

The outstanding public servant (A)

In November 2000, Michael Wintringham faced the most high-profile decision of his career. As head of the State Services Commission, the central agency which manages the employment contracts of public sector chief executives in New Zealand, he had to recommend to the government whether to extend the contract of the most controversial civil servant in the country, the head of Work and Income New Zealand (WINZ), Christine Rankin.

The Labour Government, in power since 1999, had an acrimonious relationship with Rankin. Both the Prime Minister, Helen Clark, and the Minister responsible for WINZ, Steve Maharey, had been clear that they did not approve of Rankin's 'corporate' approach.

Rankin was a woman who, at nearly two metres tall in her stiletto heels, stood out in a crowd. She dressed stylishly – some would say flamboyantly. She was a magnet for the media: a public servant who did not conform to a “good and grey” image. WINZ had often made front page news during her three years in charge. Despite this, Rankin was popular with her staff.

In 1999, the incoming government fulfilled a pre-election promise to commission a Ministerial Review into WINZ. The review, by former State Services Commissioner Don Hunn, found the department had met performance targets under difficult circumstances and “achieved a great deal in a relatively short time.”

This case was written by Liam Martin for Dr Richard Norman, Victoria University of Wellington, from published sources. It has been prepared as a basis for class discussion rather than to illustrate either effective or ineffective handling of a managerial situation.

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But the review concluded that WINZ was the “object of severe criticism and ridicule around the country. In 12 months it has managed to alienate the public, parliamentarians, colleagues, clients and their advocates, tertiary students and university administrators, the media and members of its own staff.”¹

The politics of change

Since 1988, New Zealand public service chief executives have been appointed on contract and on the recommendation of the State Services Commissioner. The aim of contract appointments was to give public sector managers more freedom in day-to-day operations, but greater accountability for achieving results.

A National (right-of-centre) Government, elected in 1990, continued the major public sector reforms of its Labour predecessor (1984-1990), but sought to reduce New Zealand’s social spending. In particular, National tightened income assistance to the unemployed and domestic purposes beneficiaries.

In 1998, the government created Work and Income New Zealand (WINZ), New Zealand’s largest government department, through a merger of the benefit payment agency Income Services (IS) and the jobs-focussed New Zealand Employment Services (NZES), and Community Employment Group (CEG). As well as paying benefits to people out of work, the new department was to find them jobs: giving them “a hand up, not a hand out”.

Appointed in 1998² as the first chief executive (CE) of WINZ, and in her first position as a CE, Rankin was working in a politically controversial area. She had to oversee the complex merger between IS, a very large agency with its own culture and client orientation, and the smaller NZES whose culture and orientation were quite different: “the one process-driven, the other relationship-driven; the one stressing uniformity and consistency, the other more free-wheeling and diverse.”³

Rankin had risen through the ranks in Income Support, and her style showed many of the trademarks of her mentor, George Hickton, a former marketing manager for Honda who had led major change at both the Employment Service, and Income Support.

Christine Rankin believed in a “management style where image and identity matter”, and felt a personal responsibility for motivating her employees.

“The people on my frontline get paid \$30,000 if they’re lucky. They do one of the most important jobs in the country... To do it really well they have got to feel inspired, they’ve got to feel like they’ve got a purpose in life, and I try to create that purpose.”⁴

¹ Hunn, D, *Ministerial Review into the Department of Work and Income*, 2000

² Rankin’s initial contract was for a three-year term. CE contracts normally offered the option of renewal, with the maximum term to be spent leading any one organisation being eight years.

³ Hunn, D, *Ministerial Review into the Department of Work and Income*, 2000

⁴ Gamble, W., ‘The making of the Christine Rankin legend’, *New Zealand Herald*, 4 August 2001, downloaded from www.knowledge-basket.co.nz/helicon.vuw.ac.nz/search/doc_view.php?d2=nzh02/text/2001/01/10/doc02307.html downloaded 22-09-009.

In the new department's first year, Rankin invested heavily in image: \$1 million for 'rebranding', \$80,000 for staff training 'roadshows', \$1 million for refitting offices, and \$79,000 for a corporate wardrobe. At one conference of senior managers, she was lowered onto the conference floor wearing a silver suit and performing a 'Power in the Profession' dance while a background screen showed pictures of Gandhi, Martin Luther King - and Christine Rankin. This followed the screening of a video showing her being lowered from a helicopter to the deck of a sinking ship in order to save it.

Publicity about these events created a political storm. Then the media uncovered expenditure of \$165,000 to charter a plane to take staff to a WINZ national conference at the central North Island resort town of Wairakei. In the lead-up to the 1999 election, the Labour opposition slammed the department as exemplifying a culture of lavishness and waste in the public sector.

Soon-to-be Prime Minister Helen Clark declared that Ms Rankin's "corporate" approach did not fit with Labour's intention of introducing an era of modesty to the public service. Steve Maharey, Labour spokesman on Social Welfare and Employment, said simply: "WINZ deals with the most vulnerable New Zealanders and its all-glitz style is inappropriate."⁵

"The excesses of WINZ are a mere symptom of a far more serious malaise in the New Zealand public service. It is losing its way. Public service values are being exchanged for private sector values which are misplaced in the public service... Urgent action is needed."⁶

Performance by whose standards?

While the department was being subjected to a huge amount of public criticism, it continued to meet performance targets. Under Rankin's leadership, it completed the complex merger within time and under budget. In its first full year, every region failed to meet agreed targets for putting people into work: nationally the shortfall was nearly 50 percent. The following year the department as a whole was slightly above target, a trend which would accelerate, with annual targets met early in the next financial year.

As with all government departments, the performance of WINZ was set and monitored primarily through two agreements with its Minister. The "purchase agreement" specified the department's outcomes and outputs and the measures to be used to assess their delivery. Rankin's personal performance agreement set some key personal results for her to achieve – a mix of strategic changes in the department's structure and performance, and the overall service objectives defined in the purchase agreement. Like her fellow public service chief executives, Rankin had virtually complete control over how she spent her budget and – subject to some general rules – the employment of her staff.

Early in its existence, WINZ identified some issues of performance measurement that it felt worked to its disadvantage. While 70 percent of its work related to the payment

⁵ 'Labour Roasts New WINZ spin,' *New Zealand Herald*, 23 July 1999.

⁶ 'Voices on the Public Service we need', *The Jobs Letter*, 23 August 1999.

of benefits and only 30 percent to employment placement, performance targets emphasised employment, with, as the Ministerial Review noted, “distortionary effects.”⁷

WINZ was solely involved in service delivery, with policy formulated at the Ministry of Social Policy (MSP) and Department of Labour (DoL). Rankin and her senior managers had developed a set of Key Performance Indicators (KPI) for internal monitoring, including them in the performance agreements of individual staff. Important differences between these KPIs and the measures used by MSP and DoL (found in the purchase agreement), led to “confused priorities for staff and high compliance costs of reporting against two sets of indicators.”⁸

WINZ argued that it was unfair for it as a department to be held accountable for under-performance on employment outcomes that were influenced by a myriad of factors, from monetary policy to immigration. Critics saw this as “tunnel vision” – a failure to focus on the wider outcomes it was supposed to achieve, and to collaborate with other departments in achieving them. In her single-minded focus on the WINZ mission, Rankin paid little attention to building relationships across the public service.

The decision

In May 2000, during an informal discussion, Michael Wintringham had told Christine Rankin that, because of the Wairakei incident, and government’s general dissatisfaction with her, he would find it hard to recommend her reappointment. In November 2000, when he advised this in writing, Rankin through her lawyer asked for him to reconsider, saying his concerns about her performance had not been clearly conveyed. He agreed to do this.

Michael Wintringham’s political masters clearly did not favour Rankin’s re-appointment, but where did that leave him in his role as “buffer” between government and public service? Political influence in the process could leave the government legally liable for significant compensation. Should he judge Rankin solely by the measures laid out in her performance agreement and the department’s “purchase agreement”? Or were issues of style and reputation the key factors? With the media eagerly awaiting the next front page story about the CE of New Zealand’s largest government department, Michael Wintringham knew his decision would be closely scrutinised.

⁷ Hunn, D, *Ministerial Review into the Department of Work and Income*, 2000

⁸ Hunn, D, *Ministerial Review into the Department of Work and Income*, 2000