



## NZ Initiative research note on the size of the Public Service workforce

<b>Date:</b>	29 June 2023		
<b>To:</b>	Hon Andrew Little, Minister for the Public Service		
<b>Action Sought:</b>	Note	<b>Due Date</b>	
<b>Report No:</b>	2023-0193		
<b>Contact:</b>	Josh Masson Chief Data Officer <sup>9(2)(a) privacy</sup>		
<b>Encl:</b>	No	<b>Priority:</b>	Low / Medium / High
<b>Security Level:</b>	IN CONFIDENCE		

### Recommended Action

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We recommend that you:

- a **note** the Commission's summary and response to the main points of the NZ Initiative research  
*Noted.* ✓
- b **note** we have provided your office talking points and have undertaken detailed review pending any further public discussion.  
*Noted.* ✓
- c **agree** that Te Kawa Mataaho release this briefing in full once it has been considered by you. ✓

Hon Andrew Little  
Minister for the Public Service

9/7/23

## NZ Initiative research note on the size of the Public Service workforce

### Purpose of Report

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1. Last week the NZ Initiative released a research note entitled Public Service Bloat: The Evidence. This report briefs you on the main finding of the report.

### Analysis

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2. The NZ Initiative research note makes the following points:
  - a. The Public Service is not incentivised to be transparent about its growth.
  - b. The Public Service has grown substantially under the current Government.
  - c. Spending on managers and communications teams has outstripped spending on analysts, and most other occupational categories.
  - d. Lack of in-house competence is suggested by an increased reliance on outside contractors.
  - e. Ad hoc workforce comparisons with the Australian and UK show New Zealand to be less efficient.
  - f. International comparisons of Public Service effectiveness show New Zealand to be a high performer.

3. The key points the Commission would make in response are:

*The Public Service is not incentivised to be transparent about its growth.*

4. The Public Service has over 20 years of workforce data available on our website, with improvements to what we publicly release, including adding contractor and consultant measurement in 2018, and moving over the past year to quarterly reporting of key metrics on workforce size. The report makes extensive use of data available on the size and shape of the public service.

*The Public Service has grown substantially under the current Government.*

5. The author references numbers from the Commissions website. From 2017 to 2022 the Public Service grew 27.8% as the Government invested in the capability of the Public Service following unprecedented population growth and with significant additional resources required to support Government's COVID-19 response. We have provided you and the previous Minister with a number of reports specifically to this growth.

*Spending on managers and communications teams has outstripped spending on analysts, and most other occupational categories.*

6. The fastest growing Public Service occupational group has been information professionals, which include such roles as data, business and intelligence analysts, service design, non-policy advisors, librarians, project managers and governance roles. Communications staff are not included in the information professionals group as the author believes. Communications staff are 0.8% of the total workforce, and this share has not grown in recent years.

7. 'Managers' is a broad category which includes management roles in a range of settings, including frontline services. The number of managers has remained at the same proportion of the overall workforce (an apparent increase the author may be referring to is due to changes in how agencies code their job roles and, as explained on our website, does not reflect real-world changes).

*Lack of in-house competence is suggested by an increased reliance on outside contractors.*

8. Cabinet's Government Administration and Expenditure Review Committee agreed the Public Service Commissioner in 2018 would convey the Government's expectations that agencies invest more in building more capability in the Public Service and reduce reliance on contractors and consultants. The share of operating spending on contractors and consultants as a percentage of spending on the Public Service workforce was trending down, from 13.4% in 2017/18 to 10.4% in 2020/21, before spiking (largely due to COVID-19) in 2021/22 at 14.6%. This is forecast to fall to between 12.8% and 13.1% in 2022/23. That said, in absolute terms, expenditure on contractors and consultants has consistently risen over the past decade, apart from 2020/21 financial year which experienced a slight decline.
9. We challenge the author's use of Australian data as analogous to the New Zealand experience. The use of contractors as a proportion of the workforce in New Zealand is much lower.

*Ad hoc workforce comparisons with the Australian and UK show New Zealand to be less efficient.*

10. Treasury figures on Core Crown expenditure figures show that while investment in the Public Service has increased, personnel expenditure has grown in line with overall expenditure. For example, between 2016/17 and 2021/22, Core Crown personnel expenditure increased by 7.6% on average using compound annual growth rates, up from 3.4% annual average growth rates between 2012/13 and 2016/17. However, as a share of total Core Crown expenditure, personnel expenditure has changed little over the past decade, and actually fell slightly from 6.7% in 2012/13 to 6.6% in 2021/22.
11. As the author states, care needs to be taken in ad hoc international comparisons given the differences between systems (e.g., Australian's federal system has different functions spread between the State and Commonwealth governments). The best source for comparisons is from respected organizations like the OECD who have looked closely at these contextual factors. One such OECD international comparison shows that NZ's 'compensation of government employees' as a percentage of GDP in 2019 (9.2%) is the same as the OECD average and for the UK, and slightly below Australia (9.3%).

*International comparisons of Public Service effectiveness show New Zealand to be a high performer.*

12. We agree with the author that international comparisons of Public Service effectiveness show New Zealand to be a high performer. Countries that perform comparably, like Norway and Denmark, spend nearly double as much on their public service per capita compared to New Zealand. In the 2021 OECD Government at a Glance report, NZ's 'general government expenditure' is around US\$18,000 per capita, compared with around US\$30,000 for Denmark, and US\$35,000 for Norway. New Zealand's spending per capital is also below the OECD average of around US\$20,000 and Australian spending of around US\$22,000.

## **Risks**

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13. We have not seen significant media coverage of this research. See key lines below. We have undertaken a detailed review of the paper and the accuracy of its data to support any future public discussion.

## Key lines

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14. The size of the Public Service, as a percentage of the total population, has remained about the same since 2011. In 2011 the public service workforce was 1.0% of the population. In 2017 it was also 1.0%. In 2022, it was 1.2%.
15. The Public Service has needed to grow in the last few years to implement the Government's COVID-19 response, expanding frontline services and responding to high population growth (we saw record growth since the 1960s, up 460,000, between the 2013 and 2018 Census), as well as investment in specific services such as Oranga Tamariki's child protection services.
16. Most of the growth in the Public Service has been in frontline jobs.
17. All our measures of government effectiveness suggest the New Zealand Public Service is among the highest performing public services in the world.
18. The New Zealand Public Service is delivering excellent value for money – the best outcomes and services for New Zealanders. That is what matters.
19. The countries that perform comparably, like Norway and Denmark, spend nearly double as much on their public service per capita compared to New Zealand.
20. In the 2021 OECD Government at a Glance report, New Zealand's "general government expenditure" is around US\$18,000 per capita, compared with around US\$30,000 for Denmark, and US\$35,000 for Norway.
21. New Zealand's spending per capital is also below the OECD average of around US\$20,000 and Australian spending of around US\$22,000.

## Next Steps

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22. No further steps will be taken