

Contextual Background of the Study

1.1 Introduction

The purpose of this study is to evaluate the contractual system of employment for permanent secretaries as part of the reform programme undertaken by five Pacific island countries, namely: Cook Islands, Papua New Guinea, Samoa, Tonga and Vanuatu. The impetus underpinning the reform programmes pursued by these five countries was basically similar to that which took place in other Commonwealth countries. Variations were found in contextual variables unique to a specific country.

The expected outcomes of this review are:

- For the adoption of recommendations to inform the strategic direction of Commonwealth technical interventions in strengthening the public sector and improving public service delivery in the Pacific Region; and
- To contribute to a Commonwealth-wide understanding of the effectiveness of Senior Executive Service (SES) contract system on improving public service delivery in the Pacific Region.

It is important to note that although the five selected countries have inherited a public administration system associated with the Westminster system of government, their traditional values and systems of governance have also significantly influenced today's public service management. Since all these countries have bilateral relations with New Zealand and Australia, there has been a strong correlation between the packaging of development assistance and the form and shape of the reform activities that have been undertaken by island governments.

Aside from Australia and New Zealand there have been other players who have reinforced the concept of contract employment. For example, the World Bank, International Monetary Fund, United Nations agencies and the Asian Development Bank, whose financial assistance has **built-in conditions** with which countries have had to comply. Other influential partners have included the Commonwealth Secretariat, Commonwealth Association of Public Administration and Management (CAPAM) and the Pacific Forum Secretariat.

I.2 Rationale of a contract system of employment

This shift in thinking in how administration should conduct their business has been more noticeable among the western countries. The 1980s marked the beginning of the end of traditional public administration with the emergence of dynamic leaders such as Margaret Thatcher, Ronald Reagan, Bob Hawke, Paul Keating and Jim Bolger, who saw the need to do away with traditional public service management in preference for more transparent and accountable government. Academics added fuel to the debate by releasing publications that highlighted how public taxes were becoming private money. Furthermore, dissatisfaction with public service performance had contributed to the amendment of legislation which removed union immunities to encourage a performance-driven culture at the workplace.

The public service, particularly in the western developed countries, introduced changes to legislation, structural, systems and culture in the 1980s to accommodate innovative private sector work practices and ethics. Aspects of the so-called **New Public Management (NPM)** found its place in public service/sector across the western countries and some traditional practices, such as long tenure employment within the public service, had been replaced by contract system of employment, particularly for the top echelon. The introduction of this NPM practice into the public service was pioneered by the southern Commonwealth member states of New Zealand and Australia.

The bilateral relations the selected countries have had with New Zealand and Australia have definitely influenced the public sector reform initiatives adopted. What was commonly referred to as the 'New Zealand model' has slowly found its way into the Pacific island public services since the 1990s.

The New Zealand model was founded on the concept of corporatising government departments and appointing chief executive officers as heads with competitive salaries. To enable the management of the reformed public sector, a strategic management approach was pursued in the daily operations of government. Underpinning this private sector practice was the notion of *making the managers manage* through a flexible framework which provided more autonomy from the central agencies' control, thereby facilitating a level of innovativeness. With improved information and more effective inter-organisational networks, the newly established work ethos became the foundation of efficient service delivery. The key aspects of the New Zealand model were:

- A selective set of generalised cross-portfolio policy objectives set by Cabinet (known as strategic results areas – SRAs);
- A process for co-ordinating departmental contributions to those objectives and making related resourcing decisions (strategic dialogue);
- A set of critical medium term commitments (key results areas – KRAs) which anchored departments' strategic contributions to the policy objectives, through incorporation in the chief executive's performance agreement;

- A requirement that chief executives regularly reported on progress being made on those commitments to their Ministers and to the State Services Commission; and
- An expectation that chief executives would take responsibility for making and taking care of the connections between their commitment and those of other chief executives, while also ensuring that their own commitments flowed down through their departments' managerial chain.

I.3 Terms of reference and objectives of the study

- (a) Undertake preparatory work such as a documentary review on public sector reform, including contract employment system;
- (b) Introductory visit to Public Service Commission/Office and preparatory familiarisation work in-country including appointments set up, review of country reform agenda and direction, including contract employment arrangement and how it fits into the whole reform framework;
- (c) Consultation and interview meetings with a range of key stakeholders and authorities in selected countries including but not limited to the Public Service Commission, Ministry of Prime Minister and Cabinet and the Ministry of Finance and a representative sample of CEOs or Heads of Ministries and departments on contract;
- (d) Fully assess and review key areas:
 - i. Review Report on the status of Public Sector Reform in five countries – Samoa, Tonga, Cook Islands, Vanuatu and Papua New Guinea.
 - ii. Evaluation Report on Contract of Employment System in the Pacific Region.
- (e) **Evaluate the contract system for permanent secretaries** in each of the selected countries. The principal objectives of the assignment are:
 - Explore the success and failure of the contract system as a means of result-oriented management and output-based budgeting in improving performance accountability;
 - Outcomes of this will inform the strategic direction for the Commonwealth continuing interventions to strengthen public sector and improve public service delivery in the Pacific; and
 - Contribute to a Commonwealth-wide understanding of the effectiveness of SES contract system on improving public service delivery in the Pacific.

Seven sub-objectives required a focus on:

1. Management approaches used by the public officials operating under a contract system;
2. Return on high investments made by governments in implementing the contract system;
3. Performance measure and reward under the contract system;
4. Scope of and potential for leadership of senior public servants under contract;
5. Whether the contract system impinges on independence and influence of the public servant;
6. Nature of mediation relationships; and
7. Lessons learnt under this contract system.

1.4 Approach and methodology

The overseas field visits commenced on 3 February 2010 with consultations conducted with key stakeholders in Tonga, Papua New Guinea, Vanuatu and the Cook Islands respectively. Consultations in Samoa started in late January and completed in early March 2010.

The delay in activating field work was largely due to the unavailability of Senior Officials in the selected countries. Confirmation of consultation schedules with CEOs was received prior to departure. However, on arrival researchers found that some CEOs were still on vacation or had to attend urgent unplanned ministerial or governmental meetings which required their presence. Consequently, appointments had to be rescheduled and consequently the field visits took five weeks to complete.

Table 1.1 provides an aggregate of those people interviewed from the priority organisations as set out in the ToR but also portraying a much wider representation of the private sector, donors and parliamentarians. Detailed information of the interviewees is contained in Appendix A.

Table 1.1 Number of interviewees in country

Countries	Sectors				Total no.
	<i>Donors</i>	<i>Public service</i>	<i>Private sector</i>	<i>Politicians</i>	
Tonga		13	1		14
PNG	2	16	3		21
Vanuatu		10	1	1	12
Cook Islands		9	5	3	17
Samoa	3	8	6	3	20
Grand total	5	56	16	7	84

Prior to the commencement of field visits, templates outlining specific information regarding public service characteristics and other background information pertaining to contract employment were sent to assist consultation meetings as per Appendix B, C, D and E.

An advantage of doing field visits was the ability to observe first-hand the office facilities, people’s conduct and behaviour at their work place and general operation in and around the work environment. The physical appearance of the work environment seems to mirror the persona of the prevailing governance systems and institutions in-country. Subsequently, the most glaring observation was how some of the very senior public servants were unfamiliar with the nuts and bolts of the contract system of employment they used.

A review of relevant documents and reports provided useful background information and/or further corroboration to ensure data validity.

I.5 Time scheduling for deliverables

Following is the itemisation of deliverables time scheduling and reporting.

<i>No.</i>	<i>Deliverable description</i>	<i>Timeline in weeks</i>	<i>Date due</i>
1	Progress Report	2 weeks	4 March 2010
2	Draft Report on Contract System of Employment	2 weeks after consultation	25 March 2010
3	Draft Report on Progress of Public Sector Reform	2 weeks after consultation	25 March 2010
4	Final Report on Contract System of Employment	1 week after receipt of Secretariat comments	31 March 2010
5	Final Report on Progress of Public Sector Reform	1 week after receipt of Secretariat comments	31 March 2010

I.6 Key assumptions

The challenges noted in this report assume that the Commonwealth Secretariat and Pacific island member countries:

- Will be considered in a proactive manner by each country;
- Will be funded under some mutual understanding;
- Will be factored into any new attempts to reform; and
- Any improvements that are needed will be investigated.