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Local Government Regulatory Performance Inquiry
Productivity Commission
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Dear Sir / Madam

Local Government Regulatory Performance Inquiry – PSA comments on workforce and capability issues

The New Zealand Public Service Association : Te Pūkenga Here Tikanga Mahi is the principal trade union for local government workers. Our members work in the full range of occupations in local government, including those that administer regulations. We sent the issues paper to members who work in regulation and asked them for their views on the questions (33 to 39) about capacity and capability constraints.

We welcome the Inquiry's interest in considering workforce issues such as capacity and capability constraints and we hope that the perspective of the people who carry out the jobs of regulation will be useful to the Inquiry. We want to make some preliminary comments on current local government workforce matters that the Inquiry should be aware of since, if the Local Government Act 2002 Amendment Bill is enacted, it will impact on the workforce, including jobs in regulation administration. We make some comments at the end on shared services.

Staffing cap proposal

The March 2012 *Better Local Government* paper announced the establishment of this Inquiry as part of an intended second phase of legislative reform of local government. The first phase is underway with the Local Government Act 2002 Amendment Bill currently in select committee. The Bill provides for elected members to put limits on staff numbers and this is of great concern to PSA.

It is not the role of elected members to set staff policies; they should provide broad direction to the Chief Executive and set the overall remuneration budget. It is then the job of the CE to employ the staff necessary to carry out the work of the council, and to set their terms and conditions of employment. The Bill is effectively encouraging the governance group to stray improperly into operational management matters.

Putting limits on staff numbers in this way could have considerable impact on the jobs that carry out regulation; in the public service where there is a staff cap, employers do not fill vacancies which leads to considerable work intensification and significant workload pressure on the reduced numbers of people doing the same – or more – work. There is also much greater reliance on fixed-term hires and on contractors. The Bill's Regulatory Impact Statement notes that: 'too rigid an application of policies could result in excessive use of contractors when employment of staff could be cheaper'¹.

¹ Regulatory Impact Statement, para105: [http://www.dia.govt.nz/pubforms.nsf/URL/RISBetterLocalGovernment-signed.pdf/\\$file/RISBetterLocalGovernment-signed.pdf](http://www.dia.govt.nz/pubforms.nsf/URL/RISBetterLocalGovernment-signed.pdf/$file/RISBetterLocalGovernment-signed.pdf)

Staff numbers and staff costs in local government

Better Local Government makes an unsupported assertion that a major driver of increased council costs is staffing. Nothing could be further from the truth. According to Statistics New Zealand's Quarterly Employment Survey, there are 40,400 staff employed by local councils – down from 41,200 in 2008, and down from the 44,200 in 1989, when the population was much smaller. Clearly, there has been no blowout in staff numbers. The 2007 Rates Inquiry took an in-depth look at local government staffing numbers, and noted that while there had been some growth in areas such as building consents, much of this was funded by user charges rather than rates².

As we note above, *Better Local Government* asserts that staff costs are a major driver of increased council costs, without citing any evidence. We would point out that Statistics NZ's Labour Cost Index figures show that local government pay since 2003 has increased at about the same rate as the private sector, and in line with inflation. The Rates Inquiry in 2007 found that employee costs were not a significant driver of either expenditure or rates increases.

Questions in the issues paper

Q33: New Zealand is a small country and we have a large number of relatively small local authorities. This can lead to both a small pool of technical expertise to draw from and to medium / small councils not being able to offer the scale and scope of job to attract people, and additionally the salaries for such smaller-scale jobs may not be attractive for applicants. There are a number of collaborative initiatives that should support better jobs and better outcomes, as the issues paper notes. Larger scale councils are often able to offer more specialist jobs and higher salaries that attract senior level staff.

Q34: There are initiatives on combined services approaches and we understand that these work well. In Southland, for example, Southland District Council and Gore District Council share planning staff. There are also similar arrangements in the three Wairarapa councils.

Q36: Factors for successful regulatory coordination would include clear understanding of respective roles, agreeing common goals and sharing of resources.

Q37: A member expressed the view that one opportunity for regulatory coordination that might be missed is in enforcement, and that it could be useful if regulatory action (such as abatement notices) could be taken jointly to avoid gaps between councils.

Q38: The main barriers to regulatory coordination are in resourcing and in aligning priorities. While it may make sense from one agency's perspective to coordinate, the other authority may have other priorities and not wish to commit resources to coordination.

Shared services

We would like to make a brief comment on shared services, which are increasing being promoted as ways to support better and more efficient outcomes in both local and central government and examples are given in the issues paper. In principle, the PSA supports initiatives that will deliver better service outcomes, more efficient and cost-effective services, and better jobs for our members. As a union the PSA is not resistant to change; we recognise that the public sector must innovate and adapt to meet current and future needs. We also recognise the tight financial constraints within which local government must operate. However, support is not unconditional; shared services arrangements should not be seen as a way to cut jobs and save money – the emphasis should be on delivering better services, which may have the benefits of making savings. They should also provide the opportunity for the people who do the jobs to have real and meaningful input into job and service design.

A real risk is that a shared service may be seen as an external provider and not part of a council; ownership and governance arrangements must be clear and well understood by all parties. A service that is thought of as external may well be one that councils eventually decide to divest, with consequent impact on the jobs of the people who deliver the service.

² Rates Inquiry Report, August 2007, para 8.28. www.ratesinquiry.govt.nz

We hope these comments are useful to the Inquiry, and please contact us if you would like any more information.

Yours sincerely

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