

CABINET CONGESTION: THE GROWTH OF A MINISTERIAL MAZE

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Research Note

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Central findings

- **New Zealand has a massively outsized Executive.** Taking the average of parliamentary democracies of similar size to New Zealand, we have 44% more ministers, nearly triple (282%) the number of portfolios, and one and a half times (156%) as many departments.
- **It is likely that this size causes a suite of serious issues in New Zealand's policymaking institutions,** particularly relating to coordination, efficiency, selection effects, and resource allocation.
- **The exact reasons for this increase in size are not clear,** but it is likely due to a combination of factors, like the absence of legislative restrictions, political expedience, and government signaling. **Given the political advantages it bestows on those in government, it will likely be difficult to rectify.**

Introduction

The adage ‘all things in moderation’ is widely regarded as sensible advice, yet New Zealand has struggled to adhere to this wisdom. Instead, it has developed a voracious appetite for ministers, portfolios, and departments, leading to a kind of bureaucratic indigestion. This research note aims to spark a conversation about the size of the Executive. It posits a straightforward argument: New Zealand's Executive is excessively large, a condition leading to probable inefficiencies.

The Executive sits at the apex of New Zealand's policymaking process. Frequent attention is given to its superficialities: the politics of portfolio allocation, which ministers are on the up, and which are heading out. More serious questions on the structure of this pivotal body have been largely set aside. This note aims to make an initial exploration of these. The issues within should strike a chord of recognition in those familiar with the internal workings of Wellington's beltway.

This note is divided into three sections. The first provides context for the reader; it presents background to the Executive's form and function (particularly that of Cabinet) and its structure of policymaking in New Zealand and makes comparisons with international peers. The second elaborates on potential causes for the current size of the executive. The third posits negative effects size may have on the policymaking process. The latter two sections are more research-based and therefore provisional.

Definitions and Limitations:

Defining the Executive:

New Zealand's Executive includes an array of bodies, not least cabinet, the crown, and government departments. This note leaves the roles of the crown within the executive aside. Instead, it focuses upon the latter two as *organizations* designed with a specific purpose in mind. It views these two as a system through which policy is implemented. References to the 'Executive' in this note are references to this limited structural conception.

Defining Efficiency:

'Efficiency' is a term often employed throughout this note. In this context, it refers to the efficiency of the Executive in achieving its policy goals, i.e. in optimal time and to optimal effect.

Limitations of Comparative Government:

Comparisons between governments are complicated. Differences in population, history, culture, and political structure make apples-to-apples comparisons impossible. However, there is undeniable utility in making such comparisons. When, particularly in Section 1, this note engages in comparative analysis it intends to err to the side of caution.

Limitations of Research:

The study of government belongs to the social sciences. As such, it is hard (if not impossible) to find or model perfect counterfactuals, control variables, and obtain all the mountains of data that would add more concrete foundations to its findings. While acknowledging this, we still must strive regardless against these limitations to posit observations and recommendations in the pursuit of improving the state. Further research may always be required, but we must begin somewhere.

Section 1: Outlining New Zealand's Executive

This section outlines the form and function of the Executive in the policymaking process. It also explores historical data on the Executive's growth and compares the current size of the Executive against New Zealand's international peers.

Cabinet's form and function:

The central unit of the Executive is the Cabinet, consisting of the Prime Minister and their ministers. The Cabinet steers government and is the unit within which all government policy initiates. Ministers hold portfolios which delegate to them the management of a certain area of the state. For example, Hon. Casey Costello (minister) is the Minister for Seniors (portfolio). Ministers may also exist outside Cabinet and belong to the wider Executive. Ministers are required to be members of the legislature (Parliament) and will represent the leadership of the parties (or party) controlling the country's unicameral legislative house.¹ The two bodies are therefore fused, with the leaders of the house and the members of Cabinet being one and the same.

The Cabinet's function is to steer the government of the day. The Prime Minister determines Cabinet's agenda. Government bills, significant and controversial policy issues, the setting of regulations, appointments to crown boards, and matters affecting the government's financial position, are brought forward for discussion and approval. Additionally, proposals impacting constitutional arrangements, the structure of the public service, and government responses to select committee recommendations fall within the Cabinet's purview. Matters related to ministers' portfolio interests, including policy issues that may not neatly fit within a specific portfolio, are subject to Cabinet resolution. The Prime Minister plays a central role in final decision-making. It is important to note that the aim of Cabinet is to decide and implement its policy programme as expressed in party manifestoes and coalition agreements.

It is a widely held view that New Zealand adheres to the constitutional principle of parliamentary supremacy, meaning that Parliament is the source of law, its laws are final, and its legislative ability is unlimited. This is important, as the Executive functionally controls the legislature, it is of singular influence in New Zealand's policymaking and governance landscape. Internal flaws in the structure of the Executive that cause inefficiencies in this process should, therefore, be avoided.

Structure of public policymaking in New Zealand:

It is useful to imagine New Zealand's public policy ecosystem as a four-tiered structure, as outlined in Appendix A. Policy sectors sit at the base of the structure. They represent the broadest natural groupings of the different roles of the developed state. A rough synthesis of New Zealand's policy environment with that of other similarly sized parliamentary democracies yields a useful list of 15 sectors: Economic, Social, Environmental, Infrastructure, Agriculture, Foreign Affairs, Defence, Justice, Labour, Technology, Culture, Minority Support, Health, State, and Education. Regardless of national differences, these sectors represent a useful (but not definitive) outline of the natural groupings of the roles of the modern state.

The second tier involves the division of sectors into departments, often referred to as government ministries. New Zealand has 41 departments and departmental agencies.² In addition, there are 27 crown agencies (e.g., the New Zealand Transport Agency), and three non-public service departments (e.g., the New Zealand Defence Force).³ Departmental public servants issue policy advice, draft policy for government, and implement policy. Some departments cover a single policy sector (such as the Ministry of Education). Others are highly specific subsections of a policy sector (such as the Ministry

¹ Parliamentary Counsel Office, *Constitution Act 1986* (2024).

² Public Service Commission, *Central Government Organisations* (2023).

³ Ibid.

of Racing). Frequently departments overlap across sectors. Consider the Ministry for Pacific Peoples, for example. To be effective, it must work across the Health, Immigration, Minority, and Culture sectors. It is also important to note that departments are not immutable, their form and function are subject to the desire and ability of the Executive to modify them. Consequently, departments are frequently created or dissolved, and mergers occur, as do dissolutions.

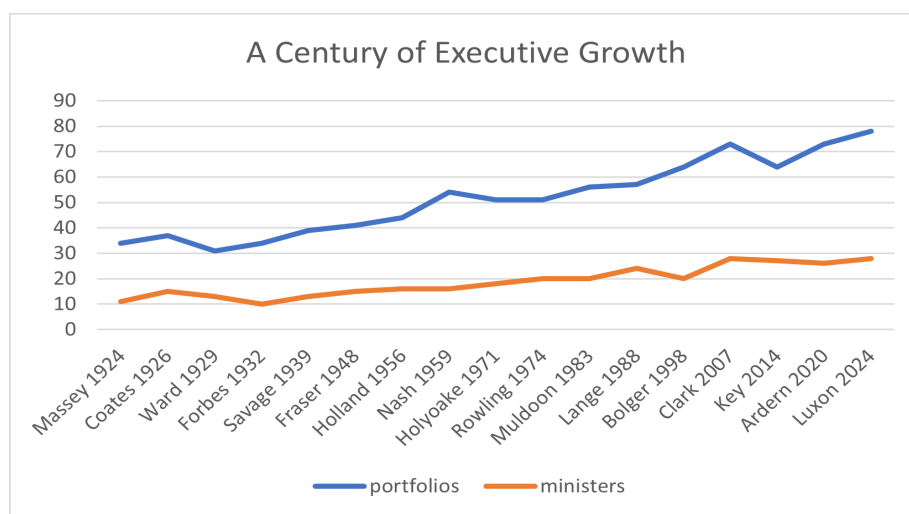
In the third tier, departments are answerable to the 74 ministerial portfolios (and four ministerial entities).⁴ There are a further 22 associate portfolios, which allow for delegation of sections of a portfolio.⁵ Unlike some other parliamentary democracies, New Zealand does not have a junior minister equivalent. Consequently, associate portfolios are only held alongside a 'full' portfolio role. The closest comparable entity to junior ministers are the 'parliamentary undersecretaries' of which there are only two in the current government. The size of Cabinet has historically not exceeded 20 ministers; however the continued addition of new ministers has resulted in a greater number of ministerial portfolios are being held outside Cabinet. This creates an element of division in this tier, as portfolios held outside Cabinet are cut off from a significant part of the flow of information that occurs within Cabinet. As with tier two, there is a high level of overlap between portfolios, and between policy sectors. For example, as part of their policy related work, the Minister of Customs must regularly collaborate with other ministers (and responsible departments), including Biosecurity, Defence, Foreign Affairs, Health, Trade and Police.

The ministers themselves occupy the fourth and highest tier. In the current government, there are 20 ministers in Cabinet and eight outside Cabinet.⁶ With 78 portfolios to split between them, ministers frequently find themselves with a grab-bag of seemingly unrelated portfolios. For instance, the Hon. Casey Costello holds the Customs and Seniors portfolios, as well as associate portfolios for Health, Immigration, and Police.⁷

The structure of sectors, departments, portfolios, and ministers shows significant overlap at all levels. Between all four tiers, and across the top three, a forest of interconnecting responsibilities tangles New Zealand's policymaking.

The size of the Executive - How did we get here?

Figure 1: A Century of Executive Growth



⁴ Department of Prime Minister and Cabinet, *Directory of Ministerial Portfolios* (2024).

⁵ Ibid.

⁶ Department of Prime Minister and Cabinet, *Ministerial List* (2023).

⁷ Ibid.

Figure 1 offers a snapshot of a century's worth steady Executive growth.⁸ The 11 Ministers and 34 portfolios of the 1924 Government have expanded to 28 Ministers and 78 portfolios today. While growth has, on average, been stable, there is a notable spike in ministers from Bolger in 1998 (comprising 16 ministers and a further four outside Cabinet) to the succeeding Clark Government of 20 Ministers, eight outside Cabinet, and an additional 9 portfolios.

How do we compare against our peers?

Figure 2: Comparing Executive Size Against Smaller Nations

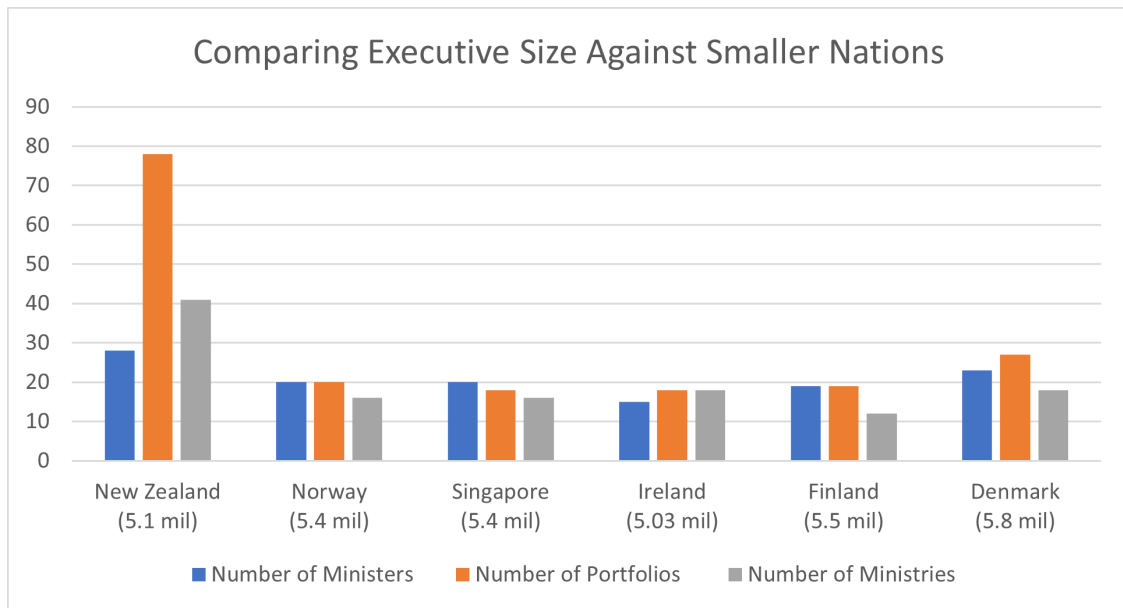
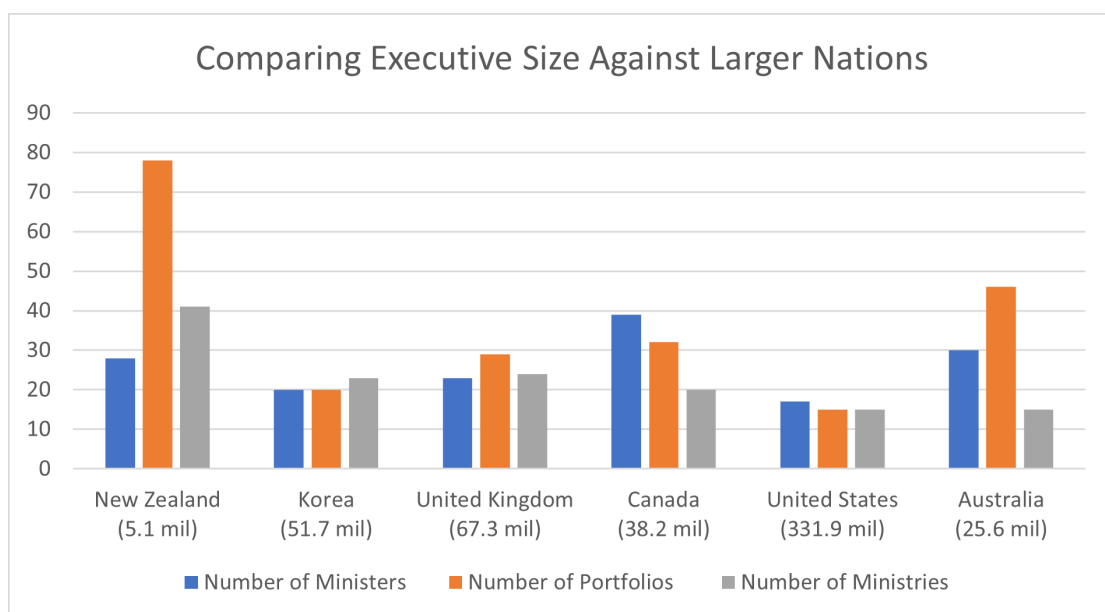


Figure 3: Comparing Executive Size Against Larger Nations



⁸ Data for this graph came from the New Zealand yearbook, parliamentary press releases, and the Cabinet website. The years selected are the middle years of each government to provide a representative snapshot of governmental mid-term policymaking objectives. The pre 1940s portfolios titled 'Minister in charge of ...' were counted as single portfolios.

It is evident from Figures 2 and 3 that New Zealand's Cabinet is oversized when compared against a broad selection of its peers.⁹ This is especially clear when New Zealand is compared with Norway, Singapore, Ireland, Finland and Denmark – countries with developed parliamentary democracies and similar populations.

However, even in comparison with Korea, the United Kingdom, Canada, the United States, and Australia, New Zealand stands head and shoulders above the rest. These nations were selected as much larger countries against which New Zealand frequently compares itself, in order to observe any effect of population on cabinet size. They are also, with the exception of the United States, parliamentary democracies. Whilst different systems (such as Australia and the United States' Federal governments) make clean comparisons difficult, it would be uncontroversial to state that these nation's central executives have at minimum a similar strain on them as that of New Zealand. Together, these comparisons reveal four crucial observations.

First, the majority of the smaller countries do not exceed 20 ministers; Denmark is the exception with 23. This means that New Zealand's 28 ministers is nearly 50% more than in Finland, Ireland, Singapore, or Norway.

“New Zealand's ratio of ministers to portfolios at 1:2.7 (1:3.6 including associate portfolios) clearly stands out from its peers.”

Second, New Zealand has an abnormal number of ministerial portfolios and an outsized number of departments. There is a notable correlation between the number of ministries and the number of ministers across the comparison countries, with the former rarely exceeding the latter. Likewise, the number of ministers and portfolios. Subsequently, ministers from these nations tend to have a single area of responsibility and sit at the head of a single ministry. New Zealand's ratio of ministers to portfolios at 1:2.7 (1:3.6 including associate portfolios) clearly stands out from its peers.

Third, the number of ministers appears relatively inelastic to increases in population. The number of Korean, British and American cabinet ministers remain near the 20-minister zone, despite having populations of 1000% to 6640% greater than the smaller nations. Only Canada exceeds this rule with 39 ministers. This would seem intuitive; small groups are better for making Executive decisions, regardless of population size.¹⁰ This leaves New Zealand's 28 ministers for a population of just five million even more of an outlier.

“New Zealand has 156% more departments than the average of the other small nations.”

Fourth, with a total of 41, New Zealand has 156% more departments than the average of the other small nations. This substantial difference indicates a distinctive approach by New Zealand to the management of its public service.

⁹ Data for these graphs came from the Cabinet website for each country. Full ministers outside Cabinet were included (For example, 'Ministers Outside Cabinet' in New Zealand, or 'Outer Ministers' in Australia). Junior/associate ministers and parliamentary undersecretaries were excluded, as were their portfolios. Deputy premierships were also excluded from the portfolio count.

¹⁰ Taaepera, Kaiser, & Cervas, *Population Dependence of Cabinet Sizes* (2018).

New Zealand appears to have an abnormally large Executive at all levels; from the number of ministers and the portfolios they hold, to the departments those portfolios manage.

To summarise this section's findings and those displayed in Appendix A, the following observations can be drawn:

1. New Zealand has a very large Executive in comparison to its international peers.
2. The parliamentary democracies of similar size to New Zealand have only 20 ministers, on average.
3. Most policy sectors are split across multiple ministries.
4. Most ministries are divided between multiple ministerial portfolios.
 - a. Some Related sectors are further fragmented due to the involvement of ministers from different coalition parties.
 - b. Whether ministers sit inside or outside Cabinet further disconnects some sectors
 - c. Ministers often hold several disparate portfolios.
5. There is significant overlap of responsibilities within the 74 ministerial portfolios.
6. Some department Chief Executives are accountable to a large number of ministers. For example, the Chief Executive of MBIE (Ministry of Business, Innovation and Employment) reports to 16 government ministers.
7. Some ministerial portfolios of very limited scope have been established; racing, for example.

Section 2: Potential Effects of Size on the Functioning of New Zealand's Executive

This section examines some factors that may have contributed to the size the New Zealand's Executive and the resulting impact of its size on the efficiency of the system. First, it applies literature review findings to analyse the New Zealand context and proposes potential reasons for the size of New Zealand's Executive. Second, it examines the potential downsides of size on policymaking and good governance.

Causes:

Having established that New Zealand possesses a comparatively large Cabinet, set of portfolios, and collection of government departments, the question arises: 'Why is New Zealand's Executive so large?' This note does not aim to provide a definitive response, as a comprehensive answer deserves a report of its own. Nevertheless, a tentative explanation of some of the factors responsible for the creation and maintenance of such an outsized Executive is offered by drawing on insights from the relevant academic literature.

New Zealand has always been a country of broad-church governments. The switch to MMP (Mixed-Member Proportional representation) and the need to form coalition governments has exacerbated this tendency, as it has elsewhere. Maintaining successful coordination and cohesion in a large disparate party or coalition requires the leader to cater to some demands of their political partners and reward them with 'bonus portfolios.'¹¹ From a public choice perspective, the aim of the majority group in government is to maintain as much policy power and discretion as possible while appeasing their less-powerful partners. Less-powerful partners tend to have narrow demands, or policy goals.¹² Thus, cohesion may be achieved by carving out a new and limited portfolio for the less-powerful group. In this way, the smaller party policy gains control over their specific area, while the more-powerful group maintains control of the wider portfolio. For example, by establishing a racing portfolio, a government may satisfy internal elements concerned with racing, while maintaining its hold on the wider 'Sports and Recreation' portfolio.

Portfolio creation may also serve as a signalling method. A new government is elected partly due to a strong approach on a particular policy issue. Creating a new, dedicated portfolio is a politically low-cost way to demonstrate their commitment to this policy issue. Consider, for example, the Key Government's creation of the social investment portfolio, or the Ardern Government's creation of the child poverty reduction portfolio, following campaign commitments to address these specific areas.¹³

Third, growth in the number of ministers could be the result of proportional representation demands by minor parties, as has been the case internationally.¹⁴ As smaller parties seek a fair and equitable distribution of ministerial positions relative to their electoral strength, the larger coalition or majority party may concede by creating new portfolios or ministerial positions to accommodate these demands. This practice not only addresses concerns of underrepresentation but also serves as a mechanism for maintaining political stability within a coalition government.

Fourth, the role of ministerial positions as rewards for political involvement also serves to increase their number. A strong political tool and incentive structure for loyalty and engagement is MPs' (Member of Parliament) aspirations to Cabinet positions.¹⁵ The allure of attaining such influential

¹¹ Robert Cooter, *The Strategic Constitution* (2002), p. 74; De Winter, *Parties and Government Formation, Portfolio Allocation, and Policy Definition* (2002), p. 190.

¹² Pederson, *What do Parties Want? Policy versus Office* (2012).

¹³ Labour, *Taking Action in our first 100 days* (2017).

¹⁴ De Winter, *Parties and Government Formation, Portfolio Allocation, and Policy Definition* (2002), p. 189.

¹⁵ Crowe, *The Web of Authority: Party Loyalty and Social Control in the British House of Commons* (1986), p. 162.

roles motivates party members to actively participate in party affairs, contribute to electoral campaigns, and work towards enhancing the party's standing.¹⁶ This strategy fosters internal stability and unity, mitigates factionalism, and strategically builds a talent pool from within the party. By communicating the accessibility of ministerial positions, parties contribute to long-term party building, attracting ambitious individuals who see political involvement as a career path with upward mobility. However, such a strategy incentivises the creation of more ministerial positions and portfolios. The more positions there are, the easier the strategy is to maintain, and the easier it is for an individual MP to believe that a ministerial position is within reach.

These four plausible and diverse mechanisms of Executive expansion are largely political and (typically) have little to do with efficient bureaucracy. For instance, the creation of new parts of the Executive might be less concerning if they were coupled with reductions elsewhere. Instead, bureaucratic inertia, coupled with a ratchet effect, is evident in creating a situation where the addition of new positions becomes substantially easier than their removal.¹⁷ Consider the following quote from the 2023 briefing to the incoming Minister of Tourism and Hospitality:

“MBIE services the Tourism and Hospitality portfolio. However, most of the issues and opportunities that face the two sectors are the responsibility of other portfolios.”¹⁸

The portfolio appears by the ministry's own admission to be toothless, and yet it remains. In fact, the whole portfolio, as presented in its BIM, appears to be an ad-hoc accumulation of various initiatives and budget allocations. It does not appear to be unique among the portfolios in this regard.

The reasons for the perpetuation of such a cluttered and inefficient system becomes intelligible when we consider the self-entrenching nature of bureaucratic structures.¹⁹ Once established, bureaucratic structures (such as departments and portfolios) tend to resist disestablishment. Established routines, vested interests, and the challenges associated with organisational change stymie reform. A ratchet effect likely amplifies this resistance, making it harder to roll back growth.²⁰ Over time, these new positions and departments become valuable political tools for government leadership, particularly during electoral cycles. Furthermore, New Zealand's continuous ministerial growth is facilitated by the lack of legislative checks on Executive size, the number of departments, and the number of portfolios. Consequently, New Zealand's Executive has evolved from a manageable garden into a tangled forest of portfolios, ministers, and departments.

¹⁶ Martin, *Office and Votes: The Electoral Value of Ministerial Office* (2016), p. 284, 292.

¹⁷ Krause, *A leaner, meaner guardian? A qualitative comparative analysis of Executive control over public spending* (2009).

¹⁸ MBIE, *Briefing for the incoming Minister for Tourism and Hospitality* (2023), p. 4.

¹⁹ El-Taliawi, *Resistance to Organizational Change* (2018).

²⁰ Higgs, *Crisis and Leviathan* (1987).

Section 3: Inefficiencies in large Executives

Having explored the ‘what’ and ‘how’ issues of New Zealand’s Executive size, we turn now to consider its effects. Specifically, we will consider resulting inefficiencies and the various forms these may take. These being features of the current structure of the Executive that prevent it from delivering policy at the optimal speed and to the optimal effect.

As with the rest of this note, this section is not intended to be comprehensive or final, largely due to the paucity of academic research on Cabinet structures and the virtually non-existent literature specific to New Zealand’s Executive. Notwithstanding these challenges, we see this research note as an opportunity to lay the foundations for further scholarship. We approach potential inefficiencies from three different angles, through the lenses of portfolios, ministers, and departments.

Portfolios:

Ministers are accountable for implementing government policy across their areas of responsibility, as signalled by their portfolios. ‘Portfolio stretch’ – when a minister is tasked with overseeing multiple portfolios – may impact negatively on ministers’ efficiency and effectiveness, especially when these portfolios are disparate and require focused attention. For instance, when a minister is responsible for multiple portfolios (especially if they are disparate and each requires focused attention) it can be challenging to fully understand the intricacies of each policy area.²¹ Furthermore, establishing productive working relationships with ministry staff and stakeholders in all portfolios (and associate responsibilities) could prove a formidable task.

“The average National party Cabinet minister has 3.4 portfolios and one associate role.”

One way to crystallise this intuition is to recognise that a minister’s time is a finite resource. A variety of factors will affect this resource. These will include the number of portfolios a minister holds (and the demands of each), the degree of disparity between portfolio content, and any prior expertise the minister has in their portfolio areas. The overload on each of these factors under the current system appears to inevitably result in ministers that are stretched too thin provide their portfolios with the attention each requires. For instance, the average National party Cabinet minister has 3.4 portfolios and one associate role. The result of portfolio stretch is not only a potential compromise in the quality of policy outcomes but also a strain on the overall effectiveness of the Executive’s governance abilities.

A potential second-order effect of portfolio stretch is a shift in what makes a ‘good minister’. In a streamlined system, a minister has remit over a single, clearly defined, policy area. In these systems, the incentives dictating minister selection favour technocratic policy expertise, due to clearer accountability chains and need for limited expertise. This is not to argue that such systems select only for technocrats, but rather that they are *more likely* to favour ministers with technocratic skills. In non-streamlined systems, such as New Zealand, the ministerial selection incentives favour generalists since such figures excel in managing and stabilising multiple departments and portfolios. Ministers adept at overseeing various portfolios step into leadership roles smoothly, offering assurance of a base level of continuity and stability in government functions.²² The ability of a generalist minister to maintain stability is especially useful when faced with sudden disruptions. However, when it comes to spearheading policy reform, the generalist is likely to lack the deep

²¹ Laughrin, *Swimming for Their Lives—Waving or Drowning? A Review of the Evidence of Ministerial Overload and of Potential Remedies for It* (2009).

²² Jann & Wegrich, *Generalists and specialists in executive politics: Why ambitious meta-policies so often fail* (2019).

knowledge necessary to create successful programmes.²³ Non-streamlined systems are hence inherently exposed to inefficiency risks.

A further problem with portfolio stretch is the inevitable lack of specialised expertise across every policy area held by a 'stretched minister'. This knowledge gap means ministers are likely to be more dependent on advice from government officials to navigate governance and policy issues. While seeking guidance is a prudent approach, an excessive dependence on officials can pose challenges for effective governance. Stretched ministers may not have the expertise to evaluate critically the advice they receive, which, potentially, could lead to uninformed decision-making. Moreover, an overreliance on officials may contribute to a power imbalance; one where unelected public servants wield significant influence over policy direction.²⁴ Through no fault of the public servants, this imbalance can hinder the principle that elected representatives have ultimate authority in decision-making processes. Overall, it would appear that portfolio stretch be responsible for some of the inefficiencies within New Zealand's government.

Ministers:

The number of ministers within the Executive may give rise to various policymaking issues. First, consider the role of the Prime Minister in steering Cabinet. Maintaining good working relationships with ministers is central to the position, and crucial to the Prime Minister's ability to direct the overall direction of government.²⁵ With only a finite amount of time at their disposal, the Prime Minister, cannot effectively maintain oversight of all the 28 ministers' programmes. Furthermore, as Cabinet acts as the default coordinating body of the Executive, that nearly a third of the Executive sits outside Cabinet adds organisational stress and further hampers oversight issues.²⁶ Consider that significant current portfolios held by ministers outside Cabinet include Environment, Tertiary Education, and Climate Change.²⁷ Coordination and oversight issues are compounded when the ministers are themselves stretched, as previously explored.²⁸

These challenges of coordination between Cabinet and outside Cabinet ministers are highlighted in the following example. The Hon. Chris Bishop is currently the minister for three building related portfolios: Housing, Infrastructure, and RMA (Resource Management Act) Reform (as well as the Sport and Recreation portfolio).²⁹ However, the Hon. Chris Penk holds the Building and Construction portfolio and sits outside Cabinet. Similarly, the Hon. Judith Collins holds several national security portfolios, including the Defence portfolio (alongside Space, Digitising Government, Science, Innovation and Technology, and Attorney General),³⁰ but also lacks a highly related portfolio, Veterans. Again, this portfolio is held outside Cabinet by the Hon. Chris Penk (Penk also has the Land Information and Associate Immigration portfolios).³¹ Coordinating either of these ministers with their outside-of-Cabinet colleague is likely to be challenging, especially if they also happen to share separate visions for policy outcomes. Without clear coordination guidelines for such an expanded Executive, especially establishing lines of communication between ministers inside and outside

²³ Ibid.

²⁴ Bale & Dale, *Public Sector Reform in New Zealand and Its Relevance to Developing Countries* (1998), p. 104; Savoie, *First Ministers, Cabinet and the Public service* (2010), pp. 179-181.

²⁵ Palmer, *The Cabinet, the Prime Minister and the Constitution: The Constitutional Background to Cabinet* (2006).

²⁶ Public Service Commission, *How the Public Sector is Organised* (2024).

²⁷ Department of Prime Minister and Cabinet, *Ministerial List* (2024).

²⁸ Note: This problem may be somewhat ameliorated by cabinet committees, which allow multiple ministers to convene on distinct issues, but these bodies are likely to be susceptible to the same problems cabinet itself faces as cabinet grows and portfolios continue to splinter.

²⁹ Department of Prime Minister and Cabinet, *Ministerial List*, (2024).

³⁰ Ibid.

³¹ Ibid.

Cabinet, the government runs the risk of considerable ‘policy drift’ (the unintended change or shift in the effects of public policies over time).

Second, as the number of ministers increases, the Executive becomes more vulnerable to factionalism. A larger number of ministers often reflects a broader diversity of policy preferences among its members.³² More policy preferences mean a more diverse range of perceived directions that government should move in within the executive, and the greater the likelihood that groups will coalesce around these differences and cause coordination issues for the government.

Third, looking at ministerial effect, several studies have shown that having more finance ministers, and larger Cabinets in general, correlate with larger budgets.³³ Currently, New Zealand has two full financial portfolios (Revenue and Finance), with three associate finance portfolios.³⁴ When there are more ministers, governments tend to spend more, run larger deficits, generate higher revenues, increase transfers, spend more on government wages, and rely more on labour taxes. This is best explained by the notion that ministers benefit from spending in their area, either because of their policy preferences or to demonstrate their competence. However, the overall political costs are shared collectively by the entire Cabinet, through the doctrine of collective cabinet responsibility.³⁵ Subsequently, when Cabinet expands, the burden on each minister decreases as more people share responsibility for spending or deficits.

The potential inefficiencies underlying these observations become clear when we consider this as a manifestation of the fiscal commons problem. Such problems are defined as competitions between a group (ministers) for a shared and limited financial resource (budget expenditure).³⁶ As established, Cabinet shares responsibility for decisions it makes under the doctrine of collective cabinet responsibility. The more Cabinet ministers there are, the more likely it is that each will compete for larger sections of the budget, as they each bear less responsibility individually ($1/n$ where n is the number of ministers and 1 the cost of decisions made). This is likely to be compounded where there are multiple overlapping ministerial responsibilities for the spending area.

“In the current government, 41% of the coalition’s parliamentarians are in the Executive.”

Third, an increase in the number of ministers causes candidate selection to become more difficult. Due to the restriction in New Zealand that Cabinet ministers must be members of the legislative house, the pool of potential Cabinet candidates is limited.³⁷ The more ministers a government has, the lower the standard must become for acceptance into Cabinet. Consider that if the government has the minimum 61 MPs required to govern in Parliament, nearly half of these would be ministers (in the current government, 41% of the coalition’s parliamentarians are in the Executive). As ministers and their portfolios are crucial to the policymaking process, it would stand to reason that choosing more of them from a limited pool would increase the likelihood of poor policy outcomes. A position in Cabinet is not merely a political achievement or reward. It places the minister at the head of several functions of government. This would appear to have significant explanatory power for the

³² Madison, *Federalist Papers: No. 10* (1787).

³³ Wehner, *Cabinet structure and fiscal policy outcomes* (2010); Volkerink & De Haan, *Fragmented government effects on fiscal policy: New evidence* (2001); Perotti & Kontopoulos, *Fragmented fiscal policy* (2002); Woo, *Economic, political and institutional determinants of public deficits* (2003); Ricciuti, *Political fragmentation and fiscal outcomes* (2004).

³⁴ Department of Prime Minister and Cabinet, *Ministerial List*, (2024).

³⁵ White, *Deconstructing Cabinet Collective Responsibility* (2005).

³⁶ Wagner, *Rationality, political economy, and fiscal responsibility: wrestling with tragedy on the fiscal commons* (2012).

³⁷ Parliamentary Counsel Office, *Constitution Act 1986* (2024).

performance of the recent Labour Government, whose inability to enact policy must be partially attributable to the quality of its ministers.³⁸

Fourth, the high number of ministers selected from a limited pool exposes the Executive to a dilution of the overall efficacy of ministers as a group. When there is a small group from which to select team members, it becomes difficult to ensure that all team members are ‘good’; that is, they are best suited to maximally achieving the group’s goal. This is particularly true when there are other factors to consider when selecting members, apart from their potential to contribute to group output. As will be apparent to anyone who has ever worked on a collaborative enterprise, the inclusion of ‘bad’ teammates creates negative efficiency, coordination, and resource allocation effects for the rest of the group. In other words, the introduction of mediocrity can dilute the overall quality or effectiveness of a group, leading to suboptimal results. This seems particularly relevant in contexts where excellence or high performance is crucial, and the inclusion of less capable individuals diminishes the overall quality of the collective effort.

Cabinet is one such group. It seems improbable that every parliamentarian is well-suited to be a minister, and likely that many are not. Yet, as appointments are often based on political considerations rather than merit or expertise, it seems likely ‘bad’ teammates will be introduced. The Cabinet may end up with a mixture of highly competent and less competent individuals, creating a challenging dynamic. The less competent individuals are more likely to be susceptible to issues already identified, such as portfolio stretch. However, they are also more likely to create inefficiencies where they hold overlapping or interconnected portfolios with other ministers, generating bottlenecks or interdependence issues. It seems reasonable to posit that the consequences of dilution may ripple through various government initiatives, leading to an overall diminishing in effectiveness of the government’s actions, both in relation to policy outcomes and internal cooperation.

Departments:

The size of the Executive might also be expected to generate inefficiencies in the departments it controls; for instance, ministers who hold overlapping portfolios.³⁹ Consider that MBIE (the result of a merger of the Department of Building and Housing, the Department of Labour, the Ministry of Economic Development, and the Ministry of Science and Innovation) answers to 14 ministers and two parliamentary undersecretaries.⁴⁰ The involvement of multiple ministers would appear to increase the likelihood of competing priorities and potential conflicts, making it harder to implement cohesive policies. The complexity of coordinating so many ministers increases the risk of duplicating efforts and a lack of unified direction.

The oversight of the mega-department, MBIE, by 16 ministers also raises the potential concern of granting excessive leeway to public servants. When too many ministers are involved, the risk of a breakdown of the department’s ministerial ownership increases, potentially allowing public servants to interpret and execute policies more flexibly.⁴¹ This situation may lead the implementation of initiatives that lack clarity and consistency as public servants navigate multiple and possibly conflicting instructions. Striking a balance between ministerial direction and maintaining a structured, coordinated framework for public service actions becomes crucial to mitigate the risk of undue leeway and ensure effective execution of government policies.

³⁸ Chang, *Labour pains - how much will they hurt Chris Hipkins?* (2023); Greaves, *Ardern’s global image is misaligned with domestic realities* (2022).

³⁹ Andeweg, *Ministers as double agents? The delegation process between cabinet and ministers* (2000), p. 386.

⁴⁰ Ministry of Business, Innovation & Employment, *Our Ministers* (2023).

⁴¹ Cooter, *The Strategic Constitution* (2002), p. 159; Schick, *The Spirit of Reform* (1997), p. 42.

The number of departments may itself generate inefficiencies. There is a direct relationship between the number of government departments in New Zealand and their size.⁴² Having more departments results in having smaller departments, the maintenance of which may lead to diseconomies of scale.⁴³ Beyond the challenges of accountability and reporting, each department is required to dedicate staff resources to internal administration, including managing its budget and handling personnel issues. Regardless of size, every department is headed by a chief executive, engages in negotiating and implementing annual performance and purchase agreements, conducts monthly financial operations reporting, quarterly purchase agreement assessments, and biannual chief executive performance reviews. Additionally, it produces both a departmental forecast report and an annual report. Each department must manage the influx of paperwork from the Cabinet, meet the informational needs of central agencies and parliamentary committees, and maintain interactions with external clients and stakeholders. Departments compete for ministerial attention, a challenge exacerbated for those under a minister overseeing multiple departments, as is often the case with the smaller entities. Regardless of the reasons for their establishment, collectively, small departments incur significant operational costs for the government, constituting a considerable portion of the operating budgets. A reduction in the number of departments could realise efficiencies in this regard.

Summarising this section, the demands upon ministers from their varied portfolios are frequently too great, systemic incentives select for generalist ministers, the number of ministers affects coordination and presents fiscal issues, the pool of potential ministers is very small, the size of departments presents oversight issues when too large and resource issues when too small. These numerous issues collectively demonstrate prolific inefficiencies in the Executive. They are structural defects that prevent the Executive from delivering policy at the optimal speed and with the optimal effect.

⁴² Schick, *The Spirit of Reform* (1997), p. 28.

⁴³ Schick, *The Spirit of Reform* (1997), p. 29.

Conclusion

The research within is (to the best of the author's knowledge) original, novel and should be of interest to any invested in New Zealand's political system; however, it does not pretend to be exhaustive or conclusive. Instead, due to the paucity of research on the effects of Executive size, both in New Zealand and internationally, it aims to serve as a starting point for further research and debate.

This note reaffirms the metaphor that government is the 'Ship of State'. As with any ship, government accumulates all sorts of detritus. One or two barnacles are no cause for concern, but *en masse*, they must be scraped off, lest they render the ship unwieldy and unresponsive. This note makes the case that our government may stand in need of such a cleansing, as the crust of the Executive's inefficiencies grows ever thicker.

Section 1 provided the note's foundation, outlining the shape and role of the Executive. Section 2 elaborated on potential causes for this growth, importantly finding that political realities provide strong incentives for the Executive's current size and a natural deterrent to reform. Section 3 analysed the effects of size. In it, the case was made the size may create numerous inefficiencies, arising from issues of workload strain, selection constraints, group coordination, group accountability, ministerial oversight, and resource management.

While the knowledge of the extent of these negative effects is contingent on further research, we all ought to be deeply concerned by their implications. If New Zealand's policymaking processes and outcomes are suffering, action must be taken. Interventions must be considered and formulated, of which the principles appended to this piece form a starting position.

Principles

Following the observations and concerns expressed within this research note, the New Zealand Initiative suggests adoption of the following principles.

Inquiry:

- It is concerning that there is so little research on how the growing size of the Executive is affecting New Zealand's policy outcomes. Due to the central role that the Executive plays in New Zealand's policymaking ecosystem, **it is important that we carry out further research** to understand whether its efficacy is (or is not) being constrained by its size.

Streamlining:

- Policy outcomes are not improved by needless complexity. Significant efficiency gains can likely be realised through a simple reorganisation of the current system. **Portfolios should be bundled together under one minister representing one sector.** Departments should be given a similar treatment.⁴⁴

Communication:

- The current system's lack of effective communication amplifies negative coordination outcomes. We recommend **exploring and/or mandating the formation of external groups to coordinate ministers belonging to the same policy sectors.** We also suggest a similar approach for ministers and their associates to coordinate the government's wider efforts in the sector.

Merit:

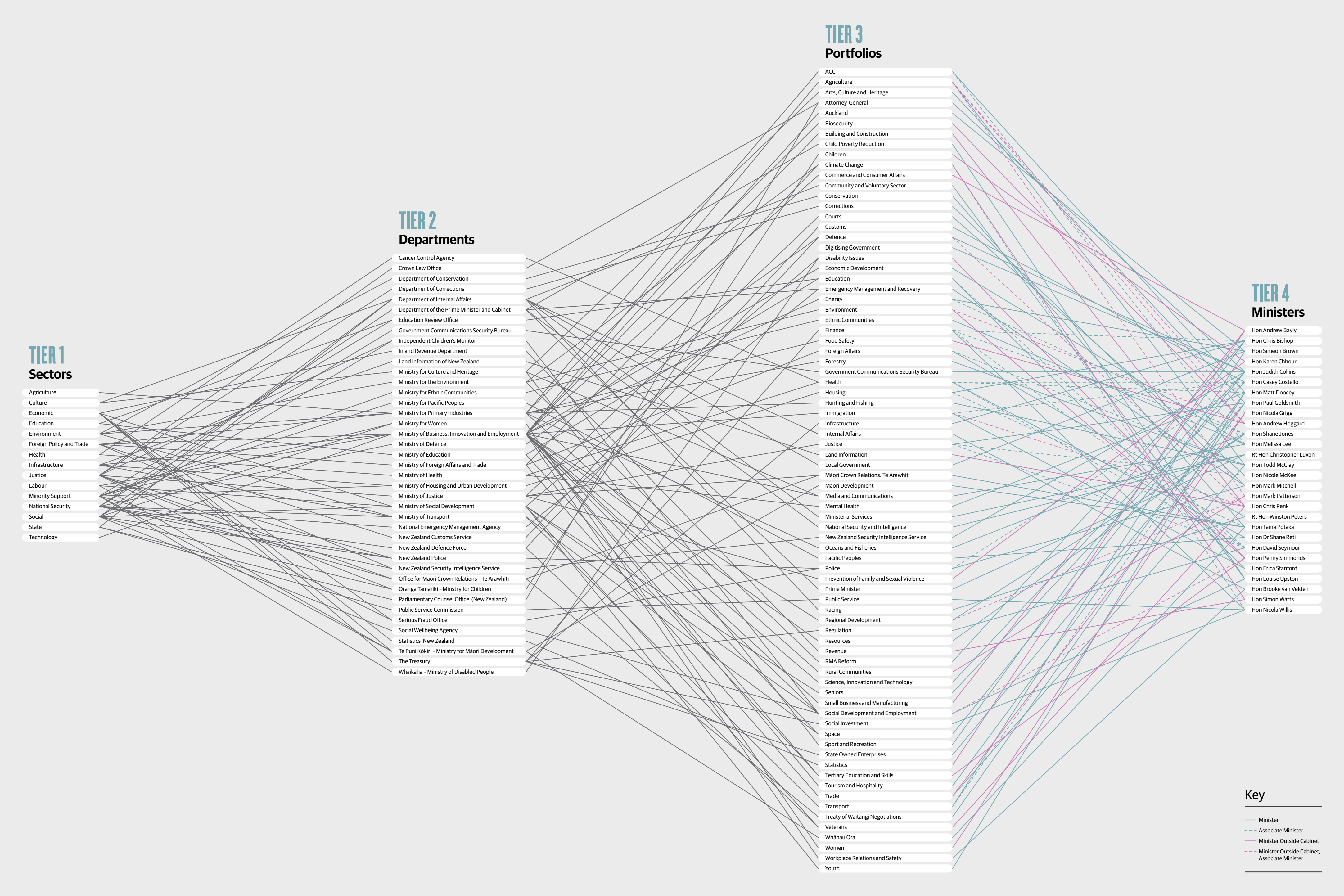
- Restricting the pool of potential ministers does not achieve the best policy outcomes for New Zealand. We suggest **introducing a limited number of cabinet ministers 'outside Parliament'**. These individuals would not be required to be members of the legislature. This could provide the Prime Minister and the Executive with expertise and specialised knowledge in key areas of governance and policy without the constraints of the regular political process, potentially allowing for more informed and technocratic decision-making in the public interest.

⁴⁴ Note: Refer to appendix A for a visualised model of the current New Zealand system.

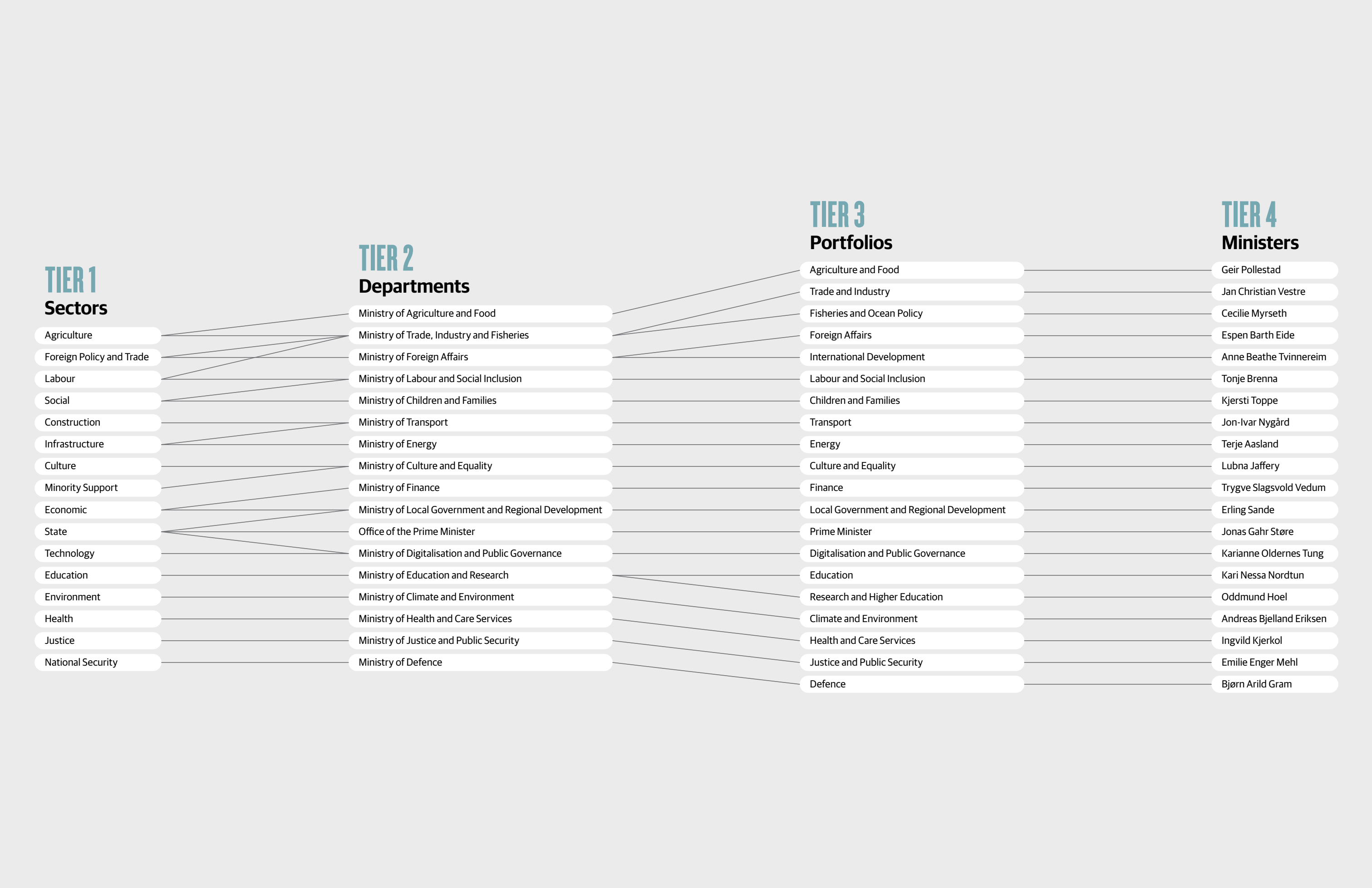
Appendix A

Data for this infographic came from the “Central Government Organisations” section of the Public Service Commission’s website, as well as the “Ministerial List” and “Directory of Ministerial Portfolios” sections of the Department of Prime Minister and Cabinet’s website.

Public Policy Responsibility Flowchart - New Zealand



Public Policy Responsibility Flowchart – Norway



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