



<b>Report Title:</b>	<b>Preserving frontline service quality during fiscal restraint</b>		
<b>Report No:</b>	<b>2024-0098</b>		
<b>Date:</b>	<b>27/03/2024</b>		
<b>To:</b>	<b>Hon Nicola Willis, Minister for the Public Service</b>		
<b>Action Sought:</b>	<b>Discuss this briefing with officials</b>	<b>Due Date:</b>	
<b>Contact Person:</b>	<b>Hannah Cameron - Deputy Commissioner Strategy and Policy</b>		
<b>Contact Number:</b>	9(2)(a) privacy		
<b>Encl:</b>		<b>Priority:</b>	<b>Medium</b>
<b>Security Level:</b>	<b>IN CONFIDENCE</b>		

## Executive Summary

- 1 The Government is delivering on a fiscal sustainability programme, including seeking savings from the Public Service. It is intended that these exercises will not adversely impact the quality of services to the New Zealand public.
- 2 The Commission is working to provide you with information to assess the workforce impacts of the savings, including bringing together our quarterly collections, Budget information and other change information.
- 3 One of the signals the Government has made is that the savings should not affect front line service delivery. You have acknowledged that a simple dichotomy between frontline and back-office roles is impractical and difficult to define. We have also previously provided advice that this could cause perverse incentives (2023-0291 refers).
- 4 To ensure that certain customer facing services have been protected, we suggest an alternative approach is that you could identify key occupations which we will monitor to ensure that these roles are not affected.
- 5 There are also limitations in focusing on front line staff numbers. In some cases, this could inhibit efficiencies and improvements in service delivery, such as investment in digital transformation, or reductions in the number of managers at the frontline.
- 6 Our advice is that the performance of key public services is monitored to ensure that fiscal restraint does not reduce service quality. Monitoring service quality can include objective measures (timeliness, regulatory compliance costs, slippage, and error rates), subjective measures of service experience, and/or outcome measures.
- 7 We are piloting the reintroduction of a service satisfaction measure using the Kiwis Count survey and will update you on the results.
- 8 We will provide further advice on how individual service quality measures can be incorporated into chief executive performance expectations to drive performance.

## Recommended Action

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We recommend that you:

- a **note** that defining frontline and back-office roles is not straightforward, however it is possible to monitor certain priority frontline roles,
- b **indicate** whether you wish to discuss the idea of monitoring the number of FTE within specified, priority frontline roles,  
*Yes / No*
- c **note** that the most direct way to ensure service is maintained is to measure service quality through both objective and subjective measures at an individual service level,
- d **note** that we are piloting the reintroduction of a service satisfaction measure using the Kiwis Count survey, and will update you on the results,
- e **note** that you have previously requested further advice on how specific experience targets at an individual service level could be set and incorporated into chief executive expectations to drive performance, and this is being provided in a separate report.

Hon Nicola Willis

**Minister for the Public Service**

## Purpose of Report

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- 9 This report focuses on how to measure the quality of services during fiscal restraint:
- How frontline staff in priority roles can be monitored,
  - How to ensure that the quality of services can be maintained.

## Context

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- 10 The economic and fiscal climate creates a need for immediate savings and stronger measures for ongoing efficiency and fiscal discipline. The Government has signalled an intention to:
- Reduce government expenditure across certain agencies or sectors by 6.5% - 7.5%, with a focus on 'back-office' efficiencies. This will be an average level of savings across identified agencies in the Public Service, with agencies that have experienced high rates of growth since 2017 expected to identify larger savings.
  - Maintain the quality of services to New Zealanders.
- 11 The Government is responsible for allocating resources to departments, and for specifying the quality and quantity of outputs to be produced. Agencies are responsible for designing appropriate business and operating processes to implement services. Budget appropriations include the full cost to deliver specified services, and it is assumed that agencies fund both frontline services and the necessary back-office supports within that appropriation.
- 12 There are a variety of ways that Government can look to ensure that the quality of services is maintained during fiscal restraint. Consideration should also be given to the possible distortionary and perverse effects of these controls.
- 13 The Commission has a role to play to help you achieve your expectations around the government workforce in the context of fiscal restraint (2023-0291 refers). This includes:
- a quarterly monitoring of the Public Service workforce, with the next March quarter report to be provided in May.
  - b working with the Treasury on advice through Budget processes on the implications of Budget decisions on the Public Service workforce, including contractors and consultant expenditure.
  - c Tracking change management processes occurring across the Public Service.
- 14 We note that none of these things individually, including the proposals in this paper, provide a full picture against the Government's workforce expectations. There is also lag in the relation to decisions about workforce deployment which will mean that the full impact of funding decisions will continue to unfold over the coming year(s). We will bring all these elements together in regular reporting, at least quarterly, to you.
- 15 This report provides further advice on one aspect of this information relating to preserving the quality of frontline services.

## Frontline and back-office roles

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### *Frontline and back-office roles*

- 16 You have acknowledged that defining a simple dichotomy between frontline and back-office roles is impractical. There are hundreds of roles within the Public Service, and many include a mix of activities that could be classified as either frontline or back-office.

- 17 Many occupational categories will include individuals who could be classified as frontline or back-office, and many individual roles will include a mix of frontline and back-office tasks. For example:
- a customs inspector at the airport might be considered customer-facing while interacting with passengers, but not when inspecting unaccompanied parcels,
  - a policy analyst might be customer-facing when conducting a public consultation process or responding to an Official Information Act request, but not while drafting an internal policy,
  - a web designer might be involved in service delivery when building an online form for New Zealanders to apply for a passport, but not when building an online form for public servants to process invoices,
  - a supervisor may spend some of their time directly providing services, and some their time managing other public servants.
- 18 In addition, ringfencing frontline roles can in some cases create inefficiencies and reduce service quality:
- If a service can be digitised that may reduce the need for frontline staff. For example, applying for a passport online has reduced the number of frontline internal affairs staff in branch offices.
  - If the administrative burden on frontline staff can be reduced, this may make each frontline public servant more productive. For example, a data administrator may reduce the amount of time a case worker spends doing administrative work and increase the amount of time they can spend with clients.
  - Intelligence and data analysis can help better target services. For example, data analysts make it possible for fewer biosecurity officers to inspect fewer consignments and yet detect more biosecurity risk material.
  - Other organisations may be better able than agencies to deliver services. Contracting with these organisations reduces the number of frontline Public Service roles while improving service quality.

### **Monitoring key customer-facing roles**

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- 19 One pragmatic approach would be to identify and monitor the size of a few priority customer-facing roles. It is possible to select a number of such roles and monitor this over time to ensure that their number does not reduce (or varies in line with the size of the New Zealand population).
- 20 There are various possible criteria that could be used to select these roles:
- a It is technically feasible, data is accessible, and definitions of these roles are likely to be relatively consistent over time.
  - b Roles in this category tend to be clearly 'frontline' and tend not to involve a significant combination of frontline/back-office duties.
  - c The mix of individuals working for the Public Service versus those working for other organisations under contract is relatively stable. For example, if the government shifts from direct service provision to contracted service provision, this would reduce the number of frontline public servants without necessarily altering service provision.

- d The roles are political priorities for the Government – we are unable to provide advice on this, but if there are any roles that are of priority interest to you, we can provide advice on how feasible it is to collect the information based on the other three criteria (a)-(c).
- 21 Based on criteria (a)-(c), we have prepared the following initial list of roles that may be appropriate for monitoring. This list is indicative but not exhaustive:

*Table 1 – Examples of priority customer-facing roles*

Occupation	Indicative number	Source (responsible agency)
Teacher	56,739	Online sources (Ministry for Education)
Nurse	32,345	Agency annual report (Te Whātu Ora)
Police officer	10,757	Agency annual report (NZ Police)
Career firefighter	1,807	Agency annual report (FENZ)
Social worker	2,123	2023 Workforce data (PSC)
Prison officer	4,350	2023 Workforce data (PSC)
Park ranger	1,067	2023 Workforce data (PSC)
Customs officer	1,180	2023 Workforce data (PSC)
Immigration officer	1,576	2023 Workforce data (PSC)
Fisheries inspector	183	2023 Workforce data (PSC)

- 22 We collect occupation data from Public Service agencies annually. The next data will be available on those occupations as at the end of June 2024, and will be published in October.
- 23 We will need to work with other agencies to bring together a report for you using data sources owned by other agencies. If you are interested in this approach, we would need to confirm appropriate role-types and measures and can provide you with more information about how often these could be updated.

## Measuring service quality

- 24 Only measuring staff numbers could lead to inefficiencies in service design due to reasons identified in paragraph 18. A more direct approach is through measuring service quality. This would hold agencies accountable for what they produce.
- 25 Some types of measurement include:
- a **Output quantity.** It is often important to continue to monitor quantity when focused on quality, as the two tend to be inversely correlated. For example, if there

is a sudden increase in the demand for passports, this can reduce the timeliness of application processing.

- b **Service standards.** Many outputs are associated with service standards, and compliance with these standards can be measured. For example, the Cyclone Recovery Unit audit their payments to ensure that all payment decisions were made in accordance with the payment criteria.
  - c **Timeliness measures.** For example, agencies must respond to Official Information Act requests within specified time periods, and the Commission reports on how often agencies meet this requirement.
  - d **Measures of compliance cost.** For example, agencies have used surveys to ask how much cost and effort was required by businesses to comply with certain regulations.
  - e **Slippage and error rates.** Particularly for risk-based services, one measure of quality is the number (and potential consequence) of risks that slip through the safety net. For example, the Ministry for Primary Industries conducts periodic 'slippage surveys' to determine how many biosecurity risk items evade detection at the border.
  - f **Customer experience.** As noted in an earlier report (2024-0001 refers), private sector measures of customer experience, such as Net Promoter Scores, tend not to be applicable in the public sector. This is because most public services are monopolistic providers and are not intending to increase their customer share of a competitive market. Customer experience measures in the public sector tend instead to directly measure the service-recipient's impression of different aspects of the service. For example, they may be asked if they were treated with respect, or if they were satisfied with the convenience of the service.
- 26 It is possible to monitor overall service satisfaction through a question in the Kiwis Count survey. The question *'thinking about your most recent service contact, how satisfied or dissatisfied were you with this service experience overall?'* was collected from 2012 until 2019 and we are currently piloting its reinstatement (see Annex 1). If the pilot is effective, quarterly reporting could begin from April.
- 27 More objective performance measures, like timeliness or error rates, tend not to be comparable between agencies. It is not meaningful to say that 'the Department of Corrections has a higher error rate in running prisons than the Department of Conservation has in preserving kākāpō' because the services are not inherently comparable. Therefore, objective quality measures should be set at the level of an individual service or within a comparable service-family.
- 28 You have expressed an interest in how priority service quality measures may be incorporated into chief executive performance expectations to drive performance. We are currently preparing further advice on chief executive performance expectations. There is also a role for Ministers to seek assurance of service quality from agencies.
- 29 There are hundreds of service quality measures currently reported through statutory reporting documents. We are currently working with Treasury and DPMC on how to provide the Government with a consolidated view of agency performance, and will provide further advice.

- 30 These various proposed mechanisms for ensuring that the quality of service can be maintained are summarised below.

*Table 2 Proposed measurement framework*

Inputs in priority roles	Monitoring number of people in critical occupational groups, e.g. social workers, firefighters	Commission to track information supplied by agencies
Overall service satisfaction	Satisfaction with most recent public sector service experience	Kiwis Count/quarterly survey run by Commission
Service quality in priority services	Measures of output quality and service satisfaction included	Included in chief executive expectations
Consolidated view of agency performance	Currently working with Treasury and DPMC.	To advise

### **Next Steps**

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- 31 If you would like us to monitor the number of people (FTE) in key customer facing roles. We can discuss with you your preferences for which roles to monitor, and subsequently report this data on an annual basis.
- 32 We will update you on the results of the pilot reintroduction of the 'satisfaction with service experience' measure in the Kiwis Count survey. If the pilot is effective, we could begin reporting on this measure from April.
- 33 We will work with the Treasury and DPMC on providing you with further advice on measuring and monitoring service quality.
- 34 We will provide you with further advice on how service quality targets could be incorporated into chief executive performance expectations to drive performance.

## **Annex 1: Overall measurement of service experience through Kiwis Count**

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- 1 One option for a headline measure for the service satisfaction of New Zealanders accessing public services is in the Commission's Kiwis Count survey.
- 2 Kiwis Count is an existing tool for measuring public trust and citizen experience, run continuously since 2012. It includes a robust sample size at 2000 respondents per quarter using sampling methodologies designed to ensure the responses are representative of the New Zealand population.
- 3 Kiwis Count covers a broad range of services provided or funded by central government including health, education, social and emergency services. This includes services provided by Public Service departments, as well as agencies in the wider public sector (over which ministers have a lower degree of control).
- 4 All measures are available by key demographics covering ethnicity, age, region, gender, and disability status. This helps to build a richer picture of how the Public Service is working for different populations. Data on measures are reported to the public each quarter, enabling changes to be detected quickly and patterns to emerge within the course of a year.
- 5 Currently, the three headline measures from the survey results are:
  - a trust based on a recent Public Service experience,
  - b overall trust in the Public Service (the Public Service brand),
  - c trust in the private sector/non-government services as a comparison to the other measures.
- 6 Prior to 2019, respondents were asked about their most recently used service, including: *'thinking about your most recent service contact, how satisfied or dissatisfied were you with this service experience overall?'* Results ranged from 71% satisfied in 2012 to 76% in 2019. The highest score it ever reached was 83% satisfied in 2017.
- 7 This question was discontinued in 2019 when the survey was rationalised to focus more on trust in the Public Service. We reintroduced the question in March 2024 on a pilot basis to assess whether the measure is still valid. We will update you on the results as soon as they are available.
- 8 Note that international research has found that both context and expectations impact the scores given by survey respondents. For example, messages about fiscal restraint may negatively influence expectations of service quality.