Service activities, especially to serve the Chiefs-of-Staff Committee and any committees attached to it (Ch. 4, par. 103).
- (33) The possibility of integrating some of the activities either of the Armed Forces or of the civilian staffs should be kept under constant study by the Minister of Defence advised by the Service Boards and the Secretary of Defence (Ch. 4, par. 106).

#### SCIENTIFIC RESEARCH

- (34) The present Council of Scientific and Industrial Research be replaced by a National Research Council with the membership described in Chapter 4, paragraph 123, to advise the Government on the needs, planning, and coordination of national research (Ch. 4, par. 123–126).
- (35) The Government consider the advisability of appointing a Minister of Science, who would also be the Minister in Charge of the Department of Scientific and Industrial Research, and a Cabinet Research Committee which would include the Ministers of Science, Finance, Agriculture, and Industries and Commerce and which would deal with the financial provision for a national research programme (Ch. 4, par. 123).
- (36) The National Research Council be empowered to accept and disburse bequests for scientific work (Ch. 4, par. 126).
- (37) The State Services Commission be instructed to investigate at the appropriate time (preferably with the help of a select expert committee) (a) whether research should remain distributed among many departments of State, or whether it should be the responsibility of a single agency; (b) if a single agency, whether this should be a department or a statutory corporation (Ch. 4, par. 135–137).

#### VALUATION

- (38) The Department of Lands and Survey and the State Advances Corporation retain their rural valuation work and staff if they wish to do so (Ch. 4, par. 145).

- (39) All Crown urban valuation work be done by the Valuation Department and that appropriate transfers of valuation staff from the State Advances Corporation to the Valuation Department be made (Ch. 4, par. 146-147).

#### NATIONAL LIBRARY

- (40) A National Library be created and a National Librarian be appointed along with an advisory council to organise and control the library (Ch. 4, par. 150).
- (41) For administrative convenience the library be associated with the Department of Education, but the National Librarian have the degree of autonomy stated in paragraph 153 and the status of a Permanent Head (Ch. 4, par. 154).

#### TOURISM

- (42) The Tourist and Publicity Department be retained and strengthened by the appointment of an Executive Board within the Department, with the Minister as chairman and members drawn substantially from outside the State Services, and including representatives from various branches of the tourist industry (Ch. 4, par. 172).
- (43) The Board, when appointed, dispose of the department's incidental functions and concentrate on the central functions of promoting New Zealand's attractions abroad and developing tourist facilities in New Zealand (Ch. 4, par. 174).
- (44) The Publicity Division be retained within the Department, but not under the control of the Board, and the question of relocating it be kept under review by the State Services Commission (Ch. 4, par. 175-178).

#### WORKS

- (45) In addition to the re-examination of the Ministry's control functions mentioned in Recommendations 16 and 17 and in furtherance of the responsibility for keeping the efficiency of the State Services under review, the State Services Commission from time to time invite suitable experts from overseas to assist it in conducting investigations into the structure, the operations and the overall efficiency of the Ministry of Works (Ch. 4, par. 212-216).

- (46) In any review of the Ministry's operations, the State Services Commission have regard to the balance between the construction the Ministry undertakes, and that undertaken by private firms and other departments of State (Ch. 4, par. 214).

### SOCIAL WELFARE WORK

- (47) The State Services Commission be represented on the Social Welfare Advisory Board, and that its representative be appointed chairman of the Board (Ch. 4, par. 219).

### OTHER PROPOSALS

- (48) The State Services Commission further investigate the following matters:

(a) The better coordination of work concerning the registration of aliens (Ch. 4, par. 221):

(b) (i) The suggested centralisation of the legal business of the State Services (with certain exceptions) in the Crown Law Office; and

(ii) Whether any additional rules can or need be formulated to assist departments in determining when (and what) legal advice should be sought (Ch. 4, par. 222-226):

(c) The better coordination of State fire services (Ch. 4, par. 228):

(d) The development of regional administration within the Health Department, and the possible transfer of certain activities to hospital boards (Ch. 4, par. 229-230):

(e) The better coordination of the activities of the Lands and Survey Department, the catchment boards, and the soil conservation councils, in respect of high-country leases (Ch. 4, par. 231-234):

(f) The means, whether by relocation or otherwise, whereby the Standards Council may be enabled to perform more effectively its statutory duties (Ch. 4, par. 235-240):

(g) The coordination of departmental proposals affecting local government through the Internal Affairs Department (if the Government does not decide to adopt the recommendations of the Select Committee on Local Government (Ch. 4, par. 241-244):

(h) The transfer of civilian staff in the Police Department to the Commissioner of Police (Ch. 4, par. 245-247):



- (i) The better coordination of industrial safety services (Ch. 4, par. 248-249) :
  - (j) The use of the Town and Country Planning Branch of the Ministry of Works by other departments, and whether its location and status should be changed (Ch. 4, par. 250-252) :
  - (k) The coordination and possible amalgamation of wildlife administration (Ch. 4, par. 253-256).
- (49) The State Services Commission and the Post Office keep under review the probable eventual separation of the telecommunications and related work from the Post Office (Ch. 4, par 257-260).

### *Chapter 5. METHODS FOR IMPROVING EFFICIENCY*

Item III of our Warrant reads:

Any methods by which efficiency is ensured, and any methods by which the quality or quantity of work might be improved.

- (50) Employing authorities and Permanent Heads place increased emphasis on the selection and training of leaders and on reviewing the quality of leadership throughout the State Services (Ch. 5, par. 4-6).
- (51) The responsibility for staff establishments in the Public Service be entrusted to the State Services Commission (Ch. 5, par. 8).
- (52) The State Services Commission pay special attention to the control of technical establishments but place greater reliance on Permanent Heads' control of clerical establishments (Ch. 5, par. 9).
- (53) Greater attention be paid to the inspection of technical activities, and departments be required to send their technical inspection reports to the State Services Commission (Ch. 5, par. 11).
- (54) In its own technical inspections, the State Services Commission use where necessary the services of qualified men from outside the Services, even from overseas (Ch. 5, par. 12).
- (55) The State Services Commission regard the promotion of management services as one of its main activities, and in particular:
  - (a) Ensure that adequate numbers of capable officers are engaged in this work (Ch. 5, par. 17) :
  - (b) Pay special attention to developing the techniques of work study, statistical analysis, and operational research (Ch. 5, par. 18-25).

- (56) The State Services Commission consider whether more liberal awards should be granted to officers who have made suggestions which are adopted (Ch. 5, par. 26).
- (57) In recognition of the importance of the wider implications of the introduction of electronic office equipment, the State Services Commission take over the relevant activities of the Treasury Accounting Methods and Machines Bureau (Ch. 5, par. 29).
- (58) The State Services Commission ensure that a vigorous policy of decentralisation and delegation is pursued in departments, and itself give a strong lead (Ch. 5, par. 30-32).
- (59) A positive approach to public relations be encouraged, to keep the public informed and to raise the prestige of the State Services (Ch. 5, par. 33-39).

## *Chapter 6. PERSONNEL POLICIES*

Item IV of our Warrant reads:

. . . any changes in policies relating to personnel that would promote an improved standard of public administration, especially in relation to:

- (a) The recruitment of staff:
- (b) The retention of staff:
- (c) The promotion of staff:
- (d) Rights of appeal:
- (e) The retirement of staff:
- (f) Classification and grading:
- (g) Training:
- (h) Discipline:
- (i) Relations between employer and employee:
- (j) Superannuation, so far as it affects the recruitment, retention, and retirement of staff:
- (k) Physical working conditions.

### CLASSIFICATION AND GRADING

- (60) The present divisional classification of the Public Service be abandoned and the Public Service be classified into occupational classes (Ch. 6, par. 25-28).
- (61) The present system of common grading scales in the Public Service be abandoned, and salary ranges, grades, incremental patterns, and other conditions of service be determined according to the particular needs of the individual occupational classes and on the lines of the principles we state in Chapter 6, paragraphs 29-50.

- (62) There be in the Public Service a general schedule of common salary steps (and such supplementary schedules as may be required) which can be used in the construction of scales for occupational classes (Ch. 6, par. 51-53).
- (63) An Administrative Class be formed in the Public Service (Ch. 6, par. 54-71).
- (64) After classification by occupational class has been applied to the Clerical Division in the Public Service, the residue of that Division consisting of general executives and clerks, together with clerks from the General Division, be formed into two occupational classes, namely, (a) a General Executive Class, and (b) a Clerical Class (Ch. 6, par. 72-92).
- (65) The present five-yearly mandatory regrading be abandoned and in its place the State Services Commission and other employing authorities be given the responsibility of ensuring under a system of continual review that the scales of wages and salaries, and the grading of officers and positions, are maintained properly and equitably (Ch. 6, par. 94-101).
- (66) Changes parallel to those recommended in (60) to (65) above be made where necessary in the Post Office and the Railways Department, with modifications to suit their special circumstances (Ch. 6, par. 16).

## RECRUITMENT AND RETENTION

Our main recommendations for improving recruitment and retention in the State Services are included among those dealing with classification and grading, and with wage and salary determination. In addition we recommend that :

- (67) The State Services Commission be given general responsibility for supervising recruitment, and for undertaking the research necessary to increase the effectiveness of programmes for the recruitment and selection of staff (Ch. 6, par. 142-144).
- (68) Authority to conduct programmes for the recruitment and selection of staff be delegated where possible to departments (Ch. 6, par. 144).
- (69) The scheme enabling serving officers to undertake one year of full-time study to complete a Bachelor's Degree in arts, law, or commerce be extended to cover two years of study; and, if necessary, bursaries be introduced to cover the whole university course in those subjects, on the lines of those already existing for scientific and technical subjects (Ch. 6, par. 139).

- (70) Consideration be given to the introduction of monetary awards for long-service in occupational classes in which promotion prospects are necessarily poor, in which it is impracticable to introduce a merit grade, and in which the costs of the awards needed to retain existing staff are exceeded by the costs of recruiting and training new staff to replace them (Ch. 6, par. 141).

### TRAINING

- (71) The scope of supervisory training be considerably enlarged, and a new selection, testing, and training programme be devised to develop those officers who are potentially suitable for high administrative posts (Ch. 6, par. 160-164).
- (72) The proper importance of training be stressed:
- (a) By arranging that a Deputy State Services Commissioner give training his particular attention (Ch. 6, par. 169) :
  - (b) By giving the Training Branch of the State Services Commission sufficient status, permanent training staff, and resources to enable it to undertake greater responsibilities (Ch. 6, par. 168-170) :
  - (c) By requiring Permanent Heads to discharge their responsibility for training within their departments (Ch. 6, par. 167).
- (73) A State Services Staff College be established for the main purpose of training officers for higher administrative posts (Ch. 6, par. 171-176).
- (74) The Principal of the Staff College have the status of a Permanent Head, and be appointed in the manner we have prescribed for Permanent Heads thereby being exempted from the appeal provisions of the Public Service Act (Ch. 6, par. 175).
- (75) The Principal of the Staff College be assisted by a council comprising the State Services Commissioner, the General Manager of Railways, the Director-General of the Post Office, the Director of Education, and some members from outside the State Services (Ch. 6, par. 175).
- (76) Suitable administrative trainees be sent overseas (particularly to Australia) on exchange assignments or on approved courses of study (Ch. 6, par. 176).

## PROMOTION

- (77) Merit be accepted and established by all employing authorities in the State Services as the only criterion for promotion (Ch. 6, par. 178-184, 205).
- (78) All employing authorities of the State Services assess merit for promotion in the manner laid down in Chapter 6, paragraph 181; and merit be specifically and clearly defined in the empowering legislation of those authorities (Ch. 6, par. 182-184).
- (79) Seniority as a factor in promotion be eliminated from the statutes and administrative procedures of the employing authorities of the State Services (Ch. 6, par. 182-184, 206-209).
- (80) The State Services Commission delegate to departments power to make promotions and award increases in salary to the levels, and within the limits, prescribed in Chapter 6, paragraphs 216-217.
- (81) Promotion boards be set up in all departments under the aegis of the State Services Commission with the duties and constitution outlined in Chapter 6, paragraphs 220-223.
- (82) The necessary legislative changes be made to give effect to the procedure set down in Chapter 6, paragraph 227, for the appointment of Permanent Heads referred to there (Ch. 6, par. 224-229).
- (83) The legislation of the State Services Commission, the Post Office, and the Railways Department be amended to include uniform provisions to facilitate interchange of officers. In such cases the appointee in the receiving Service should be regarded as an officer of that Service and should be subject to the normal appeal provisions of that Service (Ch. 6, par. 185-191).

## RIGHTS OF APPEAL

- (84) The present appeal systems of the Public Service, the Post Office, and the Railways Department be retained subject to the following modifications:
  - (a) In respect of promotion appeals:
    - (i) Urgent consideration be given to shortening the time between an appointment and the determination of appeals in respect of that appointment (Ch. 6, par. 250).

(ii) The practice of the Public Service Appeal Board of giving leave for counsel to appear wherever the request for counsel is reasonable, be adopted by the Railways and Post Office Appeal Boards. (This will necessitate a change in the legislation for the Railways Appeal Board, and will apply also to disciplinary appeals) (Ch. 6, par. 251).

(iii) The Appeal Boards be empowered to direct, as an alternative to appointing an appellant to the position, that the employing authority reconsider the list of applicants and possible appointees so that the most suitable and efficient officer can be appointed (Ch. 6, par. 253).

(iv) An officer affected by an appointment and entitled to appeal be allowed to elect either to take his case before the Appeal Board in the usual way, or to seek a reconsideration of the decision by the employing authority (Ch. 6, par. 254).

(v) The power to accept a notice of appeal which has been lodged after the prescribed time has expired be taken from the Public Service Commission and placed with the Public Service Appeal Board. (This will apply also to disciplinary appeals) (Ch. 6, par. 255).

(b) In respect of appeals against regrading and classification:

(i) If our proposals for continual regrading are adopted, an officer be given the right at intervals of not less than five years to seek a review of the grading of the position he occupies at the time of application (Ch. 6, par. 259).

(ii) If our proposals for classification and grading are approved, a right of review be granted to individual officers in respect of classification, or any change in classification, and in respect of being kept for an undue length of time at a merit-barrier (Ch. 6, par. 260).

(iii) One or more classification and grading committees be set up to review cases of the types enumerated in Chapter 6, paragraph 266, and to make recommendations thereon (Ch. 6, par. 261-263, 265-267).

- (iv) If the foregoing recommendations are adopted, the present provisions giving a right of appeal to the Appeal Board in respect of grading be repealed (Ch. 6, par. 261, 265).
- (c) Outside appointments above basic grade to all departments and the rights of appeal for Service appellants against outside appointees, be controlled by the factors and procedures set out in Chapter 6, paragraphs 276-280, and the legislation of the Public Service, the Post Office, and the Railways Department be amended accordingly (Ch. 6, par. 268-280).
- (d) The following exemptions from appeals be granted:
- (i) Appointments of permanent head status in the Public Service be freed from the right of appeal, and when that is done, the Permanent Heads (except the Auditor-General) at present appointed outside the Public Service Act be placed under the Act (Ch. 6, par. 284-290).
- (ii) No right be available to officers subject to a qualification-barrier or merit-barrier in a basic grade to appeal against the appointment of another officer to the same grade with higher qualifications and not subject to the qualification-barrier or merit-barrier, or to appeal against the removal from another officer of the merit-barrier (Ch. 6, par. 291).
- (e) The constitution and procedures of the Appeal Boards be amended as follows:
- (i) The Public Service Appeal Board be empowered, with the consent of the parties to the appeal, to co-opt a fourth member in those cases where it desires special technical or professional aid (Ch. 6, par. 293).
- (ii) Appeal Boards be empowered to state a case for the opinion of the Supreme Court on questions of law (Ch. 6, par. 296).
- (iii) Appeal Boards be given express power to fix the terms on which appeals may be withdrawn (Ch. 6, par. 248).
- (f) As a matter of practice, a department which makes a promotion under delegated authority be required, when appropriate, to prepare the case for the appointment appealed against and to appear in support of it at the hearing (Ch. 6, par. 294-295).

## DISCIPLINE

- (85) The Permanent Heads' authority to impose fines for "minor offences" in terms of section 11 (2) of the Public Service Amendment Act 1927 and section 90 of the Government Railways Act 1949, be increased to £10 (Ch. 6, par. 315).
- (86) The provisions of section 11 (2) of the Public Service Amendment Act 1927 prescribing a review by the Public Service Commission of all fines and surcharges imposed by Permanent Heads within the Public Service be repealed and in lieu thereof the officer fined be given the right to seek such a review (Ch. 6, par. 317).
- (87) (a) Section 26 of the Public Revenues Act 1953 be amended to provide that where the officer concerned has been charged under his employer's statute the Controller and Auditor-General shall not impose a surcharge (Ch. 6, par. 318-320).  
(b) The relevant legislation be amended to empower the employing authority to impose a surcharge in addition to any prescribed penalty, the amount of the surcharge to be determined after consultation with the Controller and Auditor-General (Ch. 6, par. 318-320).  
(c) A right of appeal to the relative Appeal Board against the determination of penalty and surcharge be given (Ch. 6, par. 318-320).
- (88) Section 57 (1) and (2) of the Public Service Act 1912 be amended to allow the State Services Commission a discretion in fixing penalty, and to allow the officer concerned a right of appeal against the penalty fixed (Ch. 6, par. 321-323).
- (89) Paragraph (e) of section 11 (1) of the 1927 Act be repealed and the necessary legislation enacted to enable review boards to be established to deal with cases of non-culpable incompetence and to empower the State Services Commission to act in accordance with the recommendations of such boards. Similar amendments to be made to the Post Office and Railways Acts (Ch. 6, par. 325-329).
- (90) Section 51 of the Public Service Act 1912 be amended to define in positive terms the circumstances in which an officer's employment can be determined under that section (Ch. 6, par. 330-331).
- (91) The State Services Commission consider from time to time the advisability of delegating to specified Permanent Heads within the Public Service (a) power to impose limited penalties in respect of major offences, (b) power to annul the appointment of probationers or to extend their probationary periods, and (c) power to terminate the services of temporary employees (Ch. 6, par. 332-335).



## RETIREMENT

- (92) Subject to approval by the Government (Ch. 6, par. 372), each of the three State Service employing authorities adopt a retirement policy which:
- (a) Is flexible, that is, distinguishes between the point at which officers become eligible to retire and the point at which they are generally obliged to retire (Ch. 6, par. 349–356) :
  - (b) Defines those points in terms of age, regardless of length of service (Ch. 6, par. 357–363) :
  - (c) Fixes those points at normally not less than 60 for eligibility nor more than 65 for compulsory retirement (Ch. 6, par. 364–369.)
  - (d) Recognises that different compulsory retirement points (between the limits of 60 and 65) may be appropriate to different occupational classes (Ch. 6, par. 370) :
  - (e) Sets common points of eligibility and compulsory retirement for similar occupational classes throughout the State Services (Ch. 6, par. 370).
- (93) The right of those officers employed in Government service before 1946 to retire after 40 years' service but before the age of 60, be preserved but that they be encouraged if efficient to continue beyond this point (Ch. 6, par. 377).
- (94) The present superannuation legislation be amended to give officers now serving who reach the age of eligibility before completing 40 years' service the right to retire, provided that the employing authority is given the power to retire such officers in accordance with Recommendation 95; and that every such officer is given the right to "buy back" sufficient service for superannuation purposes (in no case exceeding five years) to ensure that by the age of 60 he may have as many years of contributory service as he would have at the point of eligibility for retirement under the existing law (Ch. 6, par. 378).
- (95) Each State Service employing authority retain the power to retire any officer (giving him reasonable notice) at any time after he reaches the point of eligibility (Ch. 6, par. 356, 369).
- (96) Each State Service employing authority so exercise its discretion, in administering the flexible policy proposed in Recommendation 92, as to assist those officers who are fully efficient and willing to do so to continue in the Service until they reach the age of compulsory retirement (Ch. 6, par. 368), except in cases when departmental reorganisation or contraction, or the needs of the promotion system, justify earlier retirement (Ch. 6, par. 369).

## SUPERANNUATION

- (97) If our recommendations concerning retirement policy are adopted, the Government Superannuation Act be amended as proposed in Recommendation 94, and also :
- (a) To give to all contributors who join the State Services after the age of 20 the right to buy no more than five years' pre-entry service back to the age of 20 (Ch. 6, par. 392-397).
  - (b) To give the Superannuation Board the power (if it does not already have it) to fix favourable terms for the purchase of pre-entry service particularly in respect of officers now serving who as a result of changed retirement policies may be obliged to retire before completing 40 years' service, and of those in occupational classes for which the upper limit of compulsory retirement is fixed at an age less than 65 (Ch. 6, par. 398).
- (98) The following matters, having considerable merit for the recruitment, retention, or retirement of staff, but needing further investigation into cost or into other effects which do not come within our terms of reference, be so investigated :
- (a) The introduction of compulsory membership of the Fund for future entrants to the permanent staffs of the Services who are under 25 years of age, such compulsion to subsist until they reach the age of 25 (Ch. 6, par. 426-430) :
  - (b) The repeal of the second proviso to section 35 (1) (b) of the Superannuation Act 1956 to remove the upper limitation on the "subsidy" portion of annuities (Ch. 6, par. 416).
- (99) The following matters, appearing to have some merit, but requiring further investigation, be considered by the Government for such investigation :
- (a) The adoption of some formula or procedure enabling members of particular occupational groups to contribute in respect of penal-time earnings where penal time is virtually inseparable from the work of their occupational groups, provided that the proposition is supported by the employee organisations and a basis can be agreed on and equitably applied (Ch. 6, par. 404-406) :
  - (b) The adoption of a scheme whereby employees may elect to pay (say) 30 per cent of the standard contribution and receive on retirement an annuity not exceeding the maximum income which can be received without reducing social security age benefit, provided that the staff associations are confident that the proposal would have the support of sufficient of their members (Ch. 6, par. 403).

- (100) The apparent failure of the superannuation scheme to attract lower-paid employees be further investigated, and that:
- (a) To the extent that this is found to be due to prejudice or to ignorance, steps be taken to ensure that employees are more fully informed about the scheme (Ch. 6, par. 399, 409):
  - (b) To the extent that the scheme is found to be inherently unattractive to lower-paid employees, employing authorities and employee organisations be invited to cooperate in devising improvements and recommending them to the Government (Ch. 6, par. 399, 409).

### PHYSICAL WORKING CONDITIONS

- (101) The State Services Commission be given responsibility (subject to the limitations outlined in Chapter 6, paragraphs 464-467) for physical working conditions of State servants, including the procurement of office accommodation, its allocation to departments, its maintenance, its efficient use, and the setting of standards for its use (Ch. 6, par. 461-467).
- (102) In discharging this responsibility it continually survey needs, plan ahead, use the resources of agent departments for essential services (and where resources are insufficient engage outside agents), set standards for physical working conditions in offices and enforce those standards by inspection (Ch. 6, par. 462).
- (103) The Government Office Accommodation Board be reconstituted as a body advisory to the State Services Commission with enough flexibility to allow the coopting of any necessary additional representation from departments or the staff association (Ch. 6, par. 463).

### *Chapter 7. WAGE FIXING*

Item V of our Warrant reads:

The machinery for wage and salary determination and the principles on which wage and salaries should be based.

- (104) Wage and salary rates in the State Services be fixed wherever possible according to the principle of fair relativity with the current remuneration of those doing broadly comparable work in outside employment subject to the definitions and adjustments detailed in Chapter 7, paragraph 24.
- (105) Where no proper comparison with broadly comparable work in outside employment is possible, those wage and salary rates be fixed by comparison with such other group or groups within the State Services as may be deemed appropriate.

- (106) A Pay Research Unit be established in the Department of Statistics to conduct surveys designed to provide factual information on the salaries or wages and other conditions of service available in outside employment which is comparable with State Service employment, such information to be freely available both to the employing authorities and the staff associations of the State Services (Ch. 7, par. 31).
- (107) Until such time as outside comparisons can be made for each occupational class often enough to eliminate the need for interim adjustments, such adjustments continue to be based on ruling rates surveys (Ch. 7, par. 35).
- (108) Ruling rates surveys be conducted at regular six-monthly intervals; in which case the legislation requiring any Tribunal to apply general wage orders of the Arbitration Court to State servants should be repealed (Ch. 7, par. 35).
- (109) A Committee of the type described in Chapter 7, paragraph 37, be established to advise the Government on the salaries and other conditions of service of those officers whose salaries are specifically appropriated by Parliament (Ch. 7, par. 37-38).
- (110) The salaries of higher officers in the proposed Administrative Class in the Public Service, and of similar officers in the Post Office and the Railways Department, be specifically appropriated by Parliament (Ch. 7, par. 38).
- (111) Employing authorities be empowered to fix the salaries or wages and other conditions of service of officers in other occupational classes subject to a right of appeal to the appropriate Tribunal; the present £1,530 limit on the jurisdiction of the Government Service and Railways Tribunals to be abolished (Ch. 7, par. 53).
- (112) A State Services Tribunal be established, to consist of a chairman (who shall be agreed upon by the State Services Coordinating Committee and the Combined State Service Organisations or, in default of agreement, shall be appointed by the Government) together with one member chosen by the Government and one by the Combined State Service Organisations; the chairman to be *ex officio* chairman of any Tribunal for a single Service (Ch. 7, par. 56).
- (113) The State Services Tribunal be given power to hear and to determine disputes concerning salaries or wages and other conditions of service which directly affect more than one State Service (Ch. 7, par. 54).
- (114) Any Tribunal constituted to deal with matters affecting a single State Service have power to refer any case to the State Services Tribunal, and a party recognised by any such Tribunal have the right to request that any case be so referred (Ch. 7, par. 54).

- (115) Whether or not a State Services Tribunal is established, consideration be given to constituting the various Tribunals in the State Services formally as one (to consist of the chairman and two other members) with the effect of preserving their existing composition in single-service cases (Ch. 7, par. 55).
- (116) Any occupational class for which a scale has been fixed by the employing authority shall, without limiting the jurisdiction of the Tribunal to determine classes, be considered without further proof a class for the purposes of the Tribunal (Ch. 7, par. 58).
- (117) Except as otherwise recommended, the existing Tribunals retain their present powers and functions (Ch. 7, par. 58).
- (118) The employing authorities in making determinations, and the Tribunals in fixing wages or salaries and other conditions of service, be required to pay regard to the principles set out in Recommendations 104 and 105 as amplified in Chapter 7, paragraph 24, instead of to the factors listed in the present legislation (Ch. 7, par. 57).

### *Chapter 9. GENERAL MATTERS*

Item VII of our Warrant reads:

Any associated matters that may be deemed by you to be relevant to the general objects of the inquiry.

#### AGE OF APPOINTEES

- (119) The provisions of the Public Service Act prescribing general minimum and maximum ages for appointment be repealed (Ch. 9, par. 5).
- (120) Where age limitations are considered necessary for an occupational class, they be fixed administratively (Ch. 9, par. 6).

#### PERSONNEL SELECTION AND TESTING

- (121) The State Services Commission investigate the wider use of testing in selection of officers at recruitment, for training, and for promotion (Ch. 9, par. 7-11).

## ANNUAL CLASSIFICATION LIST

- (122) (a) The employing authorities examine the need for annual classification lists, and if they are considered necessary, whether some of the present detail could with advantage be eliminated (Ch. 9, par. 12-16) :
- (b) Whatever classification lists are issued, they be made available to the public (Ch. 9, par. 17).

## RETIRING LEAVE

- (123) Retiring leave be made available as of right once an officer has become eligible for retirement (Ch. 9, par. 18-20).

## ENTERTAINMENT EXPENSES

- (124) Provision be made for the payment of reasonable entertainment expenses incurred in the course of official duties (Ch. 9, par. 21).

## HOUSING ASSISTANCE TO STATE SERVANTS ON TRANSFER

- (125) The State Services Commission investigate the desirability of supplementary housing loans being made to State servants on transfer to higher priced housing areas (Ch. 9, par. 27-28).

## OVERSEAS STAFF

- (126) The Overseas Staff Committee continue to coordinate conditions of service overseas, subject to the guiding principles that the primacy of the State Services Commission in prescribing general conditions of service be accepted, and that a substantial measure of autonomy in applying them be left to the departments in charge of overseas posts (Ch. 9, par. 45).

- (127) When the Public Service Act and the External Affairs Act are reviewed, attention be paid to clarifying their provisions governing the power of appointment, and that to that end the possibility of conferring on the External Affairs Department all necessary powers, and providing all necessary exemptions, under a revised Public Service Act be considered (Ch. 9, par. 47-48).
- (128) The department responsible for an overseas post be recognised to be primarily responsible for maintaining efficiency and economy in that post, but the State Services Commission have full authority to inspect and report on it (Ch. 9, par. 49).
- (129) The relationship of Heads of Mission overseas to the representatives of the several departments be more precisely defined so as to ensure the ability of the former to carry out their responsibility to the Government, while preserving the legitimate interests of the departments represented (Ch. 9, par. 50-53).
- (130) The State Services Commission examine the desirability of securing closer coordination in overseas representation, whether by extending the practice of secondment to the External Affairs Department or otherwise (Ch. 9, par. 52-54).

*Appendix 1*

## PROCEDURES

The Royal Commission's statement of 20 July 1961 on procedures to be followed was delivered by the Chairman, who said:

"It is quite evident that there is some misunderstanding as to the true nature of this inquiry and as to the procedure which is best suited to enable such a Commission as this to perform its proper function.

"A consideration of other Royal Commissions and Commissions of Inquiry in this country and in England, Australia and America, appointed to investigate conditions in public services and to make recommendations to their Governments, reveals that a pattern of procedure is by now rather generally established in this class of inquiry. Such commissions, being in essence advisory and directed to recommend improvements in administration which may or may not prove acceptable to the Government, usually conduct their activities in a less formal manner than those where the purpose of the inquiry is the investigation of some allegation of fault. In this latter class the requirements of justice call for proceedings which conform as closely as possible to the established procedure of our Courts; but in the majority of commissions similar in purpose to this present one the procedure adopted has been to take much of the evidence in private in the presence of the Commission alone, to hold private discussions, and to make general investigations outside the confines of the hearing room. Public hearings have not been a marked feature.

"There are many examples which could be quoted. The most recent and comparable is the Commission on Government Organisation set up in Canada in September of last year. It is a Royal Commission, as this is; and the scope of its inquiry is in many ways similar. It is working, in the main, through project teams which make their own investigations. It has not adopted public hearings as part of its general procedure. In many cases such commissions have gone as far as to employ outside staff to investigate and make confidential reports to the commission, and in one particular case, the Hunt Commission held in this country in 1912 and by many considered to be the foundation of our present Public Service, the proceedings were so essentially private that it was thought necessary to destroy all records of the evidence when the Commission was completed.

"We, however, take the view that it is desirable in this present inquiry to conduct our investigations in a more public manner than has been this general practice – indeed to go as far as we reasonably can in that direction – and we invite those likely to be most closely concerned in the matters we are to investigate, whether it be individuals, departments or organisations, to prepare statements of their views on the matters before us and to present those statements and such evidence as they may wish to call in support, publicly in open hearing. They will be asked to read these statements. In the case of departments and organisations a representative will be asked to do this. They will then be given opportunity to amplify them and explain them.



"We desire, however, to make it abundantly clear that it is most unlikely, we think, that all the inquiries of this Commission can be conducted in open hearing and that it may be necessary for the Commission, and we think it will, to take evidence in private with only the Commission present, and that it will almost certainly be necessary for it to make, by its Members or through its staff, some investigations and inquiries outside the confines of this room. To confine all the activities of the Commission to public hearings, we are well satisfied, will not be in the public interest, and in any event would be hopelessly impracticable in this class of inquiry which, as Mr Quill has emphasised, is more akin to a committee of investigation than a Court action.

"We do not discount, however, the apprehension which may be moving some of those present that statements could be made to us in the course of taking evidence in private, or making our own investigations, which might be harmful to some interests and of which the persons or organisations affected would be unaware. The Commission wishes to say that should it happen that in the course of taking the evidence in private, holding discussions or making investigations some new matter emerges in a manner likely to influence us in any decision we have to make and at the same time is material to the interest or reputation of any person, body or department, the Commission will see to it, as far as it possibly can but without revealing the source, that those who could be affected by such matter will be notified of its general purport and given opportunity to answer it. It will be obvious, of course, that not every matter which may be advanced to us will call for this treatment; the governing consideration which will direct us is to see that no one is unfairly prejudiced. May I add that in an inquiry such as we have to conduct the procedure must necessarily be a compromise. Those appearing before the Commission must rely upon it to see that the principles of practical justice are observed.

"As we view this inquiry, there are no parties. True, there are some organisations which will be more concerned than others; some on some questions, others on other questions. We will see to it that the interests of such organisations are especially kept in view. But, no one is charged before this Commission. This is not a lawsuit. We decide no rights. We merely make recommendations. We see no need, therefore, for any person or body to be continuously represented by counsel. The Commission is definitely of the opinion that its activities would not, as a general procedure, be assisted by the presence of Counsel other than one specifically appointed to help the Commission and persons generally. The appearance of counsel will, therefore, not generally be permitted, but should it happen that some question of law, fact or opinion which, by reason of its nature, complexity or of the interests affected, demonstrates that those appearing before us should have the help of counsel, the Commission will be prepared to give the necessary leave for counsel to appear on that occasion. It may be, gentlemen, that when we come to consider, in particular, some of the subdivisions of items 4 and 5 of the Order of Reference the assistance of Counsel may well be required, but on the other hand, we cannot see at the moment that counsel could reasonably be necessary, for example, on items 1 and 2. Though counsel, then, will have no general right of audience, any organisation or

department which wishes to have a representative present throughout the public hearings is, of course, welcome to do so. Indeed, we hope that those associations or departments most vitally concerned will do this, but that is for them to decide.

“Mr Quill of the Crown Law Office has, as you now know, been appointed as Counsel assisting the Commission. He will be present throughout the public hearings to give general assistance to the Commission and also to assist individuals and organisations in the preparation and presentation of their statements. He will also be available to conduct any examination or cross-examination which any person or organisation may particularly require. He will act as a general adviser to all. His duty will be to act impartially and to get the facts correctly before the Commission. If and when in the course of a hearing more extensive rights of cross-examination appear to be desirable on some particular aspect, the Commission will give leave to the representatives or counsel of the organisation or department concerned to cross-examine to the extent appearing necessary.

“The procedure which I have just outlined is intended to be flexible. It is designed to enable the Commission to secure the best possible information and to meet the requirements of the persons and organisations who are likely to make submissions or present evidence to the Commission; at the same time having firmly in mind the overriding public interest. If it should emerge as the hearings proceed that some alteration in this procedure would be beneficial, the Commission will make the necessary alteration. It will be happy from time to time to hear representations from any person or body who considers that any such amendment is desirable.”

The Royal Commission's further statement of 27 July 1961 read:

“The Commission proposes, gentlemen [Counsel for the staff associations], to make a statement in relation to your submissions to us on Tuesday. There will be copies available for you, and there will also be copies for the press, if they require them.

“The Commission feels that for one reason or another an amount of misunderstanding is apparent concerning the Commission's ruling as to procedure and as to the objections emerging from State Employee Associations relating to that ruling. It is thought necessary in the interests of all that the area of objection should be stated in terms which it is hoped will banish all misunderstanding.

“The Commission has not denied and has no intention of denying the right of any of those employee associations to appear before it, to present submissions, or to call evidence. Indeed, it looks forward to such submissions and evidence, holding the view that considerable assistance should be gained from them. It has stated that those associations, in common with all other interested persons or bodies, whatever may be their interests, will be permitted to cross-examine when, in the opinion of the Commission, justice dictates that leave to cross-examine should be given. It has also stated that where the assistance of counsel appears to it to be required by any person or body, the Commission will grant leave for counsel to appear. It feels, however, and has said, that when and to what extent cross-examination or the appearance of counsel will be permitted must be left to it to decide. It has also said that the nature of the investigation placed in its hands requires that it reserves to itself the rights to take

evidence in private and to conduct investigations beyond the hearing room. But it has also made it clear that it is its intention that should any prejudicial matter emerge in the course of taking evidence in private or making investigations, it will inform those affected of the nature of that prejudicial matter and give them an opportunity to answer it. The employee associations, however, basing their submissions on the 1958 Amendment to the Commissions of Inquiry Act, submit, as they are perfectly entitled to do, that the law gives them more than the Commission's ruling. Some of those associations, namely the Combined State Services Organisation and the Post Office Association, appear to accept most of that ruling, claiming only that it should be left to them to determine when and to what extent cross-examination should be exercised and that the decision as to that should not be retained by the Commission. The Public Service Association, however, as we understand its Counsel, goes considerably further. Put shortly, it requires the whole of the inquiry to be conducted in conformity with the essentials of a Court action. This necessarily carries with it, it seems to us, the rights to be present throughout the whole of the hearings of the Commission, whether public or private, and to exercise full cross-examination at all times. Such a claim is incompatible with the Commission's reservation of its rights to take evidence in private and to conduct investigations outside the hearing room in such manner as it thinks best.

"The Commission has given consideration to the requests made on Tuesday that it reconsider its ruling on procedure. As previously stated, it will be prepared to alter its procedure should experience show that that course is desirable; but it sees no reason why at this stage any material alteration should be made. The difference between what it has ruled and what the Combined State Services Organisation and the Post Office Association asks might possibly be met in some way for the Commission has no wish unduly to limit the exercise of cross-examination. It must however control it and be master of its own procedure. But the difference in principle between its ruling and the claims of the Public Service Association is too wide to be bridged. It would not be possible to do so, having regard to the nature and object of this inquiry. In these circumstances the Commission considers that it should assist those of the employee associations who wish to test the validity of its rulings and it is prepared to comply with the requests of counsel who appeared on Tuesday and to state a Case for the opinion of the Court of Appeal. It feels obliged, however, to say that it is not oblivious of some of the difficulties which may lie in the way of stating, at this particular stage of the proceedings, a suitable Case for the Court of Appeal; but it does not wish to allow its appreciation of those difficulties to outweigh its desire to assist those who would challenge its ruling. We are agreeable, therefore, to a Case being stated but there are some conditions which must be attached. They are—

1. The Case stated must be drafted and presented without delay, for it may not be long before the Commission reaches the hearing of subjects which could be to some extent contentious.
2. The task of drafting the Case must fall on counsel for those associations who wish to go to the Court of Appeal. The Case must, then, in the usual way, be approved by the Commission.

3. Liability for costs in the event of the Commission's ruling being upheld must be accepted by the three organisations which I have mentioned. I understand they are prepared to accept that liability.
4. It must not be thought that the Commission has held that it is satisfied that any particular organisation has an interest coming within the words of s. 4 (a) or that it accepts that any person or body has been refused a right to appear and be heard.

"It is not within the province of the Commission to rule that the exercise by the Public Service Association of its right to ask for a Case Stated shall be without prejudice to any right which it may also have to attack the validity of the Commission as a whole. The Public Service Association if it wishes to be heard in the Court of Appeal must accept, as any other litigant in that Court, whatever consequences may in fact flow from its actions."

*Appendix 2*

## JUDGMENTS OF THE COURT OF APPEAL.

In the Court of Appeal  
of New Zealand

No. C.A. 24/61

In the matter of Sections 10 and 13 of the  
Commissions of Inquiry Act 1908,  
and

In the matter of THE ROYAL COMMISSION  
TO INQUIRE INTO AND REPORT UPON  
STATE SERVICES IN NEW ZEALAND.

*Coram:* Gresson, P., North, J., Cleary, J.

*Hearing* – 8, 9 August, 1961.

*Counsel:* Solicitor-General (Wild Q.C.) and Quill as Amici Curiae.  
Inglis and Pethig for the Combined State Service Organizations,  
Taylor for the Public Service Association Inc.  
Treadwell for the Post Office Association Inc.

*Judgment* – 8 September, 1961.

## JUDGMENT OF MR JUSTICE GRESSON (PRESIDENT)

This case has been stated at the request of three bodies or Associations one of which is itself a combination of Associations. The Commission has stated certain facts and has requested answers to certain questions. In my opinion it is neither appropriate nor proper that the Court should give a categorical reply to these questions. Since however the Commission has sought the guidance of this Court it should have the assistance of a pronouncement by this Court upon the issues which prompted the stating of the case, I do not propose to discuss the cases cited nor the competing arguments presented, but merely shortly to state my opinion as to the interpretation and application of s. 4A of the Commissions of Inquiry Act 1908, as amended by s. 3 of the amending Act of 1958. The section enacts,—

Any person interested in the inquiry shall, if he satisfies the Commission that he has an interest in the inquiry apart from any interest in common with the public, be entitled to appear and be heard at the inquiry as if he had been cited as a party to the inquiry.

The first question posed by the Case Stated is whether any of the three Organizations is “a person having an interest in the inquiry apart from any interest in common with the public”. That is a matter for the Commission itself to decide; the section so provides; it is substantially a question of fact. It was suggested that the question might be recast to ask whether any of the Organizations can in law be such a person and whether any of them can have an interest apart from an interest in common with the public. I question whether we can reshape the question. But it will sufficiently meet the position to say that every individual member of each of the Organizations, and indeed every member of the State Services, may well be such a person, since the inquiry is, *inter alia*, into the machinery of wage and salary determination – a topic which must affect directly every person employed

in any Department of State. The particular Organizations are no more than a combination of members who to advance their interests have banded themselves together and it is obviously reasonable and convenient that a plurality of persons having the same interest should act in some sort of combination. But no organization can have any greater or different interest than has each of its members. I do not find it necessary to discuss whether there should be separate Organizations representing different groups of employees of the State since the question whether that is desirable and, if so, to what extent, is a question of fact.

The next set of questions seeks some definition of the rights of such an Organization to appear and to be heard by the Commission if it qualifies under the opening words of the section. In my opinion it has no rights at all in a strict sense. It may appear and be heard by the Commission to the extent only that the Commission permits; whether it may be represented before the Commission by counsel or otherwise is also a matter for the Commission to determine. In short, my view is that any such Organization or any individual who qualifies under the section is entitled to participate in the proceedings of the Commission to such an extent and in such a manner as the Commission decides, and not otherwise. My reason for so holding is that by the terms of the section a person who is qualified by having and interest in the inquiry apart from any interest in common with the public is "entitled to appear and be heard" but enjoys that right "as if he had been cited as a party". His position is therefore assimilated to, and he is given the same rights as, a person "cited as a party". Inasmuch as the inquiry with which we are concerned is of a nature making it impracticable to cite parties (as is admitted by all counsel) there cannot at this inquiry be any person "cited as a party". It might be otherwise in the case of an inquiry into say a shipwreck or some disaster in the course of which there might well be an investigation into the conduct of one or more persons. It would be appropriate that in such cases a person having such a special interest as s. 4A contemplates should be entitled to appear and be heard although not a formal "party" to the proceedings. It was said in *Jellicoe v. Haselden* (1903) 22 N.Z.L.R. 343, 358, that "who can be considered "parties" to an inquiry which is instituted . . . by the Head of the Executive for the purpose of obtaining information may be difficult to determine". Later it was said that no particular form of citation was necessary when a Commission desired to cite a person as a party, but that there must be some notice in writing making that person a party (*Pilkington v. Platts* (1925) N.Z.L.R. 864, 869, 874). That is the procedure. Such a citation would, it seems, constitute the person to whom it was issued "a party" within the meaning of the section.

But it is accepted that this particular inquiry is one in which persons could be cited as parties. It was said in *Timberlands Woodpulp Ltd. v. Attorney-General* (1934) N.Z.L.R. 270, 294,—

"Where a Commission is appointed to inquire and report upon the working of any existing law or regarding the necessity or expediency of any proposed legislation, it may of course be necessary to summon and examine witnesses; but (as pointed out or implied by Williams J. in *Jellicoe v. Haselden* 22 N.Z.L.R. 343) it is difficult to see how it is competent, speaking generally (though there may be exceptional cases) for the Commission to cite parties, though for its own assistance it may, if it thinks fit, permit the attendance of counsel for persons who are not parties in any true sense and may allow such counsel to examine or cross-examine witnesses."

The order of reference of the Commission of Inquiry we are concerned with is so wide and comprehensive that *a fortiori* there could be no citation of parties.

Persons qualifying under the section because of a special interest have the same rights of appearance and of being heard as those actually made parties. If therefore the inquiry is one which of its nature does not admit of the citation of persons as parties, it seems to me that to give other persons a right to appear and to be heard as if cited as parties gives them no rights at all. Accordingly I am of opinion that the extent to which any of the Organizations who appeared before us shall be allowed to appear and be heard whether by counsel or otherwise is a matter which is wholly in the hands of the Commission to determine.

The third question asked whether the procedure laid down by the Commission in the rulings given by it on the 20th July 1961 and the 27th July 1961 give the employee bodies mentioned therein (being the three Organizations referred to) all the rights of appearance and hearing to which they are entitled in law. In my opinion since I regard them as having no rights in law at all *cadit quaestio*. The procedure which has been laid down by the Commission would certainly afford to them in a very liberal manner an opportunity of appearing and of being heard. If the Commission should adhere to this ruling, I do not think any of the Organizations would have any grounds for complaint at all. The Commission is of course entitled to reconsider the matter since its ruling was not acceptable to the Organizations and it was on their application that the case was stated to this Court. The Commission may revise its ruling and give a more limited permission, but with that we are not concerned. We have already pronounced an interim judgment that the procedure laid down does not deprive the employee bodies of any rights of appearance or hearing to which they might be entitled in law, and in my opinion the Court as well as affirming that pronouncement should go further and hold that all questions of procedure relating to allowing the appearance of persons claiming to be interested and the extent to which they may be heard are entirely for the Commission to decide. The judgments of the other Members of the Court give a sufficient answer to the questions propounded.

An intimation having been given to us that we were not asked to deal with the question of costs there will be no order in that regard.

#### JUDGMENT OF MR JUSTICE NORTH

On the 6th. July 1961 a Royal Commission was constituted under the chairmanship of one of Her Majesty's Judges, the Hon. Mr. Justice McCarthy, to receive representations upon, inquire into and investigate and report upon the organisation, staffing and methods of control and operation of departments of State, and so far as was considered necessary, into agencies of the executive government of New Zealand. It was the duty of the Commission to recommend such changes as would best promote efficiency, economy and improved services in the discharge of public business. Particular matters to which the Commission's attention was directed were the recruitment of staff, retention and promotion of staff, rights of appeal, retirement, classification and grading, discipline and

superannuation. The Commission's warrant authorised and empowered it to make or conduct any inquiry or investigation "in such manner and at such time and place as you deem expedient," and went on to charge and direct the Commission that it should not publish or otherwise disclose, save to His Excellency the Governor-General or by his direction the contents of any report or any evidence or information obtained by the Commission in exercise of the powers conferred upon it except such evidence or information as was received in the course of a sitting open to the public. It was finally declared that the warrant was issued under the authority of the Letters Patent of His late Majesty King George V dated the 11th. May 1917 and under the authority of and subject to the provisions of the Commissions of Inquiry Act 1908.

Shortly after the Commission commenced its task, submissions were made to it on behalf of certain employee associations who claimed that they were entitled to be present and to take part in the proceedings of the Commission on all occasions whether or not the Commission was holding public sittings; that they were entitled to be represented by counsel who must be given a general right to cross-examine witnesses. The Commission duly considered these submissions and rejected them, pointing out that the nature of their investigations appeared to make it likely that on occasions, some evidence would require to be taken in private and that generally the the Commission must be left free to carry out such investigations and inquiries as it thought necessary, and that the presence of counsel on all occasions was both unnecessary and undesirable. The Commission, in announcing its decision said that no-one was being charged before it, it was not a law suit, it decided no rights, that it was merely entrusted to make recommendations. At the same time, the Commission said that it would afford the employee associations opportunities to cross-examine witnesses at any of its public sittings if it thought that course desirable, and on such occasions special leave would be given for the associations to be represented by counsel; that insofar as information received in the course of private sittings or in the course of the Commission's own investigations resulted in new matters emerging which were likely to influence the Commission in arriving at any decision which was material to the interests or reputation of any body or department, the Commission would see, so far as it possibly could without revealing the source, that the general purport of the material was made known so that any interested persons would have the opportunity of making any answer they might wish to make on such matters. Counsel for three of the employee associations expressed dissatisfaction with this ruling, and asked that a case should be stated for the opinion of this Court. The Commission agreed and the following questions accordingly were formulated:

1. Whether having regard to their general character and their objects the Combined State Service Organisations, the New Zealand Public Service Association (Incorporated) and the Post Office Association (Incorporated) or any of them is a person interested in the inquiry to be conducted by this Commission and has an interest apart from an interest in common with the public?

2. If any one or more of the said bodies is such a person, then has it

- (a) a right without the leave of the Commission to appear by a representative, call evidence, cross-examine witnesses and make submissions
  - (i) throughout all or any of the sittings of the Commission which are open to the public
  - (ii) throughout all or any of the sittings of the Commission which are not open to the public;



- (b) a right without the leave of the Commission to appear by counsel, call evidence, cross-examine witnesses and make submissions
- (i) throughout all or any of the sittings of the Commission which are open to the public
  - (ii) throughout all or any of the sittings of the Commission which are not open to the public?

3. Whatever may be the answers to the foregoing questions, does the procedure laid down by the Commission in its ruling of the 20th. day of July 1961 and as explained in its decision of the 27th. day of July 1961 give to the employee bodies mentioned all the rights of appearance and hearing to which they are entitled in law?

As the questions we are called upon to answer all turn on the construction of provisions of the Commissions of Inquiry Act 1908 as amended in 1958, it will be convenient to set out the relevant statutory provisions:

"2. The Governor-General may, by Order in Council, appoint any person or persons to be a Commission to inquire into and report upon any question arising out of or concerning—

- (a) The administration of the Government; or
- (b) The working of any existing law; or
- (c) The necessity or expediency of any legislation; or
- (d) The conduct of any officer in the service of the Crown; or
- (e) Any disaster or accident (whether due to natural causes or otherwise) in which members of the public were killed or injured or were or might have been exposed to risk of death or injury.

"4. Every such Commission shall for the purpose of the inquiry have the power and status of a Magistrate in respect of citing parties interested in the inquiry, summoning witnesses, administering oaths, hearing evidence, and conducting and maintaining order at the inquiry.

"4A. Any person interested in the inquiry shall, if he satisfies the Commission that he has an interest in the inquiry apart from any interest in common with the public, be entitled to appear and be heard at the inquiry as if he had been cited as a party to the inquiry.

"11. The Commission, upon the hearing of an inquiry, may order that the whole or any portion of the costs of the inquiry or of any party thereto shall be paid by any of the parties to the inquiry, or by all or any of the persons who have procured the inquiry to be held:

"Provided that no such order shall be made against any person who has not been cited as a party or authorised by the Commission, pursuant to section four A of this Act, to appear and be heard at the inquiry or summoned to attend and give evidence at the inquiry."

The broad submission of counsel for the three associations was this. The principal Act recognised that there might be "parties" to a Commission of Inquiry either original parties or cited parties; that in the case of a Commission where there were parties, such persons would have the right to be present on all occasions whether the Commission was holding public sittings or not, and the right to take part in the proceedings and cross-examine witnesses; that there was no reason why they should not, if they chose, be represented by counsel; that by virtue of s. 4A, introduced by the 1958 amending Act, persons who satisfied the Commission that they had an interest in the Inquiry apart from an interest in common with the public, had been given the same rights which had earlier been possessed by parties; that these rights were in no way dependent on the nature of the Inquiry for the provision was of general application. Therefore, it was immaterial that the warrant constituting the present Commission did not name any persons as parties, nor from its very nature did it lend itself to the citing of parties.

The Act as it now stands, is a patchwork Act and the meaning of the language used is by no means easy to ascertain. The first reference to "parties" appears in s. 6 of the Commissioner's Powers Act 1867 Amendment Act 1872. The purpose of the reference was to enable Commissioners to order that the cost of the Inquiry, in whole or in part, be paid "by any of the parties to such inquiry". The choice of the word "party" was not a happy one. It suggested something in the nature of a lis between subjects. In *Jellicoe v. Haselden* 22 N.Z.L.R. 343, 358, Williams J. drew attention to this curiosity. He said, "But who could be considered 'parties' to an inquiry which is instituted not by one subject against another but by the Head of the Executive for the purpose of obtaining information, may be difficult to determine." Even so, and notwithstanding that the particular Commission with which the Court was concerned had been constituted to inquire into charges made by a named prisoner against the chief warden in Point Halswell gaol, it does not seem to have occurred to that learned Judge that anyone, whether they were parties or not, had any special rights of appearance or representation. He said:

"The question is whether our legislation now gives Commissioners such a status that such words are absolutely privileged. Our legislation authorises such Commissioners to summon witnesses and to administer oaths. If witnesses refuse to attend or answer they are punishable not by the Commissioners, but by the ordinary Courts of justice. The Commissioners, however, need not examine witnesses on oath, nor are they bound by any rules of evidence. They have no power to commit for contempt. They are subject to no rules of procedure. They can sit with open or closed doors. They may hear counsel or not, as they please. They do not take the judicial oath which all judicial officers from Judges of the Supreme Court to Justices of the Peace are obliged to take. The purpose for which they are appointed is the purpose of reporting only. They have by statute a power of adjudicating in one solitary particular — they can order that the whole or any part of the cost of the inquiry shall be paid by any of the parties to the inquiry."

In the following year, the Commissioners Act 1903 was enacted and the earlier statutes repealed. However, no attempt was then made to elucidate what the legislature had in mind when it spoke of "parties" to an inquiry, nor was any reference made to their status or any rights which they might possess. Indeed, this Act went further and entrusted Commissioners with the "powers and status of a magistrate in respect of citing parties" so now the statute seems to have recognised that there might be not only original parties but cited parties as well. Furthermore, in the provision relating to costs, a proviso was added to the effect that no order should be made against any of the parties unless he had been either cited as a party or summoned to attend and give evidence at the inquiry. From 1903 onwards, then, it would seem that it was not enough to be a party. In addition, the Commission must make some sort of an order citing him, or at least summon him to attend and give evidence. I resist the temptation of exploring just what powers a magistrate may be possessed of in the way of the citing of parties to proceedings, for this would not seem to advance matters any distance. However, it would seem clear that the draughtsman of the new Act must have had in mind what had been said by Williams J. in *Jellicoe v. Haselden* for he had pointed out that the word used in the 1872 Act was "cost" and not "costs" and the 1903 Act now spoke of "costs" and not "cost". The 1903 Act was twice amended, once in 1905 and again in 1906, and then in 1908 the present consolidating statute was enacted. Once again, no reference was made to the status or rights of a party.

This topic was again referred to by Myers C. J. in delivering the judgment of a Full Court in *Timberlands Woodpulp Ltd. v. The Attorney-General* (1934) N.Z.L.R. 270, 294, where, after quoting the passage earlier referred to from the judgment of Williams J. in *Jellicoe v. Haselden*, he said:

“There must, we think, be some limit placed on the words ‘parties interested in the inquiry’. If it were not, then in the case of an inquiry regarding the necessity or expediency of any proposed legislation or perhaps the working of some existing law any or every member of the public might be regarded as being within the category. We think (though we are conscious that the cases we suggest may not be exhaustive) that the words are referable to the case of a Commission appointed to inquire into a matter involving status or a charge affecting individuals or any dispute or claim which properly comes within any of the four classes of cases set out in s. 2 and which in its nature is (or perhaps may be) a dispute between parties.”

In the circumstances, it is a little surprising to find that the Commission of Inquiry Amendment Act 1958 not only has done nothing to clear up the difficulty but has added yet another problem for s. 4A purports to give to another class of persons a right which has never been defined in the case of parties. A specially interested person is said to “be entitled to appear and be heard as if he had been cited as a party to an inquiry”. The new section seems to proceed on the basis that parties have by law a well-defined right to appear and be heard, which is now given as well to specially interested persons. It may be that the legislature had in mind particular kinds of Inquiry such as an Inquiry into a disaster or accident where conceivably there might be interested persons apart from those immediately concerned. But whether this be the true explanation or not I do not find it possible, as a matter of construction, to limit s. 4A in this way for the language used appears to make the new provision applicable alike to all Commissions of Inquiry. Therefore, it would seem to me that it is necessary to face up to the question what legal rights of appearance are possessed by a cited party to an Inquiry. Mr. Inglis contended that the nature of the Inquiry was irrelevant. I do not think this is so for the section in terms speaks of the “right to appear and be heard” *at the Inquiry*, which must mean the Inquiry in question.

A Commission of Inquiry is certainly not a Court of law. Courts of law by ancient usage have formulated their own rules of procedure and rights of audience, representation, and the like which are now well defined. (See *Collier v. Hicks* 2 B & Ad. 663 109 E.R. 1290, 1293). Nor is a Commission of Inquiry to be likened to an administrative tribunal entrusted with the duty of deciding questions between parties. There is nothing approaching a *lis*, a Commission has no general power of adjudication, it determines nobody’s rights, its report is binding on no-one. True, some Commissions may find it convenient to cite parties and indeed there may be persons named in the warrant of appointment itself who presumably could be regarded as “parties” in a general sense. In the case of such a Commission, questions of costs may arise, and if that stage is reached, no doubt the Commission must then act in accordance with judicial principles and see that parties are heard before any order is made against them. But, so far as the section confers a right to a hearing of a wider nature and so makes it right to compare a Commission of Inquiry with an administrative tribunal, it by no means follows that even in the case of parties before a tribunal, they would have the wide rights claimed by Mr. Inglis. The question whether the requirements of natural justice have been met by the procedure adopted by a tribunal clearly depends to a

very considerable extent on the facts and circumstances of the case in point. There are, as Tucker L. J. said in *Russell v. The Duke of Norfolk* (1949) 1 All E.R. 109, 180: "in my view, no words which are of universal application to every kind of inquiry and every kind of domestic tribunal. The requirements of natural justice must depend on the circumstances of a case, the nature of the inquiry, the rules under which the tribunal is acting, the subject matter that is being dealt with and so forth."

The recent case of *Ceylon University v. Fernando* (1960) 1 W.L.R. 203 is a case in point. This was an appeal to the Privy Council from the Supreme Court of Ceylon. The respondent, a student at the University, had sat for a final examination for the degree of Bachelor of Science, and an allegation was made to the Vice-Chancellor that the respondent had prior knowledge of the contents of a passage in the German language which had to be translated in one of the papers. A Commission of Inquiry, consisting of the Vice-Chancellor and two others, acting under a clause of the statute of the University, was set up. The Vice-Chancellor was required to be "satisfied" that the candidate had prior knowledge of the contents of any paper and duly found that the allegation made against the respondent was substantiated; accordingly the Commission as required, reported its finding to the Board of Residence and Discipline who suspended the respondent indefinitely from all University examinations. The respondent, being dissatisfied, commenced an action seeking, among other things, a declaration that the finding of the Commission of Inquiry and the decision of the Board of Residence and Discipline were null and void. He alleged that the finding of the Commission was contrary to the principles of natural justice in that, among other things, the evidence of various witnesses, including that of the person who made the allegation, was taken in his absence and he was not aware of the evidence against him or of the case which he had to meet. He was, however, questioned about the matter by the Commission, and in evidence, he denied the allegation. The trial Judge was of the opinion that the functions of the Vice-Chancellor were purely administrative and not judicial and that consequently the Court had no jurisdiction to interfere, but went on to hold that if he was wrong in this, and such functions were of a quasi-judicial character, the principles of natural justice had been sufficiently complied with by the Commission. The Supreme Court of Appeal took a contrary view, holding that the Vice-Chancellor's functions were not administrative, but quasi-judicial, and that the mode of inquiry adopted had violated the principles of natural justice. Accordingly, the Court declared that the report of the Commission of Inquiry and the consequential decision of the Board of Residence and Discipline were null and void. Before the Privy Council, it was conceded that the functions of the Commission of Inquiry were of a judicial nature. The judgment of the Board was delivered by Lord Jenkins, who pointed out that the plaintiff's contention that he was not adequately informed of the case he had to meet, and was not given an adequate opportunity of meeting it, and that the course taken by the Vice-Chancellor or the Commission of Inquiry in these respects failed to satisfy the requirements of natural justice, depended almost entirely on the admitted fact that the person who made the complaint and the other witnesses were not questioned in the presence and hearing of the respondent, who consequently was not able to question them on the statements they made.

Their Lordships reviewed the line of authority, including such cases as *The Board of Education v. Rice* (1911) A.C. 179, and *Local Government Board v. Arlidge* (1915) A.C. 120, and said:

“It seems to their Lordships to follow that inasmuch as the Vice-Chancellor was not . . . bound to treat the matter as a trial . . . but could obtain information about it in any way he thought best it was open to him if he thought fit to question witnesses without inviting the plaintiff to be present,”

and then, having discussed the evidence as to what happened, their Lordships said that they were

“satisfied that the interviews, so far as they went, were fairly conducted and gave the plaintiff an adequate opportunity of stating his case, but it remains to consider whether in the course they took the interviews must be held to have fallen short of the requirements of natural justice on the ground that the plaintiff was given no opportunity of questioning Miss Balasingham. She was the one essential witness against the plaintiff and the charge in the end resolved itself into a matter of her word against his . . . Their Lordships cannot regard this omission, or a *fortiori* the like omission with respect to other witnesses as sufficient to invalidate the proceedings of the Commission as failing to comply with the requirements of natural justice in the circumstances of the present case. Counsel for the University very properly referred their Lordships to passages in *Osgood v. Nelson* (1872) L.R. 5 H.L. 636 and any other authorities which tend at first sight to state the requirements of natural justice more favourably to the party charged than do the authorities to which their Lordships have so far referred: see in particular references to cross-examination in *Osgood v. Nelson*. But their Lordships are satisfied that when the facts and circumstances of these cases are looked into they contain nothing to justify the conclusion that the requirements of natural justice were not sufficiently observed on the facts and in the circumstances of the case before them.”

If then, there is no general rule that the principles of natural justice in a case such as that require that the Commission of Inquiry should carry out its investigation in the presence of the person charged and give him rights of cross-examination, it seems to me quite impossible to justify the contention that these associations of civil servants are entitled as of right to be present on all occasions when this Commission is receiving evidence or itself is making investigations into the running of the different departments of State which it is called upon to examine, still less that they have the right to insist on exercising the powers of cross-examination, or of appointing counsel to represent them. I do not doubt that in the case of particular Commissions such as one relating to a disaster, the right conferred by the statute on specially interested persons “to appear and be heard at the Inquiry” may be more extensive than I think is the position in the present case where there are no parties and where the Commission is required to investigate the whole field of public services. So far as the present case is concerned, in my opinion, full weight will be given to the provisions of s. 4A if the Commission makes the necessary arrangements for the representatives of the civil servants to appear before it at some suitable time or times and give the evidence and make the representations which they wish the Commission to consider. Of course, the representatives, like any member of the public, are entitled to be present whenever the Commission is sitting in public, but the occasions when the Commission will permit the representatives to take part in the proceedings, or allow cross-examination of witnesses or permit the associations to be represented by counsel, are, in my opinion, all matters within the discretion of the Commission. See *The King v. War Pensions Entitlement Appeal Tribunal ex parte Bott* (1933) 50 C.L.R. 228, 250. Nor do I consider that there is anything

in the point made by Mr. Inglis that the Commission would be acting in a manner contrary to the terms of its warrant if it thought it right at a public sitting to inform the representatives of the associations in a general way of matters which had come to its notice in the course of private sittings and in respect of which it felt the associations might wish to make a contribution or a reply. The provision in the warrant to which Mr. Inglis referred is aimed at quite a different matter, namely the premature publishing or disclosing of evidence or information received by the Commission during a private sitting. In my opinion it does not hamper the Commission in the way it carries out its functions.

Dealing first in a general way with the questions submitted to this Court, the first question as originally formulated, asked whether the employee associations were persons interested in the inquiry within the meaning of S. 4A. It was early recognised, during the argument, that this was a question of fact upon which it would be necessary for the employee associations to satisfy the Royal Commission who alone were entrusted with the responsibility of determining whether the associations possessed the qualification required by the section. When this was mentioned, all counsel asked that the question should be treated as if it were amended to read thus:

1. Whether having regard to their general character and their objects the Combined State Service Organisations, the New Zealand Public Service Association (Incorporated) and the Post Office Association (Incorporated) or any of them can in law be a person interested in the inquiry to be conducted by this Commission and can have an interest apart from an interest in common with the public?

I see no reason why the question should not be answered in the suggested form. The question however was raised whether the word "person" in s. 4A would include the employee associations. The Solicitor-General however agreed that there were obvious reasons of convenience for treating the employee organisations as being representative of individual members of the public service. Therefore, it seems to me that the question is to be answered by considering whether civil servants may have "an interest in the inquiry apart from any interest in common with the public". In my opinion, when regard is had to the various matters which the Commission is asked to consider, it must be accepted as a matter of law that civil servants may have an interest in the inquiry which is not shared by members of the public generally, but whether the Commission is so satisfied in respect of all or any of the subject matters for inquiry, is a question wholly for the Commission. So far as Question 3 is concerned, in my opinion, the procedure laid down by the Commission did not deprive the associations of any rights of appearance and hearing which they are entitled to in law. Indeed, for the reasons already mentioned, the Commission, in my opinion, has been generous in the ruling it has made. Accordingly, I would answer the questions as follows:

*Question 1:* Yes.

*Question 2 (a):* There is a right without leave to appear by a representative at public sittings, and at times to be prescribed by the Commission, to call evidence and make submissions:

*Question 2 (b):* No.

*Question 3:* Yes.

## JUDGMENT OF MR JUSTICE CLEARY

The argument before us centred on the meaning to be given to certain provisions contained in the Commissions of Inquiry Act 1908, but I do not think it possible to turn to the construction of those provisions without bearing in mind some of the principal characteristics of Commissions of Inquiry and the manner in which the legislation relating to them has developed in this country.

The function of a Commission of Inquiry, as its name indicates, is to conduct an inquiry. Thus, the Royal Commission with which we are here concerned was set up "to receive representations upon, inquire into, investigate, and report upon" the matters specified in the warrant of appointment. Apart from any powers conferred upon it by statute, such a Commission has no power to determine rights, either judicially or by executive or administrative action, and any attempt in the warrant of appointment to confer such powers upon it would, in the absence of enabling statutory authority, render it unlawful. Further, such a Commission has no coercive powers of any kind, and cannot even compel the attendance of witnesses or the production of documents unless statutory power to do so has been conferred upon it: *Attorney-General for the Commonwealth of Australia v. Colonial Sugar Refining Co.* 1914 A.C. 237 at p. 257. Again, and still apart from any statutory provision in that behalf, the topics into which a Commission may inquire are multifarious. In New Zealand Commissions have been set up to inquire into claims or grievances advanced in a variety of circumstances, sometimes by individuals and not uncommonly by sections of the Maori people; into charges and complaints made against Crown servants or the administration of public institutions; into questions concerning local government such as the desirability of constituting some new local body, or the apportionment of the cost of a bridge; into accidents and disasters; and in the field of general government into a variety of matters affecting policy and legislation. Finally, there is no one method of constituting such Commissions. They may be appointed by the Governor-General pursuant to his Letters Patent in the name of the sovereign, in which case they are Royal Commissions; they may be appointed by the Governor-General in Council pursuant to the Commissions of Inquiry Act; or they may be appointed pursuant to specific statutory authority, of which s. 136 (7) of the Public Works Act 1908 affords an example.

This is the general background against which the provisions of the Commissions of Inquiry Act 1908 require to be construed. The first statutory provision enacted in this country was the Commissioners Powers Act 1867, the purpose of which was to confer upon Commissions of Inquiry the power to summon witnesses, examine them upon oath, and require the production of books and documents. That Act was expressed to be applicable to Boards or Commissions appointed or issued by the Governor-in-Council, but whether it applied to Royal Commissions appointed by the Governor pursuant to his Letters Patent would appear to have been at least doubtful. In 1872 this Act was amended, and s. 6 of the Amendment Act provided that upon hearing of any inquiry the Commissioners might order that the whole or any portion of the cost of the inquiry should be paid "by any of the parties to such inquiry". This was the position when *Jellicoe v. Haselden* 22 N.Z.L.R. 343 was decided in 1902. The Commission under consideration in that case had been appointed by the Governor-in-Council and was not a Royal Commission: see per Stout C. J. at p. 351 and Williams J. at p. 357. It was,

therefore, a Commission to which the Act of 1867 and its amendments undoubtedly applied, and at p. 358 Williams J., referring to s. 6 of the Amendment Act of 1872, said: "who can be considered 'parties' to an inquiry which is instituted not by one subject against another, but by the head of the Executive for the purpose of obtaining information, may be difficult to determine".

The Acts of 1867 and 1872 were repealed by the Commissioners Act 1903, which made more comprehensive provision as to the powers of Commissioners. It was expressed by s. 13 to apply to all inquiries held by Commissioners appointed by the Governor under any Act, from which it would appear that it did not apply to Royal Commissions appointed pursuant to the Letters Patent. It prescribed in s. 2 the purposes for which the Governor-in-Council might appoint Commissions. Before the Act of 1903 there was no such provision, but in the cases decided since 1903 it seems to have become accepted that the purposes set out in s. 2 constitute an exhaustive statement of the purposes for which the Governor in Council might set up a Commission. Apart from the authority contained in this provision, he could, of course, set up a Commission for any purpose specifically authorised by some other statute, and he could likewise set up a Royal Commission pursuant to his powers under the Letters Patent. The Act then went on to make more than one reference to the "parties" to an inquiry. S. 4 provided that every Commission should have the power and status of a Magistrate "in respect of citing parties interested in the inquiry", summoning witnesses, administering oaths, and conducting the inquiry. S. 11 enabled the Commission to order that the whole or any portion of the costs of the inquiry "or of any party thereto shall be paid by any of the parties to the inquiry", but no such order should be made against any person "who has not been cited as a party" or summoned to give evidence. This Act was amended in 1905. The purpose of the amendment was to extend the provisions of the principal Act to Royal Commissions, for s. 4 repealed s. 13 of the principal Act and declared that the principal Act should extend and apply to all inquiries held by Commissioners appointed by the Governor or the Governor in Council under any Act or his Letters Patent.

The provisions of the Acts of 1903 and 1905 were consolidated in the Commissions of Inquiry Act 1908, and the references to "parties" received consideration in the judgment of the Full Court given by Myers C. J. in *Timberlands Woodpulp Ltd. v. Attorney-General* 1934 N.Z.L.R. 270 at p. 293 et seq. It was there said, in effect, that some limitation must be placed upon the words "parties interested in the inquiry"; that some inquiries could be of such a nature as to permit of their being parties to the inquiry, as where an inquiry was made into the conduct of some person, or into a claim alleged to lie in equity and good conscience against the Crown; but that other inquiries of their nature did not admit of there being parties, such as an inquiry into the working of any existing law or the expediency of proposed legislation. The Commission which gave rise to this case was one appointed by the Governor-General in Council to inquire into the methods and administration of companies of certain types and the desirability of legislation to control them, and it was held that there could not be parties to an inquiry of such a nature.



In 1958 the Act of 1908 was amended by the insertion of s. 4A which reads as follows:

Any person interested in the inquiry shall, if he satisfies the Commission that he has an interest in the inquiry apart from any interest in common with the public, be entitled to appear and be heard at the inquiry as if he had been cited as a party to the inquiry.

The section is a somewhat puzzling one. It contemplates that a person may be interested in an inquiry to a degree less than would justify his being cited as a party, and that such a "person interested" is to have the same rights as to appearance and hearing at the inquiry as a person who has been "cited as a party". It is somewhat curious to regard a party cited as appearing and being heard in the exercise of a right, but it is to be remembered that once cited he may come under a liability for costs pursuant to an order made under s. 11. It can scarcely be supposed that Commissioners, once having cited a person as a party, would wish to stultify their citation by refusing to hear him. At all events the section contemplates clearly enough that the party cited acquires a right to appear and be heard, but it throws no light upon the extent of this right or the corresponding obligations on the Commissioners. Indeed, the whole legislative process, whereby at first there was a reference to parties and then the conferment of a power to cite parties, without in either case any attempt to elucidate the meaning of the term, and then finally an oblique recognition that parties cited acquire rights, has been particularly indirect.

The argument for the Service Organisations relied entirely on the provisions of s. 4A. It was argued that a person cited as a party has not merely a right to appear and make his representations and call evidence, but a right also, with or without counsel, to be present at all the sittings of the Commission, public or private, and to cross-examine all witnesses heard by the Commission in those sittings. I am prepared to assume that the Service Organisations may be able to satisfy the Commission that they are persons interested within the meaning of the section, and so become entitled to the same rights as a party cited. On this assumption, the crucial point in the argument addressed to us, so it seems to me, is whether a person cited as a party can exercise the wide rights claimed, for the rights of the Service Organisations as persons interested cannot be greater than the rights of a person cited as a party. It was conceded by Mr. Inglis that, by reason of the nature of the inquiry which the Royal Commission was appointed to make, there could be no parties to the inquiry within the meaning assigned to that term in the *Timberlands' case*. I confess that this feature occasions me perplexity, for I am unable to envisage the nature of rights possessed by parties to an inquiry which cannot have parties at all. However, I think I should pass over this difficulty, and consider the nature of the rights possessed by a party cited to an inquiry which may be of such a nature as to admit of parties, for it would seem that it is only on this basis that the extent of the rights of a person interested may be ascertained in accordance with the intention of the section.

I think the flaw in the argument addressed to us lies in the assumption that a "party" to an inquiry by Commissioners has the same rights to appear by counsel, to be present throughout the hearing, and to cross-examine witnesses as is possessed by a party to a suit at law. This argument overlooks the basic difference between a *lis inter partes* and an inquiry by Commissioners. In a controversy between parties the function

of the court is "to decide the issue between those parties, with whom alone it rests to initiate or defend or compromise the proceedings": *Labour Relations Board of Saskatchewan v. John East Iron Works* 1949 A.C. 127 at p. 149. The function of a Commission of Inquiry, on the other hand, is inquisitorial in nature. It does not wait for issues to be submitted, but itself originates inquiry into the matters which it is charged to investigate. There are, indeed, no issues as in a suit between parties; no "party" has the conduct of proceedings, and no "parties" between them can confine the subject matter of the inquiry or place any limit on the extent of the evidence or information which the Commission may wish to obtain. It is, in my opinion, fallacious to suggest that because the legislature has spoken of parties to an inquiry undertaken by Commissioners such persons are to be treated as being in the same position and as having the same rights as parties to a legal cause. If this be so then I think the contention that a person cited as a party has the wide rights claimed for him breaks down, because the contention rests on the invalid assumption that a person cited as a party to an inquiry by Commissioners has the same rights as a party to a legal suit.

It remains, nevertheless, to consider the extent of the rights of appearance and hearing of a party cited, for the section contemplates that the rights of a "person interested" will be the same as those of a party cited. The question is not one of the kind which has arisen frequently enough in late years, being whether the functions of the tribunal are such as to require it to grant a hearing at all. That question is answered here by the view I take of the words of the section, which entitle parties cited or persons interested to appear and be heard at an inquiry, even although the nature of that inquiry is inquisitorial only. The question is, there being a right to appear and be heard, what is the extent of that right? And this it seems to me is substantially the same kind of question that was under consideration in such cases as *Local Government Board v. Arlidge* 1915 A.C. 120 and *University of Ceylon v. Fernando* 1960 1 All E.R. 631. In neither of those cases was it in question, at all events in the Courts of final resort, that there should be a hearing; the matter at issue in both cases related to the adequacy of the hearing granted. It is clear from what was said in these cases, as well as in other cases of high authority, that no formula has been evolved which can be applied to all cases, other than one expressed in quite general terms, for so much depends upon the nature of the inquiry, its subject matter, and the circumstances of the particular case. In *Fernando's case* the Privy Council repeated the following passage from the judgment in *De Verteuil v. Knaggs* 1918 A.C. 557 at p. 560 as a succinct statement of the general principle:

Their Lordships are of opinion that in making such an inquiry there is, apart from special circumstances, a duty of giving to any person against whom the complaint is made a fair opportunity to make any relevant statement which he may desire to bring forward and a fair opportunity to correct or controvert any relevant statement brought forward to his prejudice.

Save for the fact that the words "against whom the complaint is made" would apply only in certain inquiries, I think this passage is apt to describe the obligation of Commissioners under s. 4A towards persons whom they have cited as parties to an inquiry, and their corresponding obligation towards persons whom they find to be "interested" in the inquiry.

I think the description of Commissions of Inquiry given by Williams J. in *Jellicoe v. Haselden* at p. 358 is, in general at least, equally applicable today:

The Commissioners, however, need not examine witnesses on oath, nor are they bound by any rules of evidence. . . . They are subject to no rules of procedure. They can sit with open or closed doors. They may hear counsel or not, as they please. . . . The purpose for which they are appointed is the purpose of reporting only. They have by statute a power of adjudicating in one solitary particular—they can order that the whole or any part of the cost of the inquiry shall be paid by any of the parties to the inquiry. . . . In any case this power of adjudication, whatever it may mean exactly, is strictly limited, and is merely ancillary to the main purpose of the Commission, that of obtaining information.

The only addition I would make is that s. 4A now requires Commissioners to permit parties cited and persons interested to appear and be heard. The nature of the hearing to be afforded is, in general, sufficiently described in the passage already cited from *De Verteuil v. Knaggs*. No doubt in some inquiries a greater degree of participation should be allowed than in others, as, for instance, where the sole object of the inquiry is to investigate the conduct of an individual: cf. *General Medical Council v. Spackman* 1943 A.C. 627 per Lord Atkin at p. 638. In such an inquiry, or in one where questions of law are involved, Commissioners would no doubt welcome the appearance of counsel, and one might imagine inquiries of such a nature that it could not fairly be said that a party cited or person interested has been “heard” in any proper sense of the word unless he has had the assistance of counsel. That situation would arise, however, from the special circumstances of a particular inquiry, but as a general rule I think it must remain correct, as Williams J. said, that Commissioners may hear counsel or not, as they please. Likewise I think it is plain that in the regulation of their own procedure they may prescribe or restrict the extent of participation in the proceedings by parties cited or persons interested, the one limitation being that such persons must be afforded a fair opportunity of presenting their representations, adducing their evidence, and meeting prejudicial matter. Finally, I think it is beyond dispute that Commissioners may hear evidence or representations in private, for such a power is inseparable from the functions of a body set up to initiate an investigation and inquiry, unless the instrument of appointment otherwise provides. They may, if they think fit, exclude parties cited or persons interested from their private sittings. Should they be of opinion that matter received at any such sitting is prejudicial to some party cited or person interested, they ought to afford some fair opportunity of correction, either in public or in private, but the procedure must of necessity be left to their sense of fitness in applying the general principle which I have already set out to the circumstances of the particular inquiry.

Having expressed the foregoing views as to Commissions of Inquiry generally, I turn to the Royal Commission with which we are here concerned. It is to be repeated that all counsel agree that the Royal Commission is to conduct an inquiry of such a nature as does not permit of parties thereto. This much at least can be said concerning the application of the general principle to the proceedings of such a Commission, namely that the rights of parties interested to participate in the proceedings cannot be as extensive as might be the rights of a party cited to an inquiry of quite a different nature, such as one where there is a complaint

against conduct. This being so, it seems to me to be clear that the rulings of the Royal Commission of 20th July 1961 and 27th July 1961 did not deprive the Service Organisations of any rights of appearance and hearing to which they are entitled. In certain respects, as in relation to the cross-examination of witnesses and in the intimation given as to its attitude towards counsel appearing, the Commission has probably gone beyond anything that could be required from it as a matter of right. I agree with the formal answers suggested by North J. to the questions raised by the special case, and I would also associate myself with his concluding observations as to the questions generally.

## Appendix 3

## (a) ORGANISATIONS AND OFFICIALS GIVING PUBLIC EVIDENCE

(For State Departments the Permanent Head or his deputy gave evidence: for other organisations the official who formally appeared before us to present the evidence is named. Roman numerals refer to Warrant Items on which evidence was given. Items I and II were heard together. Arabic numerals refer to the number of papers presented.)

Acclimatisation Societies, Council of the South Island	I, II	(1)
Accountants, N.Z. Soc. of (A. W. Graham)	.. IV	(1)
Agriculture, Department of .. .. .	.. I, II, IV	(3)
Agricultural Science, N.Z. Inst. of (I. L. Baumgart)	.. I-V	(2)
Air Department (Civil Aviation Administration)	.. I, II	(1)
Air Secretary .. .. .	.. I, II	(1)
Architects, N.Z. Inst. of (E. V. Dawson)	.. IV	(1)
Army Secretary .. .. .	.. I, II	(2)
Audit Department .. .. .	.. I, II, IV	(2)
Aviation Industry Assoc. of N.Z. (Inc.)	.. I, II	(1)
Beekeepers' Assoc. of N.Z. Inc., National	.. I, II	(1)
Associated Chambers of Commerce of N.Z. (K. B. O'Brien)	.. I, II, IV	(6)
Chiefs of Staff of the Armed Forces	.. I, II	(1)
Civil Service Institute (G. W. Brown)	.. IV, V	(2)
Combined State Service Organisations (J. G. Churchill, D. P. Long)	.. IV, V	(2)
Constitutional Society (A. F. Manning)	.. I, II	(1)
Contractors' Federation (Inc.), the N.Z. Associated General (A. F. Downer, A. R. Tari)	.. I, II	(1)
Crown Law Office .. .. .	.. I, II	(1)
Customs Department .. .. .	.. I, II	(1)
Education, Department of .. .. .	.. I, II, IV	(3)
N.Z. Education Boards' Assoc. Inc. (H. Mawson)	.. I, II	(1)
N.Z. Employers' Federation Inc. (P. J. Luxford)	.. V	(1)
Engineers, N.Z. Consulting (R. D. Evison)	.. IV	(1)

Engineers, N.Z. Institution of (H. R. Bach) ..	I, II, IV	(2)
Engineers, Institution of Structural (Auck. Section) ..	I, II	(1)
External Affairs, Department of .. .. .	I, II, IV	(3)
Fishermen's Association, Lake Ellesmere (P. C. Kimber) .. .. .	I, II	(1)
N.Z. Forest Service .. .. .	I-IV	(3)
N.Z. Freezing Companies' Industrial Union of Employers .. .. .	I, II	(1)
N.Z. Fruitgrowers' Federation Ltd. (T. F. A. Archer)	I, II	(1)
Harbours Association of N.Z. (R. E. Dawson) ..	I, II	(1)
Health, Department of .. .. .	I, II, IV	(2)
Horticulture, Royal N.Z. Inst. of (Inc.) (Sir Robert Macalister) .. .. .	IV	(1)
Industries and Commerce, Department of ..	I, II, IV, V	(4)
Inland Revenue Department .. .. .	I, II	(1)
Insurance Office, Government Life .. .. .	I, II	(1)
Insurance Office, State Fire .. .. .	I, II, IV	(2)
Internal Affairs, Department of .. .. .	I, II	(2)
Labour, Department of .. .. .	I, II, V	(2)
Lands and Survey, Department of .. .. .	I, II, IV	(3)
Law Draftsman .. .. .	I, II	(1)
N.Z. Law Society .. .. .	IV	(1)
Legal Society, Civil Service (D. G. McGill) ..	IV	(1)
N.Z. Library Association (C. S. Perry, D. M. Wylie) ..	I, II, IV	(2)
Library Service, National .. .. .	I, II	(1)
N.Z. Manufacturers' Federation (Inc.) (A. R. Dellow)	I, II	(1)
Maori Affairs, Department of .. .. .	I, II, IV-V	(2)
Marine Department .. .. .	I, II	(1)
N.Z. Master Builders' Federation (Inc.) .. .. .	I, II	(1)
Mines Department .. .. .	I, II	(2)
Navy Secretary .. .. .	I, II	(1)

N.Z. Post Office .. .. .	I-V	(16)
Post Office Association (G. D. Robson) .. .. .	I-IV	(13)
N.Z. Post-primary Teachers' Assoc. .. .. .	IV	(1)
Prime Minister's Department .. .. .	I, II	(1)
Government Printing and Stationery Dept. .. .. .	I-IV	(4)
N.Z. Public Service Assoc. (Inc.) (D. P. Long, E. J. Batt, R. F. Hannan) .. .. .	I-IV	(16)
N.Z. Public Service Assoc. (Inc.) (Auck. Sect.) (W. J. MacNicol) .. .. .	IV	(1)
Public Service Commission .. .. .	I-V, VII	(21)
Public Trust Office .. .. .	I, II, IV	(2)
N.Z. Railway Officers' Inst. (Inc.) (D. J. Munro) .. .. .	IV	(1)
N.Z. Government Railways Department .. .. .	I-V	(5)
Railway Servants, Amalgamated Soc. of (D. M. Kane) .. .. .	IV	(1)
N.Z. Retailers' Federation (D. P. Munro) .. .. .	I, II	(1)
Returned Services' Association (Inc.) (H. Mitchell) .. .. .	I, II	(1)
Roads Board, National .. .. .	I, II	(1)
Royal Society of N.Z. (Dr J. R. Dixon) .. .. .	I, II	(1)
Scientific and Industrial Research, Department of .. .. .	I, II, IV, V	(3)
Scientific and Industrial Research, Council of (Dr M. M. Burns) .. .. .	I, II	(1)
Scientists, N.Z. Assoc. of (Dr J. G. Gibbs) .. .. .	I, II	(1)
Scientists, N.Z. Assoc. of (Auck. Branch) (R. W. Moir) .. .. .	I, II	(1)
Social Security Department .. .. .	IV	(1)
Standards Council (J. L. King) .. .. .	IV	(1)
State Advances Corporation of N.Z. .. .. .	I, II	(1)
Statistics, Department of .. .. .	I, II, IV, V	(6)
Government Superannuation Board .. .. .	I, II	(1)
Superannuitants' Associations (Govt. S. Assoc. of N.Z. (Inc.), Railways S. Assoc. (Inc.)) (C. A. Coad) .. .. .	IV	(1)
Technicians' Certification Authority of N.Z. .. .. .	IV	(1)
Technicians (Research Laboratories) (H. T. Robinson) .. .. .	IV	(1)
Tourist and Publicity Department .. .. .	I, II	(3)
Tourist Hotel Corporation .. .. .	I, II	(1)
Town and Country Planning Inst. (N.Z.) Inc. (D. G. Porter) .. .. .	I, II, IV	(2)
Transport Department .. .. .	I, II	(1)

N.Z. Travel and Holidays Assoc. (Inc.) (N. E. Lobb) ..	I, II	(1)
The Treasury .. .. .	I-V	(13)
Tussock Grasslands and Mountain Lands Inst. (L. W. McCaskill, D. McLeod) .. .. .	I, II	(2)
United Kingdom Manufacturers' and N.Z. Represen- tatives' Assoc. Inc. (A. E. Tarrant) .. .. .	I, II	(1)
Valuation Department .. .. .	I, II	(1)
N.Z. Vegetable and Produce Growers' Federation Inc. (C. G. Naish) .. .. .	I, II	(1)
N.Z. Wholesale Softgoods Federation (I. A. Ewen, Sir Jack Harris) .. .. .	I, II, VII	(2)
Works, Ministry of .. .. .	I, II, IV	(3)

## (b) INDIVIDUALS GIVING PUBLIC EVIDENCE

(All save the four noted gave one paper only)

*By Invitation of the Royal Commission*

Bolt, G. T. (former Chairman, Public Service Commission) .. .. .	IV	
Cant, A. R. (Editor, <i>The Press</i> , Christchurch) ..	I, II	
Caselberg, H. M. (Ret. Public Servant) ..	I, II	
Dumbleton, E. V. (Editor-in-Chief, <i>Auckland Star</i> )	I, II	
Ferguson, J. T. (Public Servant) .. .. .	I, II	
Hunn, J. K. (former Member, Public Service Commission) .. .. .	I-III	(2)
Nevill, Sir Arthur (Director of Civil Aviation) ..	I, II	
Tarr, A. R. (Ret. Gen. Sec. Railway Off. Inst.) ..	I, II	

*Sponsored by the Institute of Public Administration*

Blow, C. C. (Secy. Auckland Metropolitan Drainage Board) .. .. .	IV	
Durbin, L. G. (Public Servant) .. .. .	I, IV, V	
McLennan, K. E. (Public Servant) .. .. .	III	
Roberts, J. L. (Senior Lecturer in Public Adminis- tration, Victoria University) .. .. .	I-V	(5)



*Appearing at Own Request*

Alford, C. J. (Railways Memb., Super. Board) ..	IV	
Atkinson, J. D. (jointly with J. B. Brooke and E. E. Chamberlain) (Scientists) .. ..	I, II	
Baldwin, W. H. (Public Servant) .. ..	IV	
Bateman, C. W. (State Servant) .. ..	IV	
Boyd, J. P. (Ret. Water Engineer) .. ..	I, II	
Coury, R. E. (Public Servant) .. ..	I, II	
Duncan, J. W. G. (formerly of British War Office)	I, II	
Gillett, C. A. (Engineer-Businessman) .. ..	I, II	
Gregory, J. B. (with G. A. Knox and D. E. G. Sheat) (Scientists, Univ. of Canterbury) .. ..	I, II	
Greig, A. M. W. (Public Servant) .. ..	I, II	
Griffin, K. M. (Ret. Public Servant) .. ..	I, II	
Hall, D. G. (Public Servant) .. ..	IV	
La Coste, C. B. (Industrial Consultant) ..	III	
Lindsley, F. (Public Servant) .. ..	I, II, IV	(2)
Milne, M. R. (Engineer, Post Office) .. ..	I, II	
Naylor, A. F. (Ministerial Private Secretary) ..	I, II, IV	(2)
O'Donnell, J. B. (Engineer, Post Office) ..	I, II	
Palmer, C. G. C. (Public Servant) .. ..	IV	
Rankin, A. R. (Agricultural Instructor) ..	I, II	
Smith, Dr W. M. (Retired Teacher) .. ..	I, II	
Spencer, Norman (Management Consultant) ..	I, II	
Thompson, Dr A. W. S. (Divis. Director, Health Dept.) .. ..	I, II	
Viney, R. (Horticultural Instructor) .. ..	I, II	
Ward, W. H. (Director, Dom. Phys. Lab.) ..	I, II	

*Appendix 4*  
CURRENT COST OF GOVERNMENT

	Current Expenditure on Goods and Services	Gross National Product	Percentage Col. 1 $\frac{\quad}{\quad} \times 100$ Col. 2
	£(m.)	£(m.)	%
1938-39 .. .. .	23.2	231.9	10.0
1943-44 .. .. .	154.3	374.9	41.2
1946-47 .. .. .	44.5	425.3	10.5
1947-48 .. .. .	51.5	481.4	10.7
1948-49 .. .. .	50.5	489.3	10.3
1949-50 .. .. .	55.8	552.6	10.1
1950-51 .. .. .	60.1	697.6	8.6
1951-52 .. .. .	75.3	723.2	10.4
1952-53 .. .. .	86.8	758.3	11.4
1953-54 .. .. .	90.1	838.3	10.7
1954-55 .. .. .	90.8	929.5	9.8
1955-56 .. .. .	99.5	981.7	10.1
1956-57 .. .. .	108.2	1028.7	10.5
1957-58 .. .. .	112.8	1084.5	10.4
1958-59 .. .. .	119.9	1135.3	10.6
1959-60 .. .. .	127.5	1230.2	10.4
1960-61 .. .. .	135.2	1309.4	10.3

NOTE: Current expenditure as shown is net of departmental receipts other than direct and indirect taxation.

Excluded from expenditures are also:

- (i) Operating expenses of trading departments or trading activities as defined in the national accounts system, namely:

Printing and Stationery.  
Forest Service sawmills.  
Westport Harbour.  
Labour Department hostels.  
State coal mines.  
New Zealand Railways.  
Earthquake and War Damage Fund.  
Public Trust.  
Post Office.  
New Zealand Broadcasting Service.  
State Advances Corporation  
State Fire Insurance.  
Maori Trustee.  
Government Life and Accident Insurance.  
Land Settlement.  
Tourist Division of Tourist and Publicity Department.  
A number of smaller trading activities.

- (ii) Expenditures of a capital nature whether paid as salaries and wages or for purchases of completed equipment, machinery, or materials.  
(iii) Transfer payments to persons; that is social security cash payments (but not medical refunds), transfers to local authorities, and interest on public debt paid in New Zealand.

Expressed in a more positive way current expenditure of Government is the cost of providing current goods and services by administrative departments where such departments function as final buyers of the gross national product.

*Source: Department of Statistics*

## Appendix 5

## ALLOCATION OF PORTFOLIOS AND MINISTERIAL OFFICES

Labour 1949	National 1957	Labour 1960	National 1962
Prime Minister's and External Affairs, Maori Affairs, Island Territories, Police, Legislative, Audit, Electoral.	Prime Minister's and External Affairs, Island Territories.	Prime Minister's and External Affairs, Maori Affairs, Legislative, Audit, Statistics.	Prime Minister's and External Affairs, Legislative, Audit.
Finance, Customs, State Advances Corporation, Inland Revenue, Statistics, Friendly Societies, National Provident Fund, Superannuation.	Finance, Inland Revenue, Statistics.	Finance, Inland Revenue.	Finance, Inland Revenue, Statistics.
Works, Railways, Electricity.	Works, Transport, Electricity.	Works, Electricity.	Works, Electricity.
Agriculture, Marketing.	Agriculture, Valuation, Internal Affairs	Agriculture, Lands, Rehabilitation.	Agriculture.
Industries and Commerce, Supply and Munitions.	Industries and Commerce, Customs.	Industries and Commerce, D.S.I.R.	Industries and Commerce, Overseas Trade.
Education, D.S.I.R.	Education, D.S.I.R., Broadcasting.	Education, State Fire.	Education, D.S.I.R.
Health, Mental Hospitals.	Health, Immigration, Public Trust, Friendly Societies.	Health, Justice, Attorney-General.	Health, Social Security, Child Welfare.
Defence, Broadcasting, War Pensions.	Defence, Government Life, Police, War Pensions, Tourist, State Fire.	Defence, Police, War Pensions.	Defence, Police, Tourist and Health Resorts.

Labour, Mines, Employment, Immigration.	Labour, Mines, Railways.	Labour, Mines.	Labour, Immigration, Mines, Publicity.
Lands, Forests, Valuation, Rehabilitation.	Lands, Forests, Marine.	Forests, Printing, Associate Maori Affairs.	Lands, Forests, Marine, Valuation.
Attorney-General, Justice (and Prisons), Patents Office, Public Trust, State Fire, Government Life.	Attorney-General, Justice, Electoral, Publicity.	Railways, Post Office.	Attorney-General, Justice, Maori Affairs, Electoral.
Transport, Marine, Post Office.	Legislative, Maori Affairs, Audit.	Transport, Island Territories, Civil Aviation, Tourist.	Transport, Railways, Civil Aviation.
Social Security, Internal Affairs, Tourist, Registrar-General.	Social Security, Child Welfare.	Internal Affairs, Public Trust, Government Life.	Internal Affairs, Civil Defence, Island Territories.
Printing.	Printing, Housing, State Advances Corporation, Superannuation.	Customs, Broadcasting, Publicity.	Printing, Housing, State Advances, Public Trust, Government Life.
..	Post Office, Rehabilitation, Civil Aviation	Social Security, Child Welfare.	Post Office, Broadcasting, War Pensions, Rehabilitation, State Fire.
..	..	Marine, Housing, Valuation, State Advances.	Customs, Associate Industries and Commerce.
Minister without portfolio.	Minister without portfolio.	..	Minister without portfolio.
15 Ministers	16 Ministers	16 Ministers	17 Ministers

## Appendix 6

AUTHORITY FOR THE EXPENDITURE OF PUBLIC FUNDS DELEGATED BY CABINET TO  
MINISTERS AND PERMANENT HEADS OF DEPARTMENTS<sup>1</sup>

(13 May 1955—as later amended)

	Ministers:			Permanent Heads:		
	Finance	Works, Electricity, Post Office, Railways, Defence, Lands, Maori Affairs	Other	Treasury	Works, Electricity, Post Office, Railways, Navy, Army, Air, Lands, Maori Affairs	Other Departments

I. EXPENDITURE WITHIN ESTIMATES

A. Expenditure of a capital nature:						
(1) Works programme expenditure:						
(a) New works:	£	£	£	£	£	£
Included in approved works programme .. .. .	25,000	25,000 <sup>2</sup>	5,000	5,000	5,000	1,000
(b) Works in progress and maintenance to the extent included in approved works programme .. .. .	N/L <sup>3</sup>	N/L	N/L	10,000	10,000	5,000
(2) Other expenditure of a capital nature within a programme approved by Cabinet, e.g., railways rolling stock, land development, etc. .. .. .	N/L	50,000	20,000	10,000	10,000	2,000
(3) Minor new works of a capital nature within an established policy and within provision on estimates .. .. .	5,000	5,000	5,000	1,000	1,000	1,000

B. Mechanical plant and equipment, motor vehicles, etc.:						
(1) Within programme approved by Cabinet .. .. .	N/L	50,000	10,000	2,000	2,000	1,000
(2) Not covered by an approved programme .. .. .	5,000	2,000	2,000	1,000	1,000	500
C. Subsidies, annual grants, etc.:						
(1) Subsidies, grants, and other similar expenditure calculated on an approved basis:						
(a) Recurring; e.g., education board grants, hospital subsidies, etc. .. .. .	N/L	N/L	N/L	N/L	N/L	N/L
(b) Non-recurring: subsidies for homes for the aged and for youth hostels .. .. .	50,000	10,000	10,000	..	..	..
(2) Extensions of subsidies or services and variations of other grants within established policy: irregular subsidy payments within established policy for which no fixed rate provided, e.g., restoration of flood damage .. .. .	5,000	2,000	2,000	1,000	1,000	500
NOTE: Quarterly returns are to be forwarded as at the end of March, June, September, and December by Permanent Heads to Ministers for submission to Cabinet giving details of expenditure approved by the Minister and Permanent Head under C (1) (b) and (2).						
D. Special payments:						
(1) Compensation, damages, etc.:						
(a) Settlement of claims arising from activities of the Post Office and Railways Department (including <i>ex gratia</i> settlements) .. .. .	..	2,000 <sup>4</sup>	..	..	500 <sup>5</sup>	..
(b) Settlement of claims under Workers' Compensation Act which was endorsed by the Crown Law Office or a departmental solicitor approved by the Solicitor-General .. .. .	N/L	N/L	N/L	N/L	N/L	N/L
(c) Judgments of the Court and settlement of claims which are endorsed by the Crown Law Office .. .. .	5,000	5,000	5,000	1,000	1,000 <sup>1,2</sup>	500
Minister of Finance in conjunction with Minister of Department .. .. .	N/L	..	..	..	..	..
(2) <i>Ex gratia</i> payments (other than in (1) (a) above) .. .. .	500	..	..	100	..	..

Appendix 6—continued

AUTHORITY FOR THE EXPENDITURE OF PUBLIC FUNDS DELEGATED BY CABINET TO  
MINISTERS AND PERMANENT HEADS OF DEPARTMENTS<sup>1</sup>—continued  
(13 May 1955—as later amended)

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	Ministers:			Permanent Heads:		
	Finance	Works, Electricity, Post Office, Railways, Defence, Lands, Maori Affairs	Other	Treasury	Works, Electricity, Post Office, Railways, Navy, Army, Air, Lands, Maori Affairs	Other Departments

I. EXPENDITURE WITHIN ESTIMATES—continued

	£	£	£	£	£	£
E. General administration:						
(1) Salaries, wages, overtime, etc., on an established basis ..	N/L	N/L	N/L	N/L	N/L	N/L
(2) Travelling expenses (including fares but not including salary or location allowances):						
(a) Within New Zealand on an established basis .. ..	N/L	N/L	N/L	N/L	N/L	N/L
(b) Overseas (other than South Pacific islands):						
(i) Train, courses of instruction, exchange duty, attachments and conferences, within an annual programme and total financial provision approved by Cabinet ..	N/L	N/L	N/L	..	..	..
(ii) Representation at conferences not included in a programme .. .. .	..	..	1,000 <sup>6</sup>	..	..	100 <sup>7</sup>
(iii) Routine movement of personnel in ordinary course of administration between Home establishments and existing overseas establishments and between such establishments .. .. .	2,500	1,000	1,000	..	..	..

## NOTES:

(1) Scale of overseas travelling allowances is fixed by Minister of Finance.

(2) The Public Service Commission, or other controlling authority, is authorised to approve overseas trips by employees on full or part pay where no Government expenditure, except salary, is involved or where the cost to the Government, excluding salary, does not exceed £50. This authority is subject to the following conditions:

- (i) That in the case of senior departmental officers proceeding overseas (including "salary only" visits) the concurrence of the Minister is obtained.
- (ii) That in all cases where an overseas visit by a departmental officer is at the invitation and/or expense of another Government or an international organisation, the prior concurrence of the Minister concerned and of the Minister of External Affairs is obtained.
- (iii) That the approval of the Treasury is obtained to any expenditure other than salary.

(c) South Pacific islands: Routine movement to, from, and between islands (including fixing of travelling allowances) for departments under Public Service Commission control will be approved by the Public Service Commission.

(d) Personnel at overseas posts—travel on routine business:

(i) Within country in which post is located .. .. .	N/L	N/L	N/L	N/L	N/L	N/L <sup>8</sup>
(ii) Outside country in which post is located .. .. .	500	200	200	100	100	100 <sup>9</sup>
(3) Operating and maintenance costs, e.g., office expenses, clothing, rations, stores, etc. .. .. .	N/L	N/L	N/L	10,000	10,000	5,000
(4) Office mechanical equipment and surveying and drafting equipment <sup>10</sup> .. .. .	10,000	5,000	2,500	1,000	1,000	500



## Appendix 6—continued

AUTHORITY FOR THE EXPENDITURE OF PUBLIC FUNDS DELEGATED BY CABINET TO  
MINISTERS AND PERMANENT HEADS OF DEPARTMENTS<sup>1</sup>—continued

(13 May 1955—as later amended)

	Ministers:			Permanent Heads:		
	Finance	Works, Electricity, Post Office, Railways, Defence, Lands, Maori Affairs	Other	Treasury	Works, Electricity, Post Office, Railways, Navy, Army, Air, Lands, Maori Affairs	Other Departments

## I. EXPENDITURE WITHIN ESTIMATES—continued

(5) Furniture, furnishings, and fittings for:	£	£	£	£	£	£
(a) Offices, laboratories, and similar accommodation ..	5,000	2,000	1,000	200	200 <sup>11</sup>	100
(b) Hostels and other residential accommodation for staff in						
New Zealand .. .. .	3,000	2,000	2,000	1,000	1,000	500
(6) Publicity programmes .. .. .	5,000	2,000	2,000	1,000	1,000	500

## II. UNAUTHORISED EXPENDITURE

Expenditure not provided for on estimates .. .. .	2,000	..	..	500	..	..
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## III. EXPENDITURE, ETC., TO BE WRITTEN OFF

Approval to inclusion in Appropriation Bill of amounts to be written off. .	N/L	5,000	5,000	..	..	..
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## NOTES:

<sup>1</sup>Does not include delegations to Cabinet Committees.<sup>2</sup>Also Minister of Housing.<sup>3</sup>N/L "no limit".<sup>4</sup>and <sup>5</sup> Railways and Post Office only.<sup>6</sup>Minister of External Affairs only, in respect of Officers of External Affairs Department.<sup>7</sup>Heads of overseas mission only - in urgent cases.<sup>8</sup>and <sup>9</sup> Includes heads of overseas missions.<sup>10</sup>All proposals for purchase of office mechanical equipment must have prior Treasury concurrence.<sup>11</sup>Railways and Post Office only - other Departments, £100.<sup>12</sup>Also Forestry and Mines.Source: *The Treasury*

Appendix 7

ESTIMATED EXPENDITURE ON SCIENTIFIC WORK IN NEW ZEALAND 1961-62

(a) STATE DEPARTMENTS

Organisation	Gross Vote £(000)	Gross Expenditure on Science		Grants for Research £(000)	Bodies Receiving Grants	Net Departmental Expenditure on Science £(000)
		£(000)	Percentage of Gross Vote			
D.S.I.R. . . . .	2,170	2,170	100	228	Universities, Research Associations, Cawthron, Royal Society, etc.	1,942
Agriculture . . . . .	5,625	841	15	3	Lincoln, International Organisations . . . . .	838 <sup>1</sup>
C.A.A. . . . .	4,450	497	11	..	..	497 <sup>2</sup>
Navy . . . . .	4,950	145	2.9	..	..	145 <sup>3</sup>
Health . . . . .	10,069	190	1.9	138	Medical Research Council . . . . .	52 <sup>4</sup>
Island Territories . . . . .	1,490	4	0.3	4	Medical Research Council . . . . .	..
Education . . . . .	47,052	100	0.2	100	University of N.Z. . . . .	..
Forest Service . . . . .	5,790	150	2.6	..	..	150
Works <sup>5</sup> . . . . .	63,000	65	0.1	5	Tussock Grasslands Institute . . . . .	60
Internal Affairs . . . . .	2,150	38	1.8	11	Dominion Museum . . . . .	27 <sup>6</sup>
Marine . . . . .	910	31	3.1	..	..	31
Post Office . . . . .	31,695	4	0.01	4	Radio Research at Auckland University . . . . .	..
Broadcasting . . . . .	3,050	0.6	0.02	0.6		
Total, State . . . . .	..	4,236	..	494	..	3,742

NOTES:

- <sup>1</sup>Excluding Soil Conservation.
- <sup>2</sup>Meteorological Office.
- <sup>3</sup>Naval Research Laboratory.

<sup>4</sup>X-ray Laboratory and National Health Institute.

<sup>5</sup>The total sum expended by Works is almost certainly larger than this but is difficult to locate in the annual estimates of the Ministry.

<sup>6</sup>Wildlife.

## Appendix 7—continued

## (b) OTHER AGENCIES

Organisation	Source of Research Income	Amount <sup>1</sup>	Net Expenditure on Science <sup>1</sup>
Universities (excluding Medical Research) .. .. .	Government Research Grant .. .. .	£(000) 100	£(000) 215
	D.S.I.R. .. .. .	25	
	Wool Research Organisation .. .. .	15	
	Nuffield .. .. .	5	
	Estimated part salaries, etc., from block grant, etc. .. .. .	70	
Cawthron Institute .. .. .	D.S.I.R. .. .. .	12	25
	Endowment income, etc. .. .. .	13	
Museums .. .. .	Internal Affairs .. .. .	11	20
	Local authorities, etc. .. .. .	9	
Carter Observatory .. .. .	D.S.I.R. .. .. .	2.8	4
	Wellington City Council .. .. .	1.2	
Royal Society .. .. .	D.S.I.R. .. .. .	5	8
	Subscriptions, etc. .. .. .	3	
Medical Research Council (including hydatids research and grants to Otago Medical School)	Department of Health .. .. .	138	140 <sup>(1)</sup>
	Department of Island Territories .. .. .	..	
	Meat Board .. .. .	..	
Tussock Grasslands Institute <sup>2</sup> .. .. .	Soil Conservation Council .. .. .	5	10 <sup>(1)</sup>
	Meat and Wool Boards .. .. .	..	
Research Associations (Inc.) .. .. .	D.S.I.R. .. .. .	148	309
	Industry .. .. .	161	
Industry (excluding research associations) .. .. .	Industry (rough estimate) .. .. .	340	340
Total, non-State .. .. .	.. .. .	..	1,071
Estimated total expenditure .. .. .	.. .. .	..	4,813

## NOTES:

<sup>1</sup>These figures are estimates only intended to show orders of magnitude. The institutions concerned are not State departments and their expenditure in any year does not necessarily coincide with their income for that year. An

institution working within, say, a triennial grant may make allowances for rising costs by withholding funds in one year and spending more than its apparent yearly income in the next year.

<sup>2</sup>Tussock Grasslands Institute established 1960.

## Appendix 8

SUGGESTED SCHEDULE OF COMMON SALARY POINTS<sup>1</sup>

Step	Amount per Annum	Step	Amount per Annum
1	£ 350	20	£ 1,425
2	.. 400	21	.. 1,525
3	.. 450	22	.. 1,625
4	.. 500	23	.. 1,725
5	.. 550	24	.. 1,825
6	.. 600	25	.. 1,925
7	.. 650	26	.. 2,050
8	.. 700	27	.. 2,175
9	.. 750	28	.. 2,300
10	.. 800	29	.. 2,450
11	.. 850	30	.. 2,600
12	.. 900	31	.. 2,800
13	.. 950	32	.. 3,000
14	.. 1,000	33	.. 3,200
15	.. 1,050	34	.. 3,400
16	.. 1,100	35	.. 3,600
17	.. 1,175	36	.. 3,800
18	.. 1,250	37	.. 4,000
19	.. 1,325	38	.. 4,250

*Incremental Pattern:*

£350-£1,100 by £50  
 £1,100-£1,325 by £75  
 £1,325-£1,925 by £100

£1,925-£2,300 by £125  
 £2,300-£2,600 by £150  
 £2,600-£4,000 by £200

<sup>1</sup>The common salary points in this schedule are deliberately placed as close as possible to the scales in use at 1 October 1961.



## NOTES :

- <sup>1</sup> Minimum qualification, two years' secondary schooling.
- <sup>2</sup> Entry point with three years' secondary schooling.
- <sup>3</sup> Minimum qualification, three years' secondary schooling.
- <sup>4</sup> Entry point with School Certificate.
- <sup>5</sup> Minimum qualification, School Certificate or substitute.
- <sup>6</sup> Entry point with the University Entrance Examination.
- <sup>7</sup> Clerks in the General Division may be admitted to the Clerical Division after passing a qualifying examination.
- <sup>8</sup> Officers in Grades 2 and 3 would have a right of promotion on merit to Grade 4, and officers in Grade 4 would be eligible for promotion to positions in Grade 5.
- <sup>9</sup> Entry point with Higher School Certificate.
- <sup>10</sup> Officers may proceed from Clerical to General Executive Class only when they have the minimum qualification for admittance and have been selected as suitable.
- <sup>11</sup> Entry point with degree or professional qualifications.
- <sup>12</sup> Maximum at either point.
- <sup>13</sup> An initial barrier for those with School Certificate, University Entrance, or Higher School Certificate to be cleared when either an acceptable higher qualification is obtained or the officer has shown merit to go to the top of the grade.
- <sup>14</sup> Although the scale has been stopped at the present level of Commission jurisdiction it is possible that it would need to go beyond this figure.
- <sup>15</sup> To facilitate comparisons we have based our illustration on the suggested schedule of common salary points (Appendix 8) which uses salary points as close as possible to the scale in use at 1 October 1961.

## Appendix 10

## STAFF TURNOVER SUMMARIES

(a) THE POST OFFICE: PERMANENT, TEMPORARY AND CASUAL STAFF TURNOVER  
(10 Years from 1 April 1951)

Occupational Class	In			Total In	Out			Total Out	Average Staff (iv)	Turnover Percentage per Year (v)
	Permanent	Temporary	Casual		Permanent	Temporary	Casual			
Engineers and technical assistants	172	..	..	172	91	..	..	91	215	4.3
Clerical .. .. .	1,118	2,093	1,338	4,549	4,040	1,494	1,312	6,846	5,910	11.6
Shorthand typists and machinists	483	1,770	821	3,074	1,917	865	793	3,575	1,030	34.7
Telephone exchange operators	1,541	13,790	6,605	21,936	6,501	7,017	6,326	19,844	3,780	52.5
Postmen, postal assistants, drivers, etc.	3,814	11,661	29,941	45,416	4,634	6,206	29,492	40,332	3,870	104.1
Lines and cable .. ..	1,225	7,515	..	8,740	1,999	5,738	..	7,737	2,780	27.8
Technicians (telephone exchange, telegraph, and radio)	974	1,641	..	2,615	713	1,008	..	1,721	1,250	13.8
Workshops .. .. .	568	1,982	..	2,550	775	1,398	..	2,173	1,030	21.2
Totals .. .. .	9,895	40,452	38,705	89,052	20,670	23,726	37,923	82,319	19,865	41.4

NOTES: (i) Turnover is based on outgoings and includes deaths and retirements.

(ii) For most branches recorded outgoings of permanent staff exceed intake. Conversely, outgoings for temporary staff are substantially lower than the intake, because temporary staff are reviewed regularly and if satisfactory are appointed to the permanent staff.

(iii) Casual labour represents a great part of the total turnover (43.4 per cent of intake, 46 per cent of outgoings). Casuals are employed mainly for assistance at peak periods, often more than once in a year, but each separate engagement is counted as one unit for statistical purposes. (These figures do not include young people employed for short periods to meet the Christmas rush.)

(iv) Average of staff as at 1 April 1951, 1955, and 1960.

(v) This percentage, based on the average in (iv), is only approximate.

Source: The Post Office (except last column)

## Appendix 10—continued

## STAFF TURNOVER SUMMARIES—continued

## (b) THE PUBLIC SERVICE: PERMANENT STAFF TURNOVER

Year Ended 31 March	Professional			Clerical			General			Total			Turnover of Males as Percentage of Male Staff	Turnover of Females as Percentage of Female Staff
	Average Staff	Out	Percentage Turnover	Average Staff	Out	Percentage Turnover	Average Staff	Out	Percentage Turnover	Average Staff	Out	Percentage Turnover		
1957 ..	2,316	131	5.7	10,561	1,106	10.5	20,362	3,241	15.9	33,239	4,478	13.5	8.9	24.9
1958 ..	2,320	119	5.1	11,198	1,186	10.6	21,521	3,208	14.9	35,039	4,513	12.9	8.5	23.7
1959 ..	2,437	151	6.2	11,661	1,205	10.3	22,491	3,298	14.7	36,589	4,654	12.7	8.5	23.1
1960 ..	2,518	155	6.2	11,868	1,391	11.7	23,189	3,476	15.0	37,575	5,022	13.4	9.3	23.5
1961 ..	2,584	181	7.0	12,399	1,628	13.1	23,731	3,652	15.4	38,714	5,461	14.1	10.4	23.5

NOTE: Turnover is based on outgoings and includes deaths and retirements.

Source: Compiled from figures supplied by the Public Service Commission



## Appendix 10—continued

## STAFF TURNOVER SUMMARIES—continued

## (c) THE RAILWAYS DEPARTMENT: PERMANENT AND TEMPORARY STAFF TURNOVER

Year Ended 31 March	Salaried Division			General Division			Total		
	Average Staff	Total Out	Percentage Turnover	Average Staff	Total Out	Percentage Turnover	Total Staff	Total Out	Percentage Turnover
1957 .. ..	4,666	633	14	21,173	4,752	22	25,839	5,385	20·8
1958 .. ..	4,782	572	12	21,469	4,950	23	26,251	5,522	21·0
1959 .. ..	4,686	623	13	21,265	4,412	21	25,951	5,035	19·4
1960 .. ..	4,556	555	12	20,963	4,046	19	25,519	4,601	18·0
1961 .. ..	4,419	676	15	20,222	4,620	23	24,641	5,296	21·5

NOTE: Turnover is based on outgoings and includes deaths and retirements.

Source: Compiled from figures supplied by the Railways Department.

*Appendix 11*

**GOVERNMENT SUPERANNUATION—CONTRIBUTION AND  
BENEFIT STRUCTURE**

(NOTE: The following summary omits the special provisions for Judges of the various Courts, Magistrates, and members of Parliament.)

(i) *Optional Membership*—Membership is optional except in the following cases:

- A. POLICE—All recruited since 1 July 1959 have been required to contribute. There is no right of withdrawal for these members or for those who were contributing at that date.
- B. REGULAR FORCES (with the exception that persons recruited over age 35 may be granted exemption).
- C. COOK ISLANDS PUBLIC SERVICE (excluding members recruited from New Zealand Government Service).

NOTE—Membership has been compulsory for members of the Western Samoan Public Service also. However, these contributors are to be transferred from the Fund with Samoa's independence from 1 January 1962.

(ii) *Age of Joining*

Minimum age—17

Maximum age—50 males  
40 females

{ Or within six months of permanent  
{ appointment if over these ages on  
{ appointment.

Note A—The same age restrictions apply to contributors purchasing additional service credit with the exception of the Regular Forces where the restrictions are imposed at an earlier stage.

Note B—The Board has the discretionary power to permit late elections. However, this is exercised only where the circumstances are exceptional.

(iii) *Contribution Basis*

Where service is credited from before age 30—5 per cent of salary.

Where service is credited between ages 30—34—6 per cent of salary.

Where service is credited between ages 35—39—7 per cent of salary.

Where service is credited between ages 40—44—8 per cent of salary.

Where service is credited between ages 45—49—9 per cent of salary.

Where service is credited after age 50—10 per cent of salary.

The scale for members of the Police is in general 20 per cent in excess of the above.

*(iv) Purchasing of Additional Service Credit*

Contributors under age 50 if male, or 40 if female, may purchase additional service credit as follows:

- A. As of right – Employment by the New Zealand Government not previously ranking.
- B. With the consent of the Board in each case – Pre-entry training (e.g., full-time study or apprenticeship) and/or employment in a specialised type of work which has been of substantial benefit to the Government Service.

*NOTES:*

(1) The Board will allow a maximum of five years under B above.

(2) The Regular Forces have additional rights in respect of the purchase of credit for service in the Armed Forces of other members of the Commonwealth.

*(v) Qualifications for Retiring Allowance**As of Right:*

Males: 65 years of age or 60 with 40 years' contributory service.

Females: 55 years of age or 30 years' of contributory service.

*Exceptions—*

- (1) Railways: 60 years of age irrespective of service.
- (2) Police: 60 years of age irrespective of service.
- (3) Contributors with contributory service before 1 January 1946: 40 years' contributory service irrespective of age.
- (4) Regular Forces: On completion of engagement if contributory service not less than 20 years.

*With Consent of Controlling Authority:**Males:*

60 years of age; or

55 years of age with 30 years' contributory service; or

35 years' contributory service.

*Females:*

50 years of age.

*Exceptions—*

- (1) Railways Department:

Males: 35 years' contributory service.

Females: 50 years of age.

- (2) Regular Forces: 20 years' contributory service.

*NOTE:* Except in the case of the Railways the Board may impose an "actuarial reduction" of retiring allowance to compensate the Fund for the earlier commencement of pension.

*Medically Unfit:*

On the certificate of at least two medical practitioners appointed by the Board that the contributor has become substantially unable to perform any duties which the controlling authority and the Board consider suitable and reasonable for him.

## NOTES

(1) Allowances granted on the grounds of medical unfitness are subject to review and the Board may cancel, suspend, or reduce where the contributor's health has recovered to the extent that he is able to engage in reasonable employment whether in the State service or elsewhere.

(2) It is not the Board's practice to cancel an allowance unless there is some default by the beneficiary.

(3) An allowance suspended or reduced is restored at the normal point of retirement.

(4) Any suspension or reduction of an allowance does not affect the cover for wife and children.

(vi) *Calculation of Benefits**Retiring Allowances:*

A. 1/20 of average final salary for each year of contributory service (average final salary is normally based on last five years of service) plus

B. An equal amount

Provided that "B":

(1) Reduces £1 for each £2 in excess of £500 per annum;

(2) Is increased, where necessary, to £5 for each year of service.

*Examples—*

	Contributory Service	Average Final Salary		Calculation
		£		£
(a) 20 years	.....	570	A	95
			B	100
				<u>£195</u>
(b) 30 years	.....	1,200	A	300
			B	300
				<u>£600</u>
(c) 40 years	.....	1,800	A	600
			B	550
				<u>£1,150</u>

NOTE: For calculation purposes the service of members of the Police (excluding any earlier service in another Department) is deemed to be increased by one-seventh, except that where the service is over 35 years the increase is to 40 years only.

(vii) *Capitalisation of Portion of Benefit*

Including a case where the retirement is on medical grounds a contributor may, irrespective of age, elect to surrender up to one-quarter of his retiring allowance and receive instead a lump sum equivalent to nine times the amount surrendered.

Such an election to capitalise reduces the potential widow's benefit (see "Widow's and Children's Benefits" hereafter).

(viii) *Widow's and Children's Benefits*

- (i) Widows: One-half of the husband's retiring allowance, or (if he was still a contributor) one-half of the allowance he would have received if retired medically unfit at date of death. There is, however, a *minimum allowance of £130 per annum* irrespective of the length of the contributor's service.
- (ii) Children: £26 per annum for each child until the age 16, but extended to the end of the year in which the eighteenth birthday occurs where the child remains engaged in full-time study.

NOTE: The Board has the discretionary power to extend the period of payment where the child is incapacitated from earning a living. In such cases it is the policy to cancel the allowance when the adult Social Security Invalidity benefit becomes payable at age 20.

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NOTES: (1) References are to chapter and paragraph, with

- (a) Important topics in capitals.
- (b) Main references in bold type.

(c) Legend:

**f** = "and also in the next paragraph".

**ff** = "and in following paragraphs".

- (2) Recommendations are not indexed: they follow their topics, and are all listed after Chapter 10.
- (3) Appendices and tables are listed in the table of contents, but are not indexed.

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BY AUTHORITY:

R. E. OWEN, GOVERNMENT PRINTER, WELLINGTON, NEW ZEALAND—1962

Price 15s.

53190—62 G

