



<b>Report Title:</b>	<b>Hybrid working in the New Zealand Public Service</b>		
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<b>Date:</b>	21 August 2024		
<b>To:</b>	<b>Hon Nicola Willis, Minister for the Public Service</b>		
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<b>Encl:</b>	No	<b>Priority:</b>	Medium
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### **Executive Summary**

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1. Hybrid working is an organisational approach to managing remote work, where staff who can and want to, work some of their time in the office and some of their time at home.
2. The Public Service Commission developed comprehensive Hybrid Working Guidance in 2022 based on the latest international research. The guidance was designed as a move beyond the ad hoc and reactive approaches to hybrid working during the COVID response and towards a more consistent practice that enabled public servants to continue to deliver for New Zealanders.
3. Chief executives are required to consider the impacts of hybrid working in their own context, as the public service is diverse in terms of the size, function and location of agencies. These differences drive different operating models and require agencies to think about how to operate hybrid working in their own context while maintaining productivity and service delivery.
4. There are benefits to hybrid working and the current “principle-based” approach. However, this briefing sets out some alternative options which Ministers could consider alongside the expectations of the new Government Workforce Policy Statement.

### **Purpose of Report**

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5. This report responds to your request for further advice on the current approach to hybrid working in the Public Service.
6. This report provides you with information on:
  - a. our current context
  - b. our current approach to hybrid working
  - c. advantages of the current model
  - d. possible alternatives.

## **Our Current Context**

7. The New Zealand Public Service is diverse in terms of the size, function, and location of agencies. The image of the Wellington-based public servant working in a CBD office is not our current reality. Currently, we know that:
  - a. around 45 percent of core Public Service staff are based in the Wellington region
  - b. 20 percent are in Auckland
  - c. nine percent are in Canterbury
  - d. seven percent are in the Waikato
  - e. the balance of public service staff are located across other regions in New Zealand
  - f. 41 percent of public servants are in customer-facing roles (and therefore cannot work remotely)
  - g. 58 percent of public servants work from home at least some of the time. This will be a mix of formal and informal arrangements (source: 2021 Te Taunaki Public Service Census).
8. New Zealand's hybrid working context is different to other countries because of how we managed through, and transitioned out of, COVID arrangements. In New Zealand, employees returned to the office earlier than other countries, particularly in the Public Service. As a result, we have not had to adopt approaches similar to those adopted in New South Wales and Canada where employees have been directed to work in the office at least three days a week. The earlier return to the office in New Zealand was a driver for developing the 2022 Hybrid Working Guidelines and now sets the context in which our public service workforce operates.
9. However, while the COVID-19 pandemic saw a rise in hybrid working, flexible working is not new in New Zealand. Since 2008, employees have been able to formally request flexible working arrangements under the Employment Relations Act, and an employer can refuse the request only on specific grounds. If agreed, formal requests for flexible working under the Employment Relations Act typically lead to a contractual entitlement. Our experience is that most (but not all) flexible working arrangements across the Public Service are informal (non-binding) agreements between employer and employee.

## **Our current approach for Hybrid Working**

10. Our current Hybrid Working Guidelines are based on international research. The Guidelines stress that hybrid working is not available or suitable for everyone and the suitability of the work is the central determinant for whether or not hybrid working is acceptable. Agencies, when considering their hybrid approach, need to take an organisation-wide approach and work through comprehensive principles. Any arrangements must work for the agency, team and individual because the Public Service must continue delivering high-quality services to New Zealand.
11. Our guidance and "principle-based" approach has received interest from other international jurisdictions, most notably Singapore. A recent delegation to New Zealand from Singapore specifically asked to discuss our Guidelines and were very supportive of our approach.
12. Key aspects of our approach include:

- a. **No policy requirement** - Agencies are not required to develop a hybrid working policy. However, if they are looking to adopt hybrid working they are encouraged to use the published guidance to inform their approaches.
- b. **Hybrid work is not an entitlement** – it is an agreement between the staff member and their employer and must align with delivery outcomes for the organisation, the team, and the individual.
- c. **Hybrid working is not available to everyone** - Not all work is suitable to be undertaken in a hybrid way. Some work clearly requires physical presence in a specific place. For work that isn't constrained in that way, the question that agencies need to consider is how much of that work requires in-person interaction with others (both inside and outside the team and organisation). Ultimately, some work is better done face to face and the guidance gives extensive advice about this
- d. **Agency monitoring** - The Commission does not monitor use of hybrid working. We expect chief executives to monitor productivity and their organisational performance against the indicators they already have in place. The recently published Government Workforce Policy Statement (GWPS) sets an expectation that chief executives have a responsibility to demonstrate how they are managing performance, enabling agencies to concentrate on and report the measures they are taking to enhance individual and agency performance, regardless of work location.

### **Advantages of Hybrid Working**

13. There are a number of benefits of hybrid working.

#### ***A. Individual Productivity***

14. The research is clear that the key to ensuring individual productivity in a hybrid working environment rests with successful and effective leadership and agency performance management practices. Delivery expectations need to be clear, measurable and well communicated irrespective of work location.
15. A 2024 University of Sydney study monitored the changing incidence of working from home and its relationship to productivity. This study followed on from their earlier research into the impacts of working from home since the beginning of the COVID pandemic. The study found that both employees and employers reported that working from home had improved productivity rather than made it worse. One in five workers reported working from home made them 'a lot more productive', with only one in 30 saying it had made them 'a lot less productive'. And, when employers were asked the same question about whether their workers who were working from home were more or less productive, the answers were about the same. Interestingly, this study's findings accord with international evidence.

#### ***B. Workplace Savings***

16. Many agencies are considering reducing their building footprint, in order to reduce their spend on property, which helps them meet their savings targets under the Fiscal Sustainability Programme. The savings returned to the centre are likely to be substantial.
17. In Wellington, there is currently an approximate average of 15m<sup>2</sup> of space per public service employee. This is a reduction from 17m<sup>2</sup> sqm five years ago. Hybrid working over the past

few years has helped achieve that reduction. Reducing by 1m<sup>2</sup> per person across the whole Wellington portfolio is equivalent to a saving of \$15 million per year. Most agencies are working with the Government Property Group as part of the Wellington consolidation project to make reductions, and hybrid working can enable this.

### **C. Flexibility and Inclusion**

18. The research shows that hybrid working offers potential benefits for inclusion and increased talent management. Workers are placing an increasingly high value on flexibility - Te Taunaki shows that 73 percent of participants would like additional flexible arrangement.
19. Hybrid and flexible working offers:
  - **Increased feelings of inclusion** – Through the Te Taunaki survey, we found that those who have flexible working arrangements reported higher feelings of inclusion than those who don't, while those hoping for more/some flexible working arrangements reported lower inclusion
  - **Greater opportunities for disabled people** - by removing barriers to work and enabling those staff to better control their working environment and schedules allows for greater access to work. Working from home can open opportunities for neurodiverse people and people with other impairments
  - **Supports gender equity** - by giving people of any gender more flexibility around caring for children and other dependents. Home is likely to be closer to schools and childcare providers than work, so parents and carers can take advantage of reduced travel time and cost between home, work, school, or care facilities. It can also be easier to attend school events or medical appointments than travelling to and from a workplace.

### **Options for the future**

20. There are different options to the approach for hybrid working that could be explored. We set these out below, including identifying benefits and potential risks. We would welcome an opportunity to discuss these further with you, at your convenience.
21. **Option One – Retain current approach**

The current Hybrid Working Guidelines would remain in place and agencies continue to have flexibility to adopt an approach that is appropriate for their workforce. The benefit of this approach is that it allows agencies to ensure they have hybrid working arrangements that are fit for their workforce and service demands. The potential risk of retaining the current approach is that productivity and service delivery does depend on the strength of leadership and performance management. Also, it may lead to a wider variety of approaches across the public service.
22. **Option Two – Review and refresh current approach**

This option would involve the Public Service Commissioner requesting Chief Executives review their current hybrid working policies and approaches to ensure alignment with the Government Workforce Policy Statement expectation to “ensure that there is active management of workforce productivity regardless of work location(s) contributing to a broader ongoing focus on productivity improvement within the public sector”. This option could involve the Commissioner issuing guidance off the back of the Statement, including about reporting mechanisms.

This option would provide an opportunity to ensure all benefits of hybrid working could be achieved and that the system settings are tight enough in current fiscal environment. It also provides an opportunity for the Commission to check-in with Chief Executives and for new agency policies to be drafted if working in the office more is their preference. It could also provide a further opportunity for the Commission to establish a stronger monitoring role across the system.

We acknowledge that this option will require additional focus from agencies, and this may cause minimal disruption to work programmes. However, we believe this would be manageable. One area that might require attention relates to current formal employment arrangements. There may already be in place formal arrangements and agreements for place of work. If this is the case these will need to be worked through on a case by case basis.

This option is likely to result in Union engagement. This would be undertaken as part of our normal working relationship and we don't consider this to be unmanageable.

23. **Option Three - Provide new directive guidance to agencies (i.e. common hybrid model)**

The Commission could draft new guidance and provide a clear directive on aspects such as set numbers of days in office, who working remotely applies to, and how it is to be managed. Essentially, this would establish a common hybrid model across the whole public service.

The benefit of a common model is that it would set clear standard that is easily applied across all agencies. However, this option raises the following risks:

- Setting number of days in the office could be perceived as creating an entitlement, which is likely to have unintended consequences and create inequities between employees within the same organisation.
- It could cut across existing arrangements – some of which are contractual meaning that some employees would not have to adopt the directive.
- Could result in more requests for flexible working under Part 6AA of the Employment Relations Act – if accepted, likely to result in some employees not having to adopt the directive.
- Difficult to monitor.
- Agencies may not be able to realise savings in office space.

### **Recommended Action**

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We recommend that you:

- a **note** the contents of this briefing and discuss with officials

Hon Nicola Willis  
**Minister for the Public Service**

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