

# The Jobs Letter

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*Essential Information on an Essential Issue*

## KEY

*THE WINZ WHIRLPOOL*

## VOICES

*"Excessive spending by Work and Income on the television campaign and on the air charter show how a sickness has crept into state sector management..."*

— **Jim Anderton**, Alliance leader.

*"That's the nature of bureaucracy. They are inclined to spend money. That's why we have ministers."*

— **Bill Birch**, Minister of Finance

*"For goodness sake, how many people at Winz have the authority to sign off an air charter costing \$165,000? When ministers propose trips far less expensive than that, they have to get cabinet approval — which is sometimes turned down."*

— **Peter Wilson**, political columnist, *The Daily News*

*"Winz, in the present economic climate, faces difficulties in actually getting people into work or training them for anything but menial, low-paid jobs. But when you're hiring planes to go to Taupo, it raises fundamental questions of philosophy and direction..."*

— **Mike O'Brien**, Social Policy lecturer, Massey University

• In the last two weeks, public confidence in New Zealand's largest government agency, the **Department of Work and Income** (Winz) has been **in freefall**. By most people's standards, \$165,000 for the charter of airplanes to take 140 managers to a conference at a resort hotel near Taupo is an outrage. The news revelations, however, have quickly opened up the whole debate on the style and future of this essential public service.

• The Winz department is only nine months old, after being created in the merger of the NZ Employment Service and Income Support. Opposition MPs have been battling Winz on issues of accountability ever since it started. But with news of the chartered flights to Taupo, they have struck a resounding chord of outrage at **public sector extravagance** amidst an organisation dedicated to serving New Zealand's poorest. While the media feeding frenzy has focussed on **chief executive Christine Rankin** — her earrings, and even the shortness of her dresses — the Winz revelations have quickly ingrained themselves into the folklore of the New Zealand underclass. The humiliating effect on **Winz staff morale** is obvious ... and will take years to rebuild.

All eyes this week will be on the **State Services Commission** when Michael Wintringham reports on the plane charter affair and Christine Rankin's future.

• Beyond this media whirlpool ... the public attention has also started to focus on the pragmatic questions that need to be asked at this time:

— Is the new Winz agency achieving its own stated outcomes and key performance indicators?

— How did this culture of corporate extravagance get established?

— How widespread is this behaviour in other government agencies?

— What has stopped managers within the public service speaking out publicly about all this before?

— How do we rebuild confidence in this essential public service?

• Labour's Social Welfare and Employment spokesman **Steve Maharey** has led the Opposition ranks in firing up the Winz debate. Maharey believes we are watching the collapse of the **values of a "public service"** in New Zealand. He connects the present problems with Winz to a long line of difficulties in public sector organisations extending from Cave Creek to ACC to the New Zealand Qualifications Authority. Maharey also points out that we were warned of these difficulties in 1997 by the eminent public policy academic, **Professor Allen Schick**.

In his report, *The Spirit of Reform*, Schick warned that the kinds of changes taking place in the New Zealand public service "may diminish public-regarding values", including values such as "the trust that comes from serving others, the sense of obligation that overrides personal interest, the professional commitment to do one's best, the pride associated with working in an esteemed organisation, and the stake one acquires from a career in the Public Service..."

In the last fortnight, Maharey, Rod Donald and other opposition colleagues, editorial writers, and a host of other commentators ... have all thrust such "public-regarding values" into the front line of issues for the coming general election.

• In this special issue of *The Jobs Letter*, we provide **an essential summary** of the events of the Winz crisis as they have unfolded.

**The Jobs Letter** : ESSENTIAL INFORMATION and MEDIA WATCH on JOBS

EMPLOYMENT, UNEMPLOYMENT, the FUTURE of WORK, and related EDUCATION and ECONOMIC issues

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## DIARY

### 6 July 1999

- Labour's Steve Maharey lodges a written parliamentary question, asking if Winz had chartered a plane for a training course, and at what cost.

### 14 July 1999

- According to Maharey, Winz Minister Peter McCardle has written back to him saying the charter information is not available. Maharey: "It is clearly a delaying tactic."

### 16 July 1999

- News reports reveal that Winz used chartered planes and scheduled flights costing \$165,000 to take 140 staff to a training course in Taupo in early June.

The flights included a Whisper jet and a Dash-8 belonging to Ansett, which does not normally fly to Taupo. The staff came from as far afield as Kaitaia and Invercargill. They were flown to Wellington on scheduled flights then transferred onto the charter flights to Taupo.

Roy Carmichael, a Taupo airport official, says he tried to find out who was on the aircraft so he could welcome them when they arrived, and was warned not to ask any questions about the passengers because they required "privacy".

The training course was held at the exclusive Wairakei Resort Hotel, which has a nine-hole golf course, heated pool, gym, sauna, and tennis and squash courts. It usually costs \$174 a night for a room at the resort, although *The Dominion* says that Winz paid \$115 per night, not including dinner.

- Winz reveals that a female manager is suspended on full pay for misleading management over the level of spending on the chartered flights.
- Winz Minister Peter McCardle summons Christine Rankin to his office, saying he considers it unacceptable for a government department to charter aircraft for staff trips. He expects a full report next week. McCardle: "As Winz Ministers, both Roger Sowry and myself insist that there be full accountability for any deficiencies in Winz administrative processes and for prompt action to be taken where necessary..."
- Opposition party critics say that the plane charter is just the tip of the iceberg on Winz. Green co-leader Rod Donald demands a full inquiry into Winz's financial and management practices. Donald: "Rankin has spent millions on mock wedding breakfasts, roadshows, corporate videos, new wardrobes made overseas, and rebranding offices..."

### 17 July 1999

- A second conference for 120 staff at the Wairakei Resort Hotel scheduled for next week is postponed. Steve Maharey says that the package put together by the hotel included transport, accommodation, food and a black tie dinner.
- Winz spokeswoman Kate Joblin says the conference has been postponed because it was being run by some of the senior managers needed for the chartered flights investigation. Joblin clarifies that the cancellation of the conference cost Winz \$2,440 in fees to the Wairakei Resort Hotel, and not \$40,000 as reported by opposition party critics. The conference will still be held, but Joblin was unsure of when.

### 19 July 1999

- The Audit office and Winz executives meet to determine the terms

of reference for an investigation into the special chartered flights. The Auditor-General will determine whether the spending on the flights was an isolated incident or part of something wider.

- Christine Rankin tells *One Network News* that she approved part of the costs of chartering aircraft to fly WINZ staff to Taupo. Rankin: "I certainly knew we were going to charter some flights. I had assurances around the costings of those flights that were not correct..."

Rankin did not say how much she had signed off on the cost of the flights, because of the pending investigation by the audit office.

- Rankin says that although the chartered flights were a serious matter, she is angry that the bad publicity is masking the excellent work her organisation is doing. The *New Zealand Herald* reports that Winz will generate savings of \$20m over the next three years, and will have an operating surplus of about \$2m for the 1999 fiscal year.

- NZPA reports that Winz has held a number of motivational conferences — called "boot camps" — to train 280 front-line staff. Labour's Steve Maharey: "It is a concern that public servants are taken into things which have the appearance of indoctrination ..."

Green co-leader Rod Donald reports that Christine Rankin and her second in command Winz National Commissioner Ray Smith gave motivational talks at each meeting. The conferences were held from April to June this year, and two of them were convened at the exclusive Okataina Lodge, near Rotorua.

Steve Maharey reports that motivational courses were a feature of Christine Rankin's management style, which he describes as bizarre. Maharey also reveals that in a corporate video, shown at a recent Winz conference, Rankin is presented alongside the images of US President Bill Clinton, Martin Luther King, Gandhi, Mother Teresa and Lady Diana. Maharey: "Her understanding of the job seems to be somewhat at odds with the reality of the job she is doing..."

- Figures released by Parliament's social services committee show that Winz has budgeted \$779,000 on conferences between November 1998 and April 2000.
- 25 Winz managers have released a public statement saying that Christine Rankin had inspired staff to believe that they could make a difference.
- Green co-leader Rod Donald asks Social Services Minister Roger Sowry for clarification on study leave for Winz staff. He tells the *Christchurch Press* that some Winz staff have been sent on study leave to Harvard University — a premier US institution — while a woman staff member who had gone to London on a six-month course had met a man there and decided not to come back to NZ.
- Winz Minister Peter McCardle reveals that print and television advertising to boost the corporate profile of the new department is costing \$1.3m. Three television advertisements designed to promote WINZ staff-finding services to employers are being screened over several months.

Labour's Steve Maharey says the ads are more evidence of Winz's "all glitz, no substance" approach. Maharey: "They are doing nothing to create real jobs..."

- Green co-leader Rod Donald says that accounts by staff suggest that the Winz agency has run amok. He calls for the Winz Minister Peter McCardle to suspend Christine Rankin, pending a wider investigation.

### 20 July 1999

- In a front-page lead in *The Dominion*, Christine Rankin says she has no intention of resigning her \$250,000-a-year job, which comes with a performance bonus of up to 15%. Rankin: "I lead this place with a passion and have no intention of giving up on that. I regret that we had a situation like this but I think its my job to move forward. I intend to continue leading with a vengeance..."

Rankin says she was concerned about the flights the minute she was told that they were being chartered: "As far as I know we had never chartered flights before. My antenna went up immediately. I asked for

## EXPENDITURE UNDER FIRE

MERGING INCOME SUPPORT and the Employment Service into Work and Income NZ cost about \$48 million but it is expected to generate savings of about \$74 million over five years.

Some of the expenditure for which Winz has come under fire includes:

- \$80,000 for a conference discussing the merger during which a mock wedding reception was held.
- \$90,000 for finding a new name and logo only to find that the Maori name it chose, Manaaki Tangata (looking after ourselves) was already being used by the Alcohol Advisory Council.
- \$2.3 million on branding the new agency, including \$110,000 for operation design, \$810,000 for developing a corporate identity and \$1.4 million for signs.

- \$750,000 employing 94 extra staff to work week-ends and evenings to clear the backlog of student loan applications.

- \$250,000 to overcome bad publicity related to its benefit fraud campaign and bungling of student allowances.

- \$600,000 on domestic airfares during its first three months of operation.

- \$656,000 employing 14 new public relations advisers.

- \$20,000 for Ms Rankin and national commissioner Ray Smith to travel to the United States, the Netherlands and Britain on a fact-finding trip.

- \$79,000 on designing a corporate wardrobe bought in Australia, and a glossy brochure detailing it.

- \$1.3 million on a television campaign encouraging employers to use its services.

## DIARY

assurances about the costs and was given certain responses on numerous occasions. But what I was told was not true..."

Rankin says she makes no apology for training and communicating with staff, and says that her department is no different to any other public or private company. She says that the intense training of the last year was due to the merger of NZES and Income Support.

Rankin: "We had a whole culture to turn around..."

- Winz Ministers Roger Sowry and Peter McCardle release their letter to the State Services Commission. It says: "We wish to record the government's view that any inappropriate expenditure associated with management conferences in a public sector organisation would be unacceptable, as would be any deficiencies with regard to financial control..."

- Alliance social welfare spokesman Grant Gillon claims that Christine Rankin starred in a "Michael-Jackson-type performance at a senior manager's conference, dressed in an extravagant costume and descending from the ceiling on a flying rig." He compared the performance to a similar stunt performed in NZ two years ago by the popstar Michael Jackson at a concert where he also danced in front of a video showing world leaders of the 20th century. Gillon: "It appears there is something rotten in the state of Winz. Senior staff in our public service, funded by tax-payers money, seem to think it is appropriate to behave like the court of Louis XVI..."

- Act social welfare spokeswoman Muriel Newman calls for Winz to state publicly how many jobs its current advertising campaigns were creating. Newman: "In order for Winz to gain back the confidence of taxpayers, employers and prospective employees it must also prove that its current 'big spending' initiative on a long television media campaign, is achieving results. NZ'ers on benefits who need real jobs, the country's employers and taxpayers are rightly feeling let down by Winz's spending sprees. They deserve to know that the biggest government department in the country is not wasting money..."

- Christine Rankin appears on the *Holmes* show on *TV One*. She defends her expenditure on management conferences, saying that the department needs to invest in its staff. Rankin: "It was a very, very important training course for them and, yes, I absolutely accept that I was misled and something happened that I'm not pleased about..."

### 21 July 1999

- Christine Rankin says she approved \$126,000 worth of the \$165,000 transport bill. She also tells National Radio's *Morning Report* programme that Alliance claims about her taking part in a Michael Jackson style performance at a senior manager's conference were "absolute nonsense", and an indication of where the level of the debate has got to.

- The suspended female manager refuses to attend a disciplinary hearing because it is being conducted by Christine Rankin, who has publicly blamed the employee for chartering flights using public money. The manager believes that Rankin cannot be impartial in judging the affair.

The manager has employed lawyer Peter Cullen, who has written to Winz Minister Peter McCardle and State Services Commissioner Michael Wintringham, calling for their urgent intervention. Cullen: "I've taken the firm view that there is no natural justice to be had in a hearing between my client and the chief executive..." He says that a clause in the manager's contract stopped her from talking to the media and it had been disappointing to see Ms Rankin publicly debate the issue.

- State Services Commission spokesman Owen Gill says the law stops the commission from intervening in matters between departments and their employees.

- In a special profile in *The Dominion*, Christine Rankin says she makes no excuse for the way she leads Winz. Rankin: "I do not read the papers or listen to the radio because I need to concentrate on leading this organisation..." She says her high-energy leadership never extended to comparing herself to world figures such as Princess Diana or Gandhi at a conference, as some politicians have claimed.

### 22 July 1999

- *The Dominion* reports that Winz has hired a private investigator — former CIB boss Quentin Doig of Corporate Risks — to investigate the chartering of the aircraft. Christine Rankin has also hired an outside agency, Advanced Dynamics, to provide advice on systems and accountability mechanisms within Winz. She has also hired the public relations firm Busby Ramshaw Grice to help manage "high-level media inquiries" until interest in the affair wanes.

### THE "DANGER ZONE" VIDEO

*The Dominion* reported on the "danger zone" video, after it was described by an anonymous Winz manager who was present at the screening at the Logan Campbell Centre in April.

The video, seen by a reporter, shows footage of yachtsman Sir Peter Blake sailing high seas in the Enza catamaran during the 1994 Round the World yacht race. The footage, taken from the Blake video *No Latitude for Error*, ends with a clip of a wind-blown Ms Rankin in full-length, fur-trimmed silvery coat climbing a ladder at the end of a wharf at Karaka Bay as if she had been dropped off by Enza.

She is met by two men, who work in the Winz corporate office and are known as Fletch and Fletch, dressed in orange coast-guard suits. The words "I grew up around here. There was many a flash woman in big coat that we lost over the side" appear on screen, and the clip ends.

At the conference, Ms Rankin then appeared on stage to the song "Danger Zone" from the *Top Gun* movie soundtrack.

Later, the conference ended with another video flashing pictures of about eight world leaders, including former Soviet leader Mikhail Gorbachev and American president Ronald Reagan. The screen then showed a picture of Christine Rankin.

### DIARY

- Christine Rankin will not chair the disciplinary hearing on the fate of the senior manager accused of misleading her over the charter flights. But she is still likely to make the final decision on the woman's employment, despite Rankin admitting that she herself signed off most of the \$165,000 bill. The hearing will be run by "an independent outside person", chosen by Winz, who will make a recommendation on the future of the manager.

Lawyer for the "suspended and scapegoated" manager, Peter Cullen told *The Dominion* that his client did not mislead Ms Rankin. "Christine Rankin knew what she was doing ... Ms Rankin initiated the whole thing." He says his client had simply followed instructions. He warned that an Employment Tribunal appeal would be "on the cards" if the outcome was unsatisfactory.

- Labour's Steve Maharey repeats his call for Christine Rankin to be suspended while the Audit Office and the State Services Commission completed their investigations. Maharey: "The approval of the \$126,000 places her firmly in the frame. It follows that she should not be in a position to judge her subordinate's performance because she has a personal interest in ensuring that the subordinate bears responsibility for the mistake in judgement..."

- Media attention focusses on the high cost of consultants to Winz. Example: Consultus public relations consultant Robert Brewer has been contracted full-time to Winz since it was set up in late 1998. Industry sources quoted in the *New Zealand Herald* say that public relations consultants in Wellington were normally charged out at \$200-\$300 an hour, although some cost more. Said one: "It's the government gravy train which drives prices up to that level..."

- Labour's Invercargill MP Mark Peck says that Winz approved an extravagant \$64,180 budget for a one and a half day hui in his electorate which "achieved nothing and served only as a time for meeting people and renewing friendships..." Information on the hui was supplied anonymously to Peck by a participant. Peck says the agenda shows that the hui was dedicated entirely to "relationship building". The budget included \$1600 for two "TVNZ television personalities" to act as motivational speakers. \$54,880 of the budget was allocated to airfares.

Peck: "It is hard to understand why Invercargill was chosen as only 12 Winz staff in the area identify themselves as of Maori descent. As an MP I am in constant contact with Winz trying to access the meagre assistance available to my constituents. This money would be much better spent on them and on improving the skills of and finding jobs for the unemployed ..."

- The parliamentary Social Services select committee releases its report into the 1999/2000 Winz spending estimates. Their report lists a number of serious concerns about Winz customer services, including

staff case-loads being set too high, a high level of error dealing with customer files, and call centre response times being unacceptably high at times. (see box feature)

#### 23 July 1999

- The "danger zone" video screened at a Winz motivational conference becomes the focus of media attention today, particularly in light of Christine Rankin's assertion that she would "not be that outrageous" in participating in such a spectacle.

*The Dominion* quotes a manager who attended the April conference, speaking anonymously, who says she was stunned by the video and the message that it and Ms Rankin conveyed — that she was taking staff into the "danger zone". The manager could not understand how the video (see box for details) related to beneficiaries. She told NZPA: "It just took your breath away when you think what this organisation is about — that there was no restraint on flashiness or showiness. This is not an insurance company. There are a whole lot of things at stake, like a citizen's right to an income, which they are neglecting. It is almost like she is saying "we defy anybody" ..."

- Winz spokeswoman Kate Joblin disputes the manager's interpretation of the video presentation. She says it is not unusual for government departments to have such presentations, and head office staff always tried to be inventive and to make them interesting for managers attending. This conference had a "nautical theme" and Joblin says the aim of the presentation had been to convey the sense of a new organisation heading into uncharted, sometimes stormy territory. She also said that Ms Rankin often wore her fur-trimmed silvery coat to work.

#### 24 July 1999

- Details of the "mock wedding reception" held amongst Winz managers in New Plymouth emerge in the media. *The Dominion* reports that two of the stars of the "danger zone" video, Winz employees known as Fletch and Fletch, were dressed up as nuns to bless the audience at the "reception". A Winz manager, also speaking anonymously, told the paper that the nuns and a priest were doing "... mock religious things ... there was lots of sexual innuendo from those who were taking part."

*The Dominion* also quotes a former Income Support employee who says that the Fletch and Fletch skits on video began 18 months ago at the time when Christine Rankin was in charge of Income Support.

- The anonymous manager reported that Winz employees were warned during an Auckland conference about not talking to the media. The manager: "They pretty much warned anyone that if they would talk outside the organisation that they should go now." She also says that a general instruction had been distributed to offices warning: "Loose lips sink ships."

## The Jobs Letter

### DIARY

25 July 1999

• Three government agencies have cancelled conferences at exclusive North Island resorts, following the Winz controversy. The *Sunday Star Times* reports that other departments are trying to avoid embarrassment over their own spending. Two departments have cancelled conferences at Wairakei Resort and one has cancelled a gathering at the Grand Chateau hotel in the central North Island.

Wairakei Resort sales manager Cathy Guy says: "They are becoming wary now. They had already made their minds up. Given the circumstances, we quite understand the reasons why..." Guy would not name the departments involved, but one had booked 32 rooms and the other 75 rooms. Twin rooms cost \$110 a night.

• TV3 News shows a clip from a Winz promotional video in which Christine Rankin says: "My expectation is that we don't think so much about ourselves and our own level of comfort but we think about our customers and what is best for them, and that's certainly going to be a central part of Winz..."

26 July 1999

• PM Jenny Shipley, who was visiting Asia when the Winz row flared up, launches into a defense of how Christine Rankin and others have transformed welfare in New Zealand. Speaking at the Federated Farmers annual conference, Shipley says social welfare staff used to be "a bunch of jandal-wearing, bermuda shorts unfocussed individuals", but Winz staff now have the skills to talk to beneficiaries about their future. Shipley, a former Minister of Social Welfare, says that the transformation of attitudes to welfare in this decade is one of the significant untold stories in NZ politics today. Shipley: "Media don't think it's a good story — they're more interested in 100,000 bucks..."

• The UNITE union, which represents beneficiaries and low income workers, disputes the Prime Minister's comments that there has been a huge improvement in welfare services over the past decade. A spokesperson, Caroline Hatt, says beneficiaries are intimidated by the Winz corporate image and says that often beneficiaries can't get through to new call centres, and sometimes wait weeks for a face-to-face meeting.

• The *New Zealand Herald* reports that the controversial course at Wairakei Resort Hotel cost Winz \$247,000 or \$1,764 a head.

• Green co-leader Rod Donald calls on PM Jenny Shipley to investigate spending by other government departments on conferences, training videos and advertising, after the reports that three agencies have cancelled their conferences at North Island resorts. Donald: "Winz was only the tip of the iceberg. We now know that the culture of extravagance is prevalent throughout the state sector..." Donald reports that the Children Young Person and their Families Agency has spent \$140,000 on two conferences in the past 14 months. He says that one conference had a banquet with an open bar and staff in fancy dress with a *Back to the Future* theme.

• Later in the day, a furious Mrs Shipley tells reporters that she was sick of incidents like the Winz case undermining the "good work done in the state sector". She also endeavours to shift the focus of the debate from the government to Mr Wintringham of the State Services Commission.

Shipley: "I want an explanation and I want to know who's going to be held to account [...] The only thing we can hold the state sector to account is to hold the chief executive of the State Services Commission to account. The Prime Minister recommends to the governor-general who the state services commissioner should be. The State Services Commissioner then hires and fires all of the chief executives in the state sector..."

27 July 1999

• The *Dominion* reports that Christine Rankin could lose up to \$30,000 of her \$250,000 salary package because of the chartered planes affair. The paper quotes "sources close to the State Services Commission" in saying that the embattled Winz chief was not

considered to have committed "a sacking offence" and would keep her job. The sources said she would be docked at least part of her performance bonus, which is worth about \$37,500 a year.

• NZPA reports that Winz employs a senior manager to travel New Zealand to "check whether pot plants are sitting in their correct place in the office". The report quotes a "frontline employee who did not wish to be named" who described a person, described as a "brand manager" visiting her office and instructing staff on whether pictures were hung too high or low, whether pot plants were sitting in the right place and whether the sculpture of their logo was sitting at the right angle.

Winz spokeswoman Kate Joblin confirms that the department employed one "branding manager" who, with the property manager, took responsibility for the installation of all signage and shop fit-outs. He is described as a third-tier manager.

• An internal Winz probe has found the department paid out \$65,000 more than the going rate for chartering aircraft. The Audit Office is now investigating exactly who was paid what by the department. An initial Winz inquiry found it paid \$165,000 for the charter flights but the *New Zealand Herald* reports that the carriers, including Ansett New Zealand, received only about \$100,000. The paper speculates that the difference was likely to be commissions and other payments made to those who arranged the charter.

• Winz has also established that only 100 of the 130-140 who attended the two day course actually flew to the conference, lifting the cost per person of flights alone to \$1,650.

• Winz central regional commissioner Te Rehia Komene tells media that frontline staff at the Winz Palmerston North office are reeling from public criticism. She says claims that rudeness to beneficiaries was common, and that some case managers were withholding information to deny people their full entitlements ... has resulted in morale plummeting to an all-time low.

A report published last week by the Palmerston North City Council included anecdotes from 134 respondents who said Winz staff often made mistakes, that beneficiaries privacy was not respected, case managers were often not available and that beneficiaries often found their case managers had changed. Komene: "The report, media coverage of it and media coverage over Winz's air travel blowout to expensive conference venues have left staff feeling as though they are under siege ..."

• Adam Gifford, writing in the Business section of the *New Zealand Herald* writes that staff and customer dissatisfaction with Winz computers are "making life tougher for a service already suffering political problems..." Gifford says the department has been criticised by the State Services Commission for its lack of progress in managing Y2K compliance risks. There are also problems in merging the different computers systems of the old NZ Employment service and Income Support. (see box feature)

Gifford quotes details of staff dissatisfaction with the present computer system as recorded by Synergia, a consultancy hired by Winz to develop a "success model" for the new department. Synergia has its discussion documents publically available on a website at [www.winzsucccess.gen.nz](http://www.winzsucccess.gen.nz).

• Debbie Mohr, senior advocate at the Auckland People's Centre, says the technology problems at Winz impacted every day on the way job-seekers and beneficiaries were treated. Mohr: "Staff are totally reliant on the computer, and in many cases the information on the system is incorrect. They've got the wrong mathematical formulas for benefit calculations in the computer, and a lot of the staff don't know how to do it manually..."

Mohr says information on benefit entitlements was often wrong, so call centre or front office staff gave faulty advice. She says the computer system has crashed every few weeks, disrupting appointment schedules, which could lead to people losing benefits. When computers are down, staff cannot do anything — even issue emergency food grants — because they are unable to see what the beneficiary was entitled to. She also says the computer system encourages staff to send out generic letters, rather than address specific problems. That means beneficiaries could face considerable difficulties finding out the exact reason their benefits were suspended.

### COMPUTER GLITCHES

AS PART OF THE merger of the Employment Service and Social Welfare's Income Support section, Work and Income NZ must merge or modify several major computer systems, including the \$50.63 million SWIFTT benefit payment system and SOLO, the \$31 million Employment Service job-seeker registration and case-management system. It is also working on the \$38 million Focus project to tie benefit assessment, payment, training and employment into one system, allowing case management by frontline staff.

Adam Gifford in the *New Zealand Herald* reports that staff disaffection with the present computer system is detailed in discussion documents posted in March at [www.winzsuccess.gen.nz](http://www.winzsuccess.gen.nz) by Synergia, a consultancy hired by Work and Income NZ to develop a "success model" for the new department. Among the IT problems identified by Synergia were information systems not talking to one another, referral technology which did not talk between case managers who look after the beneficiaries, and work brokers who liaise with employers.

Consultant Miles Shephard reported that in all sites visited, staff reported technology difficulties

and feelings of frustration at technology and skill levels. There was also concern about how the call centres, a key part of the reforms, were working. Shephard said there was "widespread frustration that only good news is reportable, that no one wants to know bad news; that lack of acknowledgment of many concerns indicates that suggestions will also not be heeded. This frustration is leading to some suspicion about the 'leadership's' motives..."

Adam Gifford: "One indication of the department's faith in new technology was the decision to replace job boards with computers linked to the job vacancy database. If job-seekers could not use computers, staff said, they had to interrupt their own work to help. They also said the job vacancy database was difficult to navigate and its search function was not good.

"The same computers were also used by job-seekers to write CVs, during which time they could not be used for job searching. Some offices reported that huge queues were forming to use computers, others said people stopped coming in to look for jobs once the boards went. Some offices had put job boards back up, or put short job descriptions up on a whiteboard ..."

### DIARY

• Caroline Lampp, General Manager of the Waiapu Anglican Social Services reports that early childhood providers have had considerable stress and difficulty this year as a result of a new subsidy system that Winz has introduced. She says that the new system, operating since February of this year, replaced "a reasonably working system" that used to reimburse early childhood centres. The new system, she says, has meant that many families have landed with a debt at Winz that is incorrect, and many centres have been paid incorrectly. She says that both the early childhood providers, and the families whose children they look after, have been trying to tell Winz all year that the new system doesn't work.

Lampp: "Winz is a government agency. It is there to provide help for low-income and beneficiary families. What it is doing in many instances is, in fact, placing more stress on these people, as they try to work their way through the bureaucratic systems that Winz has set up..."

• Alliance MP Grant Gillon claims in parliament that the partner of Winz chief executive Christine Rankin was paid \$9,000 to help set up the controversial staff training conference at the Logan Campbell centre in Auckland.

28 July 1999

• In a letter to *The Dominion*, State Services Commissioner Michael Wintringham says that he disputes the Dominion's impression that he had "made up his mind" about Christine Rankin's performance. Wintringham: "At the heart of my review is an employment relationship between me and Ms Rankin. I intend to ensure that due process is observed in the course of my review and that the facts of this matter are considered outside the heat and confusion of public debate. Ms Rankin is entitled to nothing less..."

• Disgruntled Winz staff have written an open letter spelling out their dissatisfaction with the leadership of the department. The anonymous letter, released by Labour's Steve Maharey, claims to be from a number of long-serving staff members of Winz who "are frustrated, embarrassed and disillusioned by the leadership of the department". The letter says that staff morale has fallen under the present management and suggests a secret ballot of all staff will reveal how much confidence staff have in Ms Rankin.

The letter lists a number of complaints over staff training "boot camps" and spells out the difference between what is supplied for managers while other staff have "to make do". The letter: "In one instance a telephone system in the national office was moved, at a cost of \$6,000, to make way for shower facilities. District offices with both male and female staff have only basic toilets and no sick room facilities..."

Christine Rankin's dress code was also criticised by the staff, who said that, while they were expected to dress in a corporate manner, they were led "by someone who dresses like a cocktail waitress with earrings longer than her skirts."

• Minister Roger Sowry defends Winz's use of a "branding manager" to ensure all offices conformed to the same style. Sowry says the new department will save taxpayers \$160 million in administration costs during the next 10 years "... so someone who is going round to make sure that those things are delivered, I think, is serving the interests of the department and taxpayers.

• Winz spokeswoman Kate Joblin says Grant Gillon's allegation of payments to Christine Rankin's partner have no foundation and are categorically denied.

• Labour's Steve Maharey says that the outpouring of letters, telephone calls, faxes and emails he has received from Winz staff means that the government and the State Services Commission must extend their investigations to include all aspects of Winz management.

• Papers leaked to the press show that Winz and at least six other government agencies booked \$675-a-head corporate tables for the World Masters of Business lectures in Auckland in May. The ACC, the

## SELECT COMMITTEE CONCERNS

IN THE MIDST of the Winz media feeding frenzy, the **PARLIAMENTARY SOCIAL SERVICES SELECT COMMITTEE** released its report on the 1999/2000 Winz estimates. In the report, the committee listed a number of “serious concerns” about the running of the department. *Some key points:*

### ON THE MERGER

The integration has encountered some difficulties in the initial phase but the department is well ahead of schedule with the merger of former Income Support and NZES sites. Sixty-four sites have been integrated to date and it is expected that 71 more sites will be integrated by 1 October 1999. This will leave approximately 10 remaining sites to be integrated.

A total of 113 staff have been made redundant as a result of the merger. This included 42 managers, 53 frontline and frontline support staff and 18 corporate staff.

### ON CUSTOMER SERVICE

While we believe that personalized customer service is a good concept, we are concerned at the high level of case-manager turnover. This can work to undermine some of the major benefits that result from the case-manager model. Another problem that can result from this model is a lack of flexibility in the service. Customers can experience difficulties in receiving satisfactory service when their own case-manager is not available due to illness or for other reasons.

Anecdotal evidence suggests that there have been a number of problems in the area of customer service within Winz, particularly since the integration. This was greatly exacerbated early in 1999 when Winz took over the processing of student allowances. The type of problems that appear to have been occurring routinely have included lost files and/or parts of files, long waiting times at call centres and customers receiving conflicting information from different staff members.

Winz deals with a large number of clients with a range of different needs and it is inevitable that there will be some human error. However, we are concerned about the high level of error that seems to be occurring in the organisation. We urge Winz to address these issues and look at ways to minimise these problems.

### ON STAFF CASELOADS

We have had concerns in the past about the average level of caseload staff have been carrying and asked if this issue had been addressed in the

new department. The department stated that caseloads are dropping across the country although there is some regional variation in this. In some regions the case-load average has decreased to around 195 clients per staff member and the department feels that this is a realistic level for all regions to aim at in the short-term.

The quality of the service delivered by Winz rests largely on the quality of the staff and the level of training they receive. We therefore stress the need for WINZ to address the issue of reducing case-load levels over the next year.

### ON THE CHILDCARE SUBSIDY

We are concerned about one particular issue that has arisen concerning the administration of the childcare subsidy. Winz pays the subsidy directly to the parents who are then required to pay the childcare centre. This has the potential to lead to overpayments if, for example, the child cannot attend the child-care centre due to illness. The onus is then on the parents to repay Winz and this can lead to an accumulation of debt owing to Winz from parents. We encourage Winz to explore other ways of administering this scheme to avoid difficulties that could arise in this area.

### ON DEBT RECOVERY

A performance standard of \$177 million has been established as the target for recovery of current debt. Current debt is classified as debt belonging to people who are currently receiving a benefit from Winz. It includes both fraudulent and non-fraudulent debt, including overpayment as a result of departmental error. The department told us that this figure is based upon historical collection performance and forecast impacts which may influence current debt recoveries during 1999/2000. The purpose of a debt recovery standard is to ensure a focus is maintained on Crown debt recoveries.

The department records fraudulent and non-fraudulent debts separately, but does not record the separate amounts recovered because customer's debts are aggregated when collected. We have urged the department in the past to consider recording these two categories separately because it has been misleading in terms of the public perception that all of this debt is the result of benefit fraud. We again encourage the department to consider separating these categories.

— Committee members are MPs Joy Quigley (chairperson); Gerry Brownlee (Deputy Chairperson); Arthur Anae, Rev Ann Batten, Lianne Dalziel, Taito Philip Field, Laila Harre, Steve Maharey, Dr Muriel Newman and Tony Steel.

Source – Report of the Social Services Committee 1999/2000 Estimates  
Vote Work and Income

## DIARY

Ministry of Maori Development, Transfund, TVNZ, the Army and the Navy were listed as booking the 10-seat tables. On figures detailed in the papers, the total cost to the taxpayer was about \$50,000. The corporate tables offered the best seats at the lectures (with a company name on the table), a celebrity breakfast or a VIP corporate luncheon, plus 10 subscriptions to *The Leadership Newsletter*.

The lectures featured former Russian leader Mikhail Gorbachev, US Gulf War commander-in-chief General Norman Schwarzkopf and US corporate downsizer Al "Chainsaw" Dunlap. Mr Dunlap earned his nickname by restructuring companies, selling off non-core business, firing staff, and then moving on himself.

The papers were leaked by a member of the function's sponsors, the NZ Institute of Management. The businessman told *The Dominion* that he was annoyed at reports of extravagant spending by Winz. He says, he did not attend the seminar because "it was way out of my league..."

### 29 July 1999

- Winz national benefit crime manager Joan McQuay tells *The Dominion* that the public is only seeing one side of Christine Rankin, whom she describes as a "visionary leader whose goal is to make every beneficiary in NZ feel worthwhile." Mrs McQuay describes how her own life was transformed after meeting Rankin in 1981. At the time, McQuay had spent 5 years on the domestic purposes benefit, telling the paper that "I was a bad ex-nuptial mum."

Mrs McQuay says she was speaking out in defense of Ms Rankin because she was sick of anonymous criticism from within Winz. McQuay: "I think it is important for somebody to put their name to something and to stand up and be counted. I hate all this subterfuge, people saying things and not putting their names to it ..."

- Winz Minister Roger Sowry tables documents in parliament confirming that 18 Winz staff attended the Masters in Business seminar in Auckland. Winz manager Helene Quilter says that the department took the "cheapest" seats at \$295-\$395 a head, and not the \$675 seats as was reported.

- In parliament, Speaker Doug Kidd rebukes MPs for making allegations not backed up by evidence. Two days beforehand, Mr Kidd subtly criticised Alliance MP Grant Gillon warning his credibility was on the line over claims he was making about Winz. Kidd: "A new provision may be needed in parliament's rules constraining an MP from making allegations against other MPs, public servants or members of the public."

### 30 July 1999

- The Synergia website with discussion documents highlighting staff concerns at Winz has been taken down from the internet, after the *New Zealand Herald* drew attention to it last week.

John White, Winz general manager of strategy and capability, says that the documents were five months old and circumstances had changed. He also denied claims by a beneficiaries advocate that some of the formulas in the system for calculating benefits were wrong. White: "We're paying out \$12 billion a year in government money, and it is critical those formulas are right and people get the right entitlement..."

- Newspapers report that Winz has announced plans to absorb the the Community Employment Group (CEG) unit into the Winz management structure. Last October, CEG was one of the units brought into the new department from the Department of Labour. Since that time, community groups and mayors around NZ have been calling for CEG to remain as a separate identity within Winz.

Don Farr of FinSec - the union representing employees of Winz's Community Employment Group says that CEG was one of the jewels in the Department of Labour's crown. Farr: "It was copied around the world for its effectiveness in responding to community needs. Unlike Winz staff, CEG staff don't find jobs or manage benefits. They are skilled people who work with community groups to promote ventures that, long term, may result in jobs. They fear their effectiveness will be stifled inside a bureaucratic, dysfunctional department, with questionable management practices..."

- The NZ Institute of Management, one of several sponsors of the Masters of Business Leadership conference WINZ and other Government department staff are claimed to have attended, has angrily denied any involvement or responsibility for giving out details on delegates to the conference. The NZPA story in *The Dominion* on Wednesday claimed the papers were leaked by a member of the Institute. Chief Executive David Chapman says that for the organisers to have done so would have breached the Privacy Act. Chapman: "We maintain the confidentiality of people who attend any of our extensive educational courses and lecture programmes ..."

### 31 July 1999

- The suspended Winz manager, now named as Aneta Wineera, resigns and is suing Winz for unjustified, constructive dismissal. In her letter of resignation, Wineera says she has no chance of a fair hearing from Winz because chief executive Christine Rankin would make the final decision on her fate.

In her letter to Rankin, Wineera says: "You have a clear interest in the matter, your recollection of events and of your own actions, conduct, comments and instructions to me is in important respects totally different from mine ... You have tried to make me a scapegoat for the failings of the organisation, and you have been unrestrained in your efforts to do so. You have repudiated my employment contract with your breeches and I accept the contract is now at an end. I have been constructively dismissed."

Aneta Wineera's lawyer, Peter Cullen, reveals in a letter to Winz's lawyer that his client had been asked to respond to the accusation of deliberately misleading the chief executive regarding comparative costs of airfares for a training course. He said lawyers for Winz had tried to change the charges to more vague ones, and his client was particularly concerned about Christine Rankin's claim to have been misled. His client had wanted a mediating member of the Employment Tribunal to carry out the investigation.

- The *New Zealand Herald* says that if Wineera succeeds in suing Winz for unjustified, constructive dismissal, then the taxpayer-funded compensation may even exceed the \$165,000 bill for charter flights that triggered the controversy. The Employment Court could grant up to 18 months' lost wages and about \$50,000 for humiliation if Winz lost the case.

- The Dominion* reports that Wellington investigative firm Corporate Risks, headed by former CIB boss Quentin Doig, had been employed to investigate the airplane charter affair. However, *The Dominion* quotes "sources" as saying that the firm had finished its assignment and would not be filing a report with Winz.

### 1 August 1999

- The State Services Commission review into Christine Rankin's performance in the affair is due to go to the Government this Monday and be made public on Tuesday or Wednesday.

The *Sunday Star-Times* speculates that Rankin will be put on a short leash and "minders" will be brought in to Winz to supervise the beleaguered boss. The paper says that there will be measures requiring her to provide more detailed financial reporting, and she will also lose most of her \$37,000 performance bonus. It says the decision not to dismiss her would reflect the government view that her strengths as a manager outweigh her weaknesses.

The commission is also predicted to change its supervision of departmental chief executives — placing more emphasis on issues of public service ethics, and requiring more formalised departmental codes of conduct.

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## WHY ARE OUR PUBLIC SERVANTS "UN-NAMED"?

PERHAPS ONE OF THE more disturbing trends in media reports in the last two weeks has been the number of news items based on reports from "un-named" managers or people "who did not wish to be identified".

Some political commentators have said that this is a symptom of the new corporatised public service which fears disciplinary action if the employees speak out.

The code of conduct issued to Winz employees at the establishment of the new department is clear on the rules governing employee relations with the news media. It says: "Response to media inquiries or any other external communication (press or publication article) should only be made by the chief executive or those to whom permission is specifically granted by the chief executive."

The original code of conduct was also specific about what it terms "political participation" by employees. According to the code, any employee "intending to participate or already participating in a political organisation" was to "first inform and discuss this with their manager to ensure that there

are no conflicts between their responsibilities and duties as an employee of the department and their responsibilities and duties to another organisation".

Chris Trotter of the *NZ Political Review* is critical: "When these rules were revealed, Winz hastily retreated ... but nothing could better illustrate the totalitarian ambitions of the new department than this attempt to restrict the citizen's right to engage in political activity. The loyalty of the workforce must be undivided: no other organisation or ideological system can be permitted to intrude itself into the department's corporate culture..."

- In the wake of the chartered planes crisis, Winz employees have shown concern at news that a private detective has been hired to investigate the affair. Winz spokeswoman Kate Joblin, however, told *The Dominion* that her organisation was not attempting to find people who had spoken to the media. When asked what would happen to any staff members that the department believed had spoken to the media, Ms Joblin said the question was irrelevant as "no one was being hunted ..."

## VOICES

*"The rationale behind Winz's creation — that providing unemployment benefits and advertising job vacancies fit naturally together — has been lost in a welter of waste. Any efficiencies of the new arrangement were soon overshadowed by the controversy of the Winz \$1.5 million campaign against benefit crime. The organisation became best known not for the quality of its help but for encouraging people to do in beneficiaries thought to be roting the system.*

*"It is therefore ironic that the people in charge of Winz are facing scrutiny over their calls on taxpayer funds. Rather than concentrate on competent delivery of its primary services, Winz has embarked on a corporate spending spree. It has dissipated \$250,000 in trying to counteract criticism. That has been totally counterproductive. Indeed, it has guaranteed more flak for the ailing organisation..."*

— editorial in *The Christchurch Press* 21 July 1999

*"The 'dob-in-a-beneficiary' campaign cost Winz \$1.5 million to track down bludgers. In damage control to cover this, and other departmental gaffes, whinging Winz spent a quarter million dollars to justify/explain/and excuse their blunder. Perhaps Winz 'think big' directors, in wasting huge sums of money, are more*

*guilty of defrauding taxpayers than the lowly paid and unemployed 'bludgers'..."*

— Rosemary Francis, Christian Heritage Party

*"The 'branding manager", as Winz confirmed the job title, exposed how far the civil service has travelled in a short time, and how quickly the route has become dangerously downhill. At a stroke, the pot-plant manager has undone, in the all-important public's eyes, whatever good and inspiration may have come from Christine Rankin's delusional videos ...*

*"Whoever dreamed up this caper is richly splattered with egg, and the fact that they can easily afford the hairdressing and dry cleaning bill won't make the mess disappear any faster. Instead of being inspired by the message from their \$250,000-a-year chief, Winz staff are humiliated and angry. They are reeling from the public hostility as beneficiaries and taxpayers alike react to the litany of extravagance..."*

— editorial in *The Daily News* 31 July 1999

*"You are always in the shit in this industry. Only the depth of it changes..."*

— former Income Support Service boss, and Rankin's mentor, George Hickton

## VOICES

### IN THE WINZ WHIRLPOOL

*"The focus all the way through is superficial rather than substance. They've got the colour schemes right but the computers don't work. They run the television advertisements, but the phone lines are clogged.*

*"When you run through the list of spending it all points to appalling practice that the two Winz Ministers should have stopped very quickly. It's not good enough to say they don't have responsibility for operational matters..."*

— Rod Donald, Green Party co-Leader

*"Ms Rankin runs a corporation. Such terminology was once confined to a private enterprise. She evidently runs it with charisma. That was once confined to preachers in born-again religions. Faced with the current storm of criticism she's sticking to her guns. "I lead this place with a passion," she said, adding, "I intend to continue leading it with a vengeance." Vengeance against whom was not explained..."*

— Rosemary McLeod, Broadside columnist, *The Dominion*

*"Corporate profile? The public does not care about corporate profiles. It cares about the organisation fulfilling its purpose: bringing together jobs and those who need them, or, if that is not possible, ensuring that those entitled to benefits receive them in efficient fashion [...]"*

*"This branding is nonsense, and all the energy and money expended on it, has to stop. The public service once had a reputation for taking advantage of the taxpayer at the bottom end of the pay scale. Now it seems it is those at the top end of the pay scale who have forgotten who they work for..."*

— editorial in *New Zealand Herald* 22 July 1999

*"Let's not disparage Winz too much. There's a refreshing zaniness about the logic that it creates jobs by producing a television commercial showing how it creates jobs. Even better is the method of creating jobs by producing a commercial showing how it will create jobs by producing a commercial that will show it how it creates jobs. Is this the start of an infinite regress?"*

— Peter Durney, Cambridge (Letter to the Editor, *New Zealand Herald*)

*"To facilitate the commercialisation of this organisation, the old culture of public service must be destroyed and the dangerous concept of citizen entitlement rooted out forever. In the department's world, the unfortunate citizen stands before the nattily dressed employee of the business as neither a customer or a client, but as a "case" to be managed..."*

— Chris Trotter, From the Left columnist, *The Dominion*

*"Something has gone seriously awry at Winz. The department which is supposed to cater for the poorest New Zealanders is lost in a managerial fantasyland of insane opulence and corporate hokum. All of this nonsense is only a symptom of a wider sickness. A couple of other public agencies have reportedly cancelled their Wairakei conferences as a result of the uproar over Rankin's department. Our taxpayer-funded entrepreneurs have lived high on the hog for much too long, and now they must stop. Sacking Rankin is a good place to start. It would also serve as a warning to the others..."*

— editorial in *Sunday Star-Times* 25 July 1999

*"Ministers now have little say in the hiring of departmental heads and minimal control over departmental spending. It is up to chief executives to determine how they use their budgets to deliver the outcomes sought by the ministers.*

*"Mr Sowry and Peter McCardle have asked State Services Commissioner Michael Wintringham to investigate Christine Rankin's role in the hiring of the planes. But they may have to do more to convince the public that the government has not lost control of public-sector spending..."*

— Nick Venter, Political Week columnist, *The Dominion*

*"Mrs Shipley blames Labour for introducing the system that puts chief executives at arms length from ministers, while acknowledging there has been much productive change. Though she now appears to be irked that ministers cannot apply direct political leverage, she does not intend to restore their prerogative to hire and fire.*

*"In the meantime, a rather flaccid State Services Commission deservedly stands in the gun. Successive commissioners have ratcheted up chief executives' salaries, and failed to rein in a public sector culture of extravagance expressed in consultancies running to seed, golden handshakes, and a fascination with public relations razzmatazz over matters of substance ..."*

— editorial in *The Dominion* 27 July 1999

*"The problem with Work and Income NZ can be identified with its chief executive's use of the word "customers". She imagines she is managing a corporation and is trying to apply the same simple set of ideas which govern the corporate world within a quite inappropriate environment.*

— Bernard Gadd, Papatoetoe, (Letter to the Editor, *New Zealand Herald*)