Scandal over redundancy payouts hits New Zealand government

A correspondent
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A widening scandal involving exorbitant payouts to public sector managers and chief executives is embroiling the New Zealand National Party government in a politically damaging furore, just months out from the national elections due in November.

Prime Minister Jenny Shipley, once presented as a formidable leader in the mould of Margaret Thatcher, has been the subject of adverse editorial comment. The *Sunday Times*, noting Shipley's “extraordinary tendency to lose the plot under pressure”, went on to conclude that she “is becoming a liability to her party”. Wellington's *Evening Post* gave her a “B-minus for crisis management”.

It is significant that the same media which for the last decade or so has been pressing governments to implement widespread restructuring of the public sector is now highlighting the size of the severance payments made to the government-appointed managers responsible for carrying out the job-shedding and for putting services on a “user-pays” basis.

The scandal indicates that sections of big business may be preparing to dump Shipley in favour of newly-promoted Finance Minister Bill English, or abandon the National Party altogether and move their support in behind the opposition Labour Party at the election. Employers' spokesmen are openly expressing concern that “political instability” surrounding the minority National Party is hurting business confidence.

A fortnight ago, Shipley attempted to hit back at her critics by claiming that huge payouts were a normal practice citing a case in which Television New Zealand itself had paid $NZ1 million to a former front-line newsreader. As it turned out Shipley had simply invented the figure and as a result faced a complaint lodged by the Labour Party for misleading parliament.

The media had previously seized on revelations by the opposition Alliance party that Douglas Blackmur, chief executive of the NZ Qualifications Authority had received a six-figure payout when he resigned at the end of May. As a result, the Minister for Tertiary Education, Max Bradford, has now been forced to order an inquiry into the affair.

Blackmur, an Australian “academic manager” was appointed to head the NZQA in 1997. He holds a PhD in industrial relations and previously filled senior management positions at Canberra Institute of Technology and Queensland University of Technology. At the time of his resignation, he had served less than half of his five-year contract.

The precise details of Blackmur's payout remain secret because of a clause in his contract ensuring confidentiality. However, further revelations have exposed the lavish lifestyle he enjoyed as an international management expert. These included:

* At least $20,400 in credit card and entertainment expenses, spent hosting international visitors, catering for meetings with other senior managers, business meals and running meetings.

* Seventeen overseas trips at a cost of over $52,000. Blackmur insisted on flying business class wherever he went. One trip alone, involving a visit to Washington DC to attend a meeting at the World Bank, cost nearly $7,000. Seven of the overseas trips included visits to Brisbane, his home town. Blackmur claims to have now reimbursed NZQA for some of these visits.

* A salary package of between $200,000 and $210,000. His predecessor's salary had been about $140,000.

Blackmur's “golden handshake” clause had been negotiated on his appointment, as a safeguard against “significant changes” in his job description that might affect the nature of his work. All his other expenditure had been approved, according to Blackmur, by the NZQA board, whose chairman has resigned over the scandal.

At the same time, allegations surfaced in parliament that three other senior managers in NZQA had received six-figure “golden handshakes” as well, while another had run up a travel bill of between $100,000 and $200,000 flying between his home in Christchurch and the NZQA head office in Wellington.

The Blackmur scandal is just the latest in a series of cases involving large severance payments and potentially damaging conflicts between the Shipley government and various government agencies. The most significant of these have been:

* Payments to Tourism Board members Bryan Mogridge and Michael Wall totaling $340,000. The payments, subsequently described as unlawful by the Auditor General, followed a falling out between members of the Tourism Board, originally government appointees, and Tourism Minister Murray McCully over the implementation of tourism advertising contracts. Mogridge and Wall finally did a deal with the government to repay the $340,000 but in return received a substantial reimbursement of their “expenses”. In addition, there has been a $580,000 severance payment to the former Tourism Board chief executive, Paul Winter.

* Payouts to the chairman of the Fire Services Commission Roger Estall of $68,000 and to chief executive Jean Martin of between $30,000 and $40,000. Estall resigned last month in the face of hostile public sentiment and increasing government unpopularity surrounding his attempts to restructure the fire service. The government has now replaced him with Social Welfare head Margaret Bazley in order to drive through its program of sackings and cost-cutting. Bazley's first act in charge of the Commission was to fire Martin, who had earlier negotiated a “soft” settlement with the Professional Firefighters' Union, which had failed to meet the government's full demands.

The substantial payouts are simply a consequence of the corporatisation or privatisation of government services both under Labour governments in the 1980s and then under the National Party. Most public services are now delivered through semi-autonomous so-called “Crown Entities” which employ 80-85 percent of state employees and are run along commercial lines.

According to a report in the “Sunday Times” newspaper, these organisations control some $9 billion worth of state funding and oversee $17 billion in assets. They include hospitals, school boards, accident compensation, state housing, airport companies, scientific research, the fire service, health funding, the Earthquake Commission and the national museum.

Successive governments have given to state sector managers the “freedom to manage” while being required to report only to their governing boards. Without exception, their brief has been to reduce “inefficiencies” by slashing staff, reducing wages and cutting back services. At the same time, the so-called independence of such bodies has enabled the government to deny immediate responsibility for the social and human costs of its restructuring programs.

The employment and severance packages paid to top managers are in stark contrast to the treatment meted out to workers in these organisations and the experiences of ordinary people who have to deal with them. The Qualifications Authority, for instance, is responsible for all national educational qualifications, and administers national examinations for secondary schools. The government only funds half the operating costs, with the remainder of its $40 million annual budget coming directly from fees charged to students.

Working class families often struggle to pay the examination and qualifications fees charged by NZQA. Over the final three years of secondary schooling, entrance and administration fees for public examinations exceed over $100 per student per year. There is a limited provision for families to apply for a reduction of fees on the grounds of economic hardship.

NZQA has also established new vocational qualifications structure under which it proposed to charge a $30 fee just to register a student's name, then $10 for every unit to be credited. Over a course of study, these accumulated fees meant payments of hundreds of dollars for any given trade qualification. Widespread opposition forced the authority to reduce the scale of fees but the system remains in force.

With the opinion polls showing support for the Labour and National parties and their potential allies close, the scandals have the potential to damage the government's chances of being re-elected. Throughout the course of the affair, the Labour and Alliance parties have had nothing to say about the impact of privatisation and cutbacks to social services on working people. Rather they have focussed on challenging the suitability of Shipley as a leader and presenting themselves as a “responsible” alternative government.