

# Deane: the wolf at the door is now head shepherd

By Nikitin Sallee



Hicks (left) says Deane a hatchet man

Tip the public service on end and see what comes rolling out. That, roughly speaking, is the brief for Dr Roderick Deane, just appointed to chair the state services commission (SSC).

Rod Deane's ascension does not quite herald an imminent revolution in the public service – but it does, most agree, mark a significant turning point.

The appointment contains a strong whiff of lateral thinking – and it sent a tremor rattling through the bureaucratic palaces of central Wellington.

To put it mildly, Deane is not a traditionally grey, bland, invisible public servant. He is young, (44), an economist, an academic and, by all accounts, a thinker.

His appointment was attacked by the Public Service Union, the PSA, because a deputy governor of the Reserve Bank – and on contract, Deane is “an outsider” to the public service. But that, apparently, is exactly why

he got the job. “The government was looking for some changes”. Deputy Prime Minister Geoffrey Palmer says. “It is the freshness of the perspective that is needed – some new thinking, some new blood”. The quality of Deane's blood is wide open for scrutiny. Because the Reserve Bank is relatively independent, Deane has been able to speak his mind over the years.

Right through the Muldoon era, (then as the Reserve Bank's chief economist), published papers which argued not lost subtly against government policy.

He deplored, for instance, an interventionist, fine-tuning economic policy; argued for economic deregulation sooner rather than later; advocated a tight monetary stance; and argued for the floating dollar.

It was this very forthrightness, ironically, which enabled the PSA to take personal shots at Deane, when his appointment was announced this week.

President Colin Hicks dug up a 1980 paper in which Deane stated “It could be argued that (the) government should set an example to the private sector by resisting wage increases, based purely on an over-generalised relativity concept, and negotiate with its employees on a discretionary basis to ease the leap-frogging wage round effects”.

The PSA finds that ominous – especially in the wake of the cabinet digging in its heels

over teacher salaries and the coming review of public sector wage fixing.

Deane's predisposition, Hicks says, could lead to "paying state workers less than the going rate for any job. "That sort of posture would not square up with his obligations [In law] ... to maintain broad relativity between the private and public sectors".

But that obligation may not last long. The existing pay relativities are now under official review – and Deane intends having a role in shaping the new rules.

Thus the first test for Deane – and his first potential conflict with the PSA – may be in wage fixing.

Further, he will bring to that role a perhaps, unprecedented knowledge of the impact of the government sector on the economy at large. But that is only the start.

The high-powered Deane, Palmer says, will ask fundamental questions about "the role of the public service in New Zealand, its functions, its method of organization, and the machinery of government in general". That examine will be of the depth and breadth that a Royal Commission might do.

"He is there, as I see it, not as a person who is going to be running the day-to-day machine – he has other state service commissioners to do that. We are looking for a driving force in the realm of ideas".

Deane's appointment is, furthermore, a key part of the government's strategy to control and reduce the deficit.

He will be charged with finding and implementing the huge savings the government believes are possible through improved efficiency in the public sector. In some respects this effort means Dean will continue changes that have been going on for some time.

Moves are already under way on a wide front to, as bureaucrats often put it, "start to *manage* the public service, not just *administer* it".

To that end many government departments now prepare annual corporate plans – a yearly opportunity, it is said, to evaluate the old goals and the old ways of doing things.

There is also a general move towards devolving decision-making to lower levels of management – and, equally, to make those managers more accountable for their decisions. Also already in place in many areas is the new commercial ethic in government sector trading.

After years of criticism from the audit department, most departments are also getting their auditing procedures in order. Deane approves of all this – and is likely to give it new impetus. But there are hints – *dark* hints, traditionally-minded public servants may think that Deane will go considerably further.

Deane says, for example, that he decided to take the job only after long talks with various cabinet ministers about the "interesting and challenging" things they wanted to accomplish in their departments. The implication seems to be that Deane accepted the post only on the basis that he can turn it into something more than it has been in the

past. That, coupled with Palmer's statement on the breadth of Deane's brief from cabinet, means significant changes are certainly on the way.

Whatever the specific plans for the longer term, they are sure to be influenced by Deane's bent for a market-oriented, commercial public sector.

Until now, change has been, to some extent, imposed on the public service from the outside – largely, ironically, because of the influence of people like Deane, one of the architects of the 'more market' philosophy. It is hard to nail down just how quickly big change is going to happen.

In this, there is a certain amount of hedging: no-one wants to ruffle public service feathers earlier than necessary.

Deane also professes a genuine open mind on what needs to be done, so he will not arrive at his new office on April 1 with all guns blazing.

Further, Palmer preaches caution: the government "has not yet digested" the upheaval in environmental administration, which has at least 20,000 public servants playing musical chairs.

Deane takes over the SSC just as that environmental transition begins.

The process behind Deane's appointment was unusual. The normal state service procedures and criteria do not apply to this position. The appointment is made personally by the prime minister. In Deane's case, the Labour cabinet debated the appointment at length. Palmer: "I

can remember attending four or five lengthy discussions about it over a period of months. This was no casual appointment". There is another wrinkle: Rod Deane did not apply for the job "I was approached".

And the package the cabinet came up with is *unusual*, too. Deane has been appointed for the usual five years, but he may not serve the full term. His contract leaves the way open for him to return to the Reserve Bank at some relatively early date.

That appears to answer two puzzles being asked last week: Why does a central banker want to become a bureaucrat? And, what does a young man do for a job after attaining the chair of the SSC relatively early in his career?

The answer, apparently, is that Deane will become a central banker again before the end of the decade – probably as governor of the Reserve Bank.

His appointment to the SSC, however temporary, sends a strong signal to the public service that change is on the way. But beyond mere signals, Deane has the personal commitment, and the authority from the cabinet to make change happen. It is thus likely the chairmanship of the SSC will become controversial as never before under Deane's stewardship.

Geoffrey Palmer is laudatory in assessing Deane's prospects: "Intellectually, he is just extraordinarily able".

Colin Hicks, while saying he is keeping a wait-and-see attitude, is very sceptical: "To put it crudely, it looks like a hatchet man has come into the job".