



NEW ZEALAND COUNCIL OF TRADE UNIONS  
*Te Kauae Kaimahi*

**Submission of the  
New Zealand Council of Trade Unions  
Te Kauai Kaimahi**

**To the**

**New Zealand Productivity Commission**

**on**

**The Draft Report  
More Effective Social Services**

**P O Box 6645**

**Wellington**

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## 2. Introduction

- 2.1. This submission is made on behalf of the 36 unions affiliated to the New Zealand Council of Trade Unions Te Kauai Kaimahi (CTU). With over 325,000 members, the CTU is one of the largest democratic organisations in New Zealand.
- 2.2. The CTU acknowledges Te Tiriti o Waitangi as the founding document of Aotearoa New Zealand and formally acknowledges this through Te Runanga o Ngā Kaimahi Māori o Aotearoa (Te Rūnanga) the Māori arm of Te Kauae Kaimahi (CTU) which represents approximately 60,000 Māori workers.
- 2.3. The CTU made a comprehensive submission to the Issues Paper: More Effective Services published in October 2014 as did a number of the CTU affiliated unions. Given the CTU unions have thousands of union members in the public, NGO and private sectors both directly and indirectly providing social services, we have a strong interest in this Inquiry.
- 2.4. From the outset, however, we were concerned about the context and the direction of the Inquiry. In our submission on the Issues Paper we raised concerns that the Commission had a pre-determined political agenda towards this Inquiry and there was a lack of political neutrality evident rather than an open inquiry process.
- 2.5. In the event our concerns were not misplaced. The publication of the Draft Report last month with its concentration on individual funding, vouchers, social bonds and other models all based on increased private sector involvement and competitive approaches confirmed our concerns.
- 2.6. Our press release on the Draft Report stated, “The CTU opposes recommendations made by in the Productivity Commission Report yesterday to privatise more social services under the guise of flexibility and innovation”(New Zealand Council of Trade Unions Te Kauae Kaimahi, 2015).
- 2.7. This submission focusses on the direction, approaches, processes and models recommended by the Productivity Commission in the Draft Report. It makes extensive responses on some of the models presented. We also respond on some of the recommendations and make comments on ones on which we have some background, interest and investment. Several of our affiliates are making submissions on the areas in which they have a particular issues or concerns. Other affiliates views are either included in this submission. Te Runanga o Ngā Kaimahi Māori o Aotearoa and the CTU affiliates endorse this submission.

### **3. The 2015 Draft Report vis a vis the Issues Paper**

- 3.1. In our submission to the Issues Paper we identified concerns on the content, themes and direction of the Paper which undermined our confidence in expecting a balanced and accurate report. We said that, “what is glaringly obviously is that all these new approaches feature more involvement of the private sector in social services: social sector trials, social bonds, partnership schools, private management of prisons and prison rehabilitation. A very selective and political approach has been taken in the Paper by only profiling these initiatives” (New Zealand Council of Trade Unions Te Kauae Kaimahi, 2014, p. 7).
- 3.2. Other major concerns were the narrow terms of reference of the Inquiry, the absence of focus on the reasons for the increase in social service needs in the last two decades and a very limited consideration of the funding constraints and reduced funding in the social services sector.
- 3.3. The notion that the private sector can improve upon public sector delivered is hammered throughout the Draft Report. Public provision of social services is not mentioned as an area which could be improved upon or enhanced in the social services sector. The Draft Report seems to assume that the failures in the contracting out model justify and rationalize new models of social service delivery and model such as social impact bonds, individual funding and vouchers which share in common a gearing towards more social services in private hands. A flawed attempt at privatising services is to be replaced with another.
- 3.4. The CTU fundamentally disagrees with the extending client-centred budgets and individual funding or trailing vouchers and social bonds. The models are posed as the solution from an ideological position of the Productivity Commission which was evident from the very early stages of the Inquiry: that increased competition and greater involvement of the private sector in social services will improve social services and outcomes. There is no evidence for this.
- 3.5. The Draft Report is not an analysis of the submissions to the Issues Paper. While we acknowledge the views of submitters are reflected throughout the Draft Report, the findings and recommendations are in the context of a prior ideological framework. Comments have too often been cherry picked from submitters to suit the findings and recommendations which fit with a political and ideological position. Even where contrary submissions are quoted, they are too often ignored.
- 3.6. There is some useful collection of data and there are some findings and views that we can concur with and support. Chapter 12 on “Better purchasing and contracting” sets out issues and

make some recommendations for overcoming some of the problems with the contracting system – such as better training of contract managers, streamlined processes and longer-term contracts. We have some suggestions about other improvements that could take place and refer to these in our response as to how contracts and contracting-out could be improved.

- 3.7. The Draft Report does recognize some of the difficulties caused by underfunding that impact on providers' ability to provide quality and sustainable services but it does not consider the crucial relationship between reduced funding and the how that affects the workforce.
- 3.8. The almost complete absence (the exception is Chapter 11 which does look at workforce issues in individualised funding models) of any robust discussion on employment and workforce issues is a fundamental omission. Workforce and employment are subjects that cannot be ignored particularly given that labour is the biggest cost in the social services sector and the fact that the social services sector is overwhelmingly based on person-to-person relationships and expertise.

#### **4. Chapter 2 and 4: Social Services in New Zealand**

- 4.1. The Draft Report does not, and could not provide an assessment of the whole of the social services sector. This is in a large part due to what was outside the terms of reference and what is in (a smallish part of the system) and also because of the very complex environment in which social services are delivered. This is an environment which delivers services to people where the needs are complex and frequently extremely difficult social and economic problems.
- 4.2. The omission of crucial contextual issues, as determined by the terms of reference, prevented a full assessment of social services. In any event, it is a massive undertaking. And we question whether the Productivity Commission is the appropriate organisation to lead this.
- 4.3. The overall funding environment; the increases in social service needs in New Zealand caused by increased poverty and increased inequality; and the interface of the tax and benefits systems are all major contextual issues and affect the social service sector directly.
- 4.4. There is no consideration in the Draft Report of the major impacts from the real cuts in funding introduced by the National Government which have reduced government spending relative to GDP and resulted in reduced real resources available to many parts of the social services sector and consequently those receiving services and those delivering them.

- 4.5. Nowhere in the Draft Report is there any focus on the impact of the underfunding in the social services sector and contracts not being inflation-adjusted since 2008. It is not possible to assess and analyse the effectiveness of social services without considering funding. It was acknowledged in at least one submission - though this was not noted in the Draft Report. For example, the submission of Richard Woods to the Issues Paper which expressed skepticism of the motivation of the Government in the face of growing social need, a growth in the country's population which has added to the demands for services with inflation growth which has impacted on NGO capacity and a sole focus is on how it can spend less through the process of contracting. (Wood Richard, 2014, p.1)
- 4.6. The submission by John Angus on the Issues Paper referred also to funding (an excerpt from this is included in the Draft Report) on the need for attention to more funding and better co-ordination of services rather than privatising services, "In respect of levels of funding from government, it is my view that over the past decade successive governments have screwed down NFPs in the social services sector (or certainly the parts of it I am familiar with), putting at risk their sustainability" (John Angus, p.6).
- 4.7. Many of the chapters in the Draft Report portray the social service sector in a commercial and market and landscape and language and in doing so devalue the human dimension of social services.

## **5. Chapter 3: New Ideas:**

- 5.1. This chapter sets out examples of new approaches that are proposed for delivering more effective social services. The Draft Report seems to see new approaches as the way to improving the effectiveness of social services. These new "innovative" approaches that are cited are to the exclusion of innovative models that are operating and being implemented in the publicly-provided social services sector. And there is no attempt to look at the barriers and conditions that would enable the public sector – which after all is the largest social services provider – to strengthen and improve their delivery of social services. Admittedly this was outside the terms of reference but the omission makes for imbalance.
- 5.2. The view that innovation and new ideas can only come in social service delivery through new models in more privatised services, and not through in-house publicly provided provision, is unfortunate and incorrect. Much innovation happens and can happen in the public sector. By not referring to innovative social service models in the public sector, the Draft Report does the public sector and public sector workforce a deep disservice. We refer to the examples that were

promoted in the Public Service Association (PSA) submission on the Issues Paper with very few, if any of them, finding their way into the Draft Report (Public Service Association, 2014, p. 9,10 &11).

- 5.3. And there is little evidence presented about new models e.g. the investment approach. There has been one evaluation of the investment model and this was commissioned by the Ministry of Social Development - the Department who initiated it and are responsible for implementing it. Evaluating a new programme may take some time for the evidence to become available, but those caveats should have been stated including that there has been no independent evaluation of this model. This submission presents some new analysis of the investment approach.
- 5.4. The Draft Report does contain some analysis of the problems in the contracting system and how they could be overcome. However there is no acknowledgement that contracting is a deliberate and systemic feature of the public service reforms introduced in the 1980s and 1990s. Ministers were transformed into purchasers of services (“outputs”) which could as easily be contracted from the private as from the public service. As part of this “departments were encouraged by central agencies to imagine that their department did not exist, and they were assigned a budget to acquire the same services through contracts” (Scott, 2001, p. 179). Financial restraints and accounting rules were biased towards outsourcing and selection on price. That contracting has failed should be a reason for revisiting this structure of public service management rather than taking a further leap into new models of privatisation of public services.
- 5.5. Chapter 6 profiled social impact bonds as an innovative service model and new idea. We discuss these in more detail in our submission on that chapter, but note that there have been few others endorsing this as an approach to trial here including NGOs in the services where the trial was suggested. The response and discussion by the public and NGOs to social impact bonds is instructive: a clear and resounding no. Trialling new social service models with people who are serviced by mental health services is unpalatable and there is a deep cynicism about why and how private sector involvement, particularly of financiers, is going to improve the effectiveness of services.
- 5.6. It is easy and appealing to turn to new models as a panacea. In this way client-centred budgets and vouchers are promoted as new, innovative and giving consumers’ greater choice. The issue of individual choice fits with an ideology of privatisation and increased competition. We look at

the conditions and the issues surrounding individualised funding and client-centred budgets in our response to Chapter 11 of the Draft Report.

## **6. Chapter 6: Commissioning**

- 6.1. Chapter 6 reviews seven conceptual models and their strengths and weaknesses: in-house provision; contracting out; managed markets; trust and shared goals; and client centred budgets and voucher models.
- 6.2. The description of in-house provision is astonishingly limited to a few lines and almost limits in-house provision to, “where statutory powers are required.... and optimal when the costs of contracted delivery are prohibitively high or when there is significant value in having a government provider in competition with non-government providers” (New Zealand Productivity Commission, 2015, p. 107).
- 6.3. Many tens of thousands of New Zealand workers are providing in-house provision. It is the major form of provision of social services in the country. As John Angus said in his submission on the Issues Paper, “Why not start with direct service delivery instead of putting all the pressure on an underfunded insecure NGO sector!”(p.3).
- 6.4. The intent of the Draft Report is clear that there needs to be more use of other models than the ones that dominate at the moment. It is explicit in this chapter e.g. on page 106, “there is scope to use a wider range of services models in New Zealand” and that, “many of these models require a mental shift for government from being in direct control to service stewardship”. The utilisation of more services models is recommended on the basis of the weak statement that “there is great diversity across the social service systems”(New Zealand Productivity Commission, 2015, p. 109).
- 6.5. We support the views of the New Zealand Education Institute on the Draft Report that any new thinking about increasing the effectiveness of social services could profit from learning the lessons about the market approach currently adopted in Early Childhood Education (ECE).
- 6.6. The market driven approach is strongly pushed with the repeated contention that the market is more efficient and that competition will improve performance. But it was the aggressive pursuit of the market model in aged and disability care in the 1980s and 1990s that led to widespread contracting out and the driving down in those sectors of wages, employment conditions and provision for raising skill levels.

- 6.7. In our submission on the Issues Paper we said that it is the market model which is based on competitive tendering process that has had such a depressing effect on wages and employment conditions in the social service sector as providers compete on price to retain service provision. This is a critical issue as low wages and poor employment conditions translate into service quality issues.
- 6.8. Low wages and poor employment conditions in the social services sector, and particularly the aged care and disability sectors, have resulted in unprecedented legal action with high profile employment cases being taken by unions over breaches in minimum employment standards and basic employment rights.
- 6.9. The report by the Human Rights Commission in 2012 on the wages, employment conditions and travel issues for workers in the aged care sector led the EEO Commissioner to the conclusion in the report, *Caring Counts*, that, “inaction on pay inequality and inadequate compensation for travel are breaches of fundamental human rights. Given their significance, these breaches cannot be justified by affordability arguments” (New Zealand & Human Rights Commission, 2012 p.2).
- 6.10. It is low-paid workers and their unions in the social services sector who have been at the forefront of these cases. In response to chronically low wages and breaches in employment standards, unions have resorted to legal action and the Courts have upheld some major union cases with more still awaiting judgements or under appeal.
- 6.11. The new models that are being promulgated in the Draft Report are based on the assumptions that performance will be improved by increased through competition. This was not the position of providers who responded in a Request for Information (RFI) process undertaken by Treasury at a similar time to this Inquiry in the Summary Report, “How can government improve results for our most vulnerable (at risk) children and their families?”
- 6.12. Providers responded on what was working well, how services could better meet people’s needs and what were providers’ concerns and challenges (The Treasury, 2015). The 250 individuals and organisations who responded to this Treasury RFI reflected back their main challenges and concerns: that contracting processes are complicated, time consuming and generate competition between providers. Another finding of significance to this Inquiry is that providers raised the challenges in developing and maintaining a skilled workforce that can achieve good outcomes for clients.

- 6.13. Social impact bonds are described in Chapter 6 as an innovative service model which “may be able to fulfil a larger role in delivering more effective social services” (p. 118). They are presented as a new idea, “the structure of social bonds and their focus on outcomes provides strong incentives and flexibility for investors and providers to find more effective ways of delivering social services” (p. 63).
- 6.14. There is no review of the wider evidence on social bonds and this is surprising given that Nicholas Mays presented in 28 April in Wellington an evaluation undertaken by The Policy Innovation Research Unit (PIRU), Department of Health Services Research and Policy, London School of Hygiene and Tropical Medicine and RAND Europe into social impact bonds. Their conclusion about social bonds were at best extremely guarded.
- 6.15. The report prepared for the Department of Internal Affairs in September 2011 was very cautious about social impact bonds and stated that, “the high transaction costs associated with SIBs, the required scale of investment is likely to be challenging to the social lender and philanthropic sector”(Ross Philipson Consulting Ltd, 2011, p.1).
- 6.16. Adding to our concern that social impact bonds were presented without any rigorous presentation of evidence was that the New Zealand Initiative, a right wing think tank, presented a glowing of social impact bonds just prior to the publication of the Draft Report. This reinforced our concerns about imbalance and prior ideological leanings.
- 6.17. The current response of the Government to proceed with investigating social impact bonds can only be described as extremely alarming given the reaction to the recent announcement that the Minister of Health is looking to trial social impact bonds in mental health services. We submit that social impact bonds should not be recommended as an innovative model in the Final Report.

## **7. Chapter 8: Leveraging Data and Analysis**

- 7.1. On one level, no exception can be taken to amassing greater data integration and connectivity to enable more sophisticated analysis. However the complexity of the system that is being proposed should not be underestimated. It proposes either much greater integration or the availability of interfaces to many other systems run by the providers the Commission anticipates will dominate social services.

- 7.2. Given the highly variable success over the years in integrating complex new in-house systems, let alone integration of multiple organisations such as DHBs, technical and organisational challenges and costs will be huge. Consistency of information capture (R8.2) may limit flexibility among organisations accessing the system.
- 7.3. The systems must also meet privacy and confidentiality requirements. The difficulty and risks in maintaining privacy and confidentiality multiply as systems and the numbers accessing and adding information to them grow.
- 7.4. We would also be most concerned if the design as recommended in R8.5 is limited to a “client-centred” one. We must be exceptionally cautious for two reasons. Firstly, the client-centred approach recommended by the Commission is an experimental one (see elsewhere in our submission) and may well fail as has the contracting approach. Secondly, there will remain substantial needs for integration of systems and information which may conflict with a client-centred design if it is not designed in at the outset. We discuss the use of such data in our submission on the Investment Approach.

## **8. Chapter 9: Investment and Insurance Approaches**

- 8.1. An “investment approach” to social services has attractions if by that is meant is taking a long term view of the costs and benefits of provision of social services, considering costs and benefits in the widest sense, in order to reduce costs while maintaining or improving services and benefits. The concept of spending now to reduce future costs is an attractive one. However it requires balanced consideration of costs and benefits in the widest sense or it becomes simply a cost reduction exercise with no consideration of the impacts.
- 8.2. However what is described in the Draft Report, the approach being taken by the Ministry of Social Development (MSD) is a narrow and flawed one. It fails to take a balanced investment view. It is better viewed as a one-dimensional performance indicator rather than a systemic approach to policy and evaluation as it is being used.
- 8.3. Just what the “Investment Approach” in the MSD sense means is ambiguous. The term appears to be used to cover at least four aspects. Firstly, it uses actuarial techniques to calculate a measure of future fiscal liability (referred to as “Future Welfare Liability” or FWL) which is then used for policy purposes. Secondly there is the use of a large longitudinal data set to enable better understanding of the effectiveness of services and client types. Thirdly it uses the

information for tighter targeting of provision and fourthly it appears in a political sense to be tied to the greater use of private provision of services. We address each in turn.

#### **Use of future fiscal liability for policy purposes**

- 8.4. Under this mechanism, the “future welfare liability” (FWL) of beneficiaries is estimated from past experience of beneficiaries with similar characteristics. Let us assume for the moment that this is a full and accurate characterisation of each beneficiary and therefore an accurate future liability calculation. The liability is solely a fiscal liability – that is, the call it makes on current and future government revenue. The size of that fiscal liability is then used for policy purposes to prioritise interventions such as stricter employment conditions for single parents and intensive supervision of young people.
- 8.5. The fundamental flaw with this procedure is that it looks only at costs to the government and at nothing else. This problem is acknowledged as a “serious limitation” on p.188:
- “FWL is a narrow measure that compares the current fiscal cost of services with the future fiscal savings. It confines benefits and costs to fiscal impacts. These are important and much easier to estimate than wider social benefits and costs, but the narrowness of this approach is a potentially serious limitation (Chapple, 2013).”
- 8.6. In our view, Chapple’s critique is a crucial one. Yet despite this acknowledgement it is left unaddressed. The extraordinary assertion is made that “There are good reasons for believing that FWL is strongly correlated with what society does care about, at least for the social services to which it is currently applied – primarily employment services”. This is solely an assertion. No evidence is provided. Yet this is an absolutely critical matter.
- 8.7. This “single measure of value against which the agency can assess the relative cost effectiveness of different services for different client types” as it is described on p.78 is solely a measure of cost. “Cost effectiveness”, or a proper cost-benefit test requires a measure of benefit<sup>1</sup> to weigh the cost against. No measure of benefit is part of the “approach”. This is therefore simply an expenditure-minimising policy. It is a policy to minimise taxes rather than maximise welfare,

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<sup>1</sup> In this section we use “welfare benefit” to mean payments from the state to a social welfare beneficiary, and “benefit” to mean generalised improvements in welfare in the usual sense.

ideological rather than rational. It is well outside the remit of the Commission to advocate for such a policy.

- 8.8. In the current social welfare use of this approach we are told that the FWL is somehow closely correlated with better social outcomes because it is aimed at getting people into work. Even if we accept the assertion (and it is little more than that) that being employed is the best outcome for beneficiaries (it ignores the value of parenthood and child caring for example) and that being employed is always “strongly correlated with better social outcomes” (insecure, low income work with poor prospects for career development may have worse outcomes – e.g. Brewerton, 2004, pp. 27–28; Burchell, 2011, p. 9; Johri, 2005, pp. 23–24; Marmot, 2010, p. 26) it is not credible that future liability is a reliable measure of employment outcomes.
- 8.9. A leap has been made from reduced fiscal liability to “in paid work”. Not all exits from welfare benefits are to work. We sought data from the Ministry of Social Development on this in March but have yet to receive a response (extraordinary given the supposed richness of their data; this is data they should be publishing regularly as a matter of course). However in the six months to June 2014, only 52% of Jobseeker cancellations coming completely off welfare benefit were because the beneficiary had obtained work, 55% for Sole Parent Support beneficiaries, and 19% for people receiving Supported Living Payments<sup>2</sup>. In addition a significant number exiting those welfare benefits (13% of cancellations) were simply transferring to another welfare benefit.
- 8.10. Equating reduced liability with finding employment is therefore invalid. This would be true even if these ratios have changed in the last year (and the Ministry’s reports do not tell us this).
- 8.11. Even more fundamentally than that, no cost-benefit analysis is attempted. Looking firstly at the value of employment, higher expenditure such as for job search or retraining may be more than justified by the social and economic benefits to welfare beneficiaries and society of the work that they find as a result. The benefits of work can be crudely quantified as the income earned in the job found, but there will also be benefits to the employer and society (and disbenefits or costs). Because the future fiscal liability measure looks only at fiscal costs, it will appear that

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<sup>2</sup> [http://www.parliament.nz/resource/en-nz/QWA\\_05028\\_2014/2c97bcfa732558408aa9a8bd77abb021fdaba473](http://www.parliament.nz/resource/en-nz/QWA_05028_2014/2c97bcfa732558408aa9a8bd77abb021fdaba473) and [http://www.parliament.nz/en-nz/pb/business/qwa/QWA\\_06448\\_2014/6448-2014-sue-moroney-to-the-minister-for-social-development](http://www.parliament.nz/en-nz/pb/business/qwa/QWA_06448_2014/6448-2014-sue-moroney-to-the-minister-for-social-development)

“effectiveness” has been reduced rather than increased or that “what society cares about” has lessened rather than grown by this additional fiscal cost of job search or retraining. The report suggests perhaps taking into account the tax on the income earned, but this still focuses on fiscal cost (net rather than gross) rather than balancing fiscal cost against social benefits.

- 8.12. Further, there are benefits from a person staying on a welfare benefit. That is the purpose of the welfare system – otherwise we would have no such system. Some of the beneficial outcomes are described in section 15.2 of the report, and there are many others (such as allowing parents to care for children, enabling families to recover from trauma such as a death or relationship breakup, enabling people with chronic illness or disability to live independently, and the health and educational outcomes for beneficiaries and their dependents) yet the future fiscal liability approach ignores them.
- 8.13. “Return on Investment” described in Box 9.2, appears similar to a cost-benefit analysis, but in practice compares the amount required to be spent to the reduction in future liability without taking into account benefits. It mentions “social returns” but these are not developed further.
- 8.14. The annual reports commissioned by the Ministry of Social Development on the Investment Approach almost completely fail to assess the benefits of policies and welfare payments. The closest that they get is to give some data on rates of re-entry to welfare benefits. For example in the report on the 2014 year, they find that 40% of “Jobseeker Work-Ready” exits have returned to a welfare benefit 12 months later (Raubal & Judd, 2015, p. 23). Exits are a poor measure of benefit as discussed above (and also see Card, Kluge, & Weber, 2010 who find exits and other short-term measures may underestimate longer-term benefits). We don’t know if the person got a good or poor job, stayed in work or remained unemployed outside the welfare system, let alone whether their life improved or worsened as a result of either exiting or staying in the system.
- 8.15. We understand that the MSD approach may in practice be more nuanced than the Investment Approach as stated. MSD staff may be increasingly taking an interest in quality of employment. But that is not the success of the Investment Approach – it is in spite of it. They should be considering quality of employment whatever approach is used. Even if it could be said that improved quality of employment is encouraged by the Investment Approach because it reduces future liability by making re-entry less likely, that doesn’t need a calculation of forward liability: simple annual costs would tell us that. But costs should never be the final and critical arbiter or we will end up with no welfare system.

- 8.16. An example from outside the social security system makes this even clearer. Consider applying the future fiscal liability approach to education. The FEL (Future Educational Liability) will be higher for those advancing to higher education. It is well established that sound early childhood education is likely to lead to later educational success (e.g. Early Childhood Education Taskforce, 2011, pp. 21–28 The Case for Investing in Early Childhood Education). Should we therefore take action at the early childhood level to reduce the likelihood of future success? Of course not: because we would never contemplate this action without considering the many benefits of the different levels of education. We give a further example in housing below.
- 8.17. Recommendation R9.1 is that “The Investment Approach could usefully be applied more widely. Future welfare liability – its underlying proxy for social return – should be further refined to better reflect the wider costs and benefits of interventions.” We submit that as it stands, future fiscal liability should not be applied more widely and its current use should be reviewed. It is not clear what being “further refined to better reflect the wider costs and benefits of interventions” means. If it is only to incorporate future tax receipts it simply reinforces its current problems. It is to be used as part of the cost element of a full cost-benefit analysis, then much better measures of benefit to beneficiaries and their dependents, from work and to society need to be developed and used alongside it. Some of these may be difficult or impossible to quantify, requiring judgement rather than arithmetic, but are nevertheless important. Much more careful attention needs to be paid to the accuracy and validity of the measure itself.
- 8.18. The same submission applies to R9.2 that “The Investment Approach should be extended to operate at a cross-programme, cross-agency level.”

**Use of data to understand services and clients**

- 8.19. The use of a rich data set to draw correlations and associations between the introduction of new services, clients and outcomes can be very worthwhile. However its use as demonstrated by MSD and its contractors carries warnings.
- 8.20. First, correlation is not causation. For research purposes, correlation is a useful indicator as to where it is worth looking deeper for causation. But when used for policy purposes, it is absolutely essential that we are confident of the direction of causation. Should we stop beneficiaries living in housing corporation houses because a high proportion of their tenants are beneficiaries? Does the finding that many long-term beneficiaries come from families which were often reliant on a welfare benefit mean that we should reduce the availability of welfare benefits or that we should reduce poverty (which is tightly associated with being reliant on a

welfare benefit) – or something else? To optimise policy it must optimally cause increases in social wellbeing. If we don't know the causes our policy may be far astray.

- 8.21. Second, many factors that are not recorded in the database can and do bear on the outcomes of services: economic conditions (other than unemployment); the full financial situation of families; the relationships, health and skills within a household; broader community and whanau support (or not); housing situation; history before coming onto a welfare benefit, and so on. There is a tendency for too much weight to be attributed to the data available *because* it is available.
- 8.22. For example MSD annual Benefit System Performance Reports put heavy weight on past welfare benefit history where many other factors are involved. Similarly MSD appears to use the data solely to recommend changes to its own operations and policies. Yet their modelling implies that far greater reductions in numbers of beneficiaries would occur if unemployment was reduced by 2 percentage points (the level immediately before the Global Financial Crisis) than likely effects of many of their own interventions. The 2013 report noted that insecure employment and 90-day trials contributed to re-entry of beneficiaries who had come off their welfare benefits, but there appears to have been no recommendations to review these policies and aspects of our labour market.
- 8.23. This narrowness of view may be partly addressed by linking in other databases such as Housing New Zealand or IRD, but the increasing complexity carries its own risks, and may just broaden the problem of putting too much weight on the data available. Among the risks are perceptions or the reality that the rich dataset is used for personal surveillance or intervention. These issues have arisen for Māori (see below) and are arising in the development of proposals for profiling and pre-emptive intervention in families whose children are judged to be at risk of abuse or neglect.
- 8.24. For example the most recent Work and Income report on the welfare benefit system (Raubal & Judd, 2015) makes the not very surprising discovery that many Housing New Zealand tenants are welfare beneficiaries. It deduces that the fiscal cost of welfare assistance is not limited to welfare benefits and recommends extending the Investment Approach to social housing clients. The policy outcome “might involve giving higher priority for intensive case management to clients in social housing”. This confuses correlation and causation (beneficiaries are in social housing because they have low incomes: no evidence is presented that they are more likely to become beneficiaries because they are in social housing and it seems unlikely to be true). It also

attributes no benefit to social housing which may improve health, educational and employment outcomes. There is strong evidence that it is better for a family to have security of housing so they can settle down in a neighbourhood, stay at the same school and doctor, and build a supportive community network rather than be moved on as quickly as possible because staying adds to the future fiscal liability. See the previous discussion.

- 8.25. Third, most of the use of the data set involves modelling which in turn requires crucial assumptions (for example about the effect of economic conditions on use of welfare benefits and the relationship between past and future behaviour of beneficiaries) which are either unclear or in technical reports. They are acknowledged by actuaries Taylor Fry in their reports (e.g. Greenfield, Miller, Wolanski, & McGuire, 2015, p. 128) but no estimation errors are given. This needs to be made much more transparent. Estimation or modelling errors could well be material given that, for example, the estimate that the welfare reforms led to a reduction of \$2.2 billion in forward liability is only 3 percent of the total estimated liability and appears to be calculated as a residual after modelled factors have been accounted for. Instead the estimates are quoted as though they were certainties (e.g. Raubal & Judd, 2015, pp. 35–36). Using such statistical inferences for guidance alongside a range of other evidence can be useful, but resting policy and intervention in people’s lives on it needs robust and valid information. Otherwise dangerous mistakes can be made.
- 8.26. Most of the useful deductions that can be derived from analysis of this data do not need to be tied to fiscal costs. Knowing that certain groups of people spend a longer or shorter time on benefits, are in more or less deprived circumstances, are more or less likely to successfully find employment or to come of benefits for other reason etc, does not need fiscal cost to suggest useful policy. It does not need to be tied to the modelling and assumptions of future fiscal liability.

### **Targeting**

- 8.27. The report defines Targeting as “the process of matching services to clients.” It is in fact frequently much more directive than that. It may exclude needy clients on fiscal grounds for example. It may lead to poverty traps and high effective marginal tax rates as “services” or payments are withdrawn with a small rise in income.
- 8.28. Targeting is a policy decision which can be made with or without future fiscal liability. It is in part a decision which depends on the underlying view of the purpose of a social welfare system. Non-targeted New Zealand Superannuation for example is widely regarded as very effective for

a number of reasons including keeping aged people out of poverty and providing no disincentive to continue to work. Current targeting is frequently punitive and made on fiscal grounds rather than consideration of benefits and needs. However if targeting is used, better data may help identify specific needs but future fiscal liability provides only a part of the picture needed for good decision making. Otherwise needy people may be excluded for fiscal reasons without considering the benefits to inclusion. Once again, identification and assessment of benefits are necessary to make good decisions.

### **Private Provision**

- 8.29. The Government frequently ties private provision to the decisions made from this process. Again, this is logically an entirely separate matter. We deal with privatisation of provision elsewhere in this submission, but if the Investment Approach is tied to private provision it will increase suspicion about its political aims.
- 8.30. There is so much political baggage attached to the Investment Approach that it is difficult to know what it really is in practice – good and bad. This creates suspicion that will damage any positive aspects. Future Fiscal Liability is in the end, just a more sophisticated measure of cost. It is a dangerous fallacy to build policy on such a one-dimensional measure – unless the sole aim is to make room for tax cuts or to reduce the size of the state. There are obviously benefits to be gained from the use of “big data” but correlation is not a substitute for causation, it is hazardous to draw conclusions with many relevant variables omitted, the assumptions under which it is used must be clear and valid, the robustness of its modelling must be above reproach – especially if it is used for policy purposes – and it should be disconnected from Future Fiscal Liability.

### **Insurance Approach**

- 8.31. The report uses the success of the New Zealand’s Accident Compensation scheme to argue for a similar “insurance approach” in other social services. While we are strong supporters of New Zealand’s no-fault accident compensation scheme, applying an insurance approach to it, as the report suggests for other social services, has been very damaging.
- 8.32. The recent experience of ACC being run by a board chosen for their commercial insurance experience and which was encouraged to run it on that basis shows the pitfalls. There were numerous instances of public outrage as the Corporation applied the commercial “black letter

of the contract” to its enforcement of ACC rules. This is the behaviour that makes the private health insurance industry in the US so disliked and litigated, adding to total costs.

- 8.33. The Corporation itself has been concerned about its loss of public confidence and has noted that “Clients’ experiences are markedly different across political cycles” (Accident Compensation Corporation, 2012). This is likely to be much more about the insurance approach taken under political direction rather than direct political interference in its workings. Typically, under Labour-led governments it has tended towards attending to the presented needs of clients and with improving entitlements; under National-led governments it has tended towards a commercial insurance approach of enforcing the letter of the law with a “steep decline in trust and confidence”. The reduction in value of the scheme to claimants has increased litigation which the scheme was intended to supplant. There is evidence that it has increased pressure on the health and social welfare systems, so some of the fiscal “saving” is illusory.
- 8.34. The CTU and its affiliates provides services for workers seeking compensation through help lines and union organisers on a daily basis. We observe regular decisions to deny claims, a high proportion of which are reversed on intervention or review; and increased pressure on workers to return to work when not ready. Such pressure also occurs, as does pressure not to report claims, with some Accredited Employers where employers cover costs (intended to incentivise better safety). We are concerned there will be similar behaviour under the relatively new experience rating schemes.
- 8.35. Indirect drivers as suggested can also lead to perverse outcomes which are not in the public interest. For example there is little financial incentive for ACC to focus on preventing deaths because deaths are relatively cheap for ACC compared to weekly compensation. (This is reinforced in s263(3)(a) of the Accident Compensation Act 2001: “The Corporation must undertake or fund such measures only if— (a) satisfied that such measures are likely to result in a cost-effective reduction in actual or projected levy rates set under Part 6 or expenditure from the Non-Earners’ Account under that Part”.)
- 8.36. The weak performance of ACC was noted by the Independent Taskforce on Workplace Health and Safety which stated in its report (though public pressure has led to an increase in ACC injury prevention spending since then):

537. The Taskforce does not consider that ACC’s current levels of injury-prevention activity in the workplace are necessarily sufficient. ACC has been decreasing funding for these activities over time. ACC, MBIE and the new agency should review the

current activity levels and identify whether further injury prevention activities in the workplace are appropriate, how they should be funded, and who should deliver them. (Independent Taskforce on Workplace Health and Safety, 2013, p. 122).

- 8.37. As a result it recommended (p.64) that the new Workplace Health and Safety regulator (now WorkSafe) be a partner with ACC in injury prevention activities.
- 8.38. The present report suggests that insurers will have an incentive to “manage risks” of citizens. The experience with ACC is that it has indeed done some good work in injury prevention over the years, but that as it took an increasingly commercial approach, it reduced its injury prevention effort. It requires political will to ensure prevention effort occurs: reducing costs by other means such as reducing access to entitlements may be considerably easier but flies in the face of the public objectives of the organisation.
- 8.39. The incentives of an insurance model are therefore not as straightforward as the report suggests (F9.3 states that “Because social insurers face the long-term costs of service decisions, they have the incentives to make sound decisions about early intervention and service quality”). The incentive is to reduce costs, not necessarily to reduce people’s need for the services available. They have an interest in reducing service standards to the minimum. There are often much quicker and easier ways to reduce costs than addressing needs or (as exemplified by ACC) reduce demand for services by reducing the harm that requires them.
- 8.40. In any case, competing commercial providers as the report suggests in fact have mixed incentives. They want to reduce costs of existing customers and for existing customers have some incentive to address needs or prevent them arising in a way that reduces their costs. As noted this is not necessarily in socially desirable ways. But they also have an interest in overall need for the services being maintained or increased. Further, there is a “tragedy of the commons” conflict in that each competing provider doesn’t have an incentive to spend money on (e.g.) prevention activities that mainly benefit other providers. Socially desirable community-wide activities may not be addressed in this competitive model. Integrating services may also be more difficult with competing providers.
- 8.41. There is also the experience of recent government efforts to introduce competing providers of accident compensation insurance. The scheme’s comprehensive and universal coverage is so efficient that other providers could not compete. It provides a broader range of cover at a lower cost than any international comparator (e.g. PricewaterhouseCoopers, 2008).

- 8.42. Other problems with competing insurers are noted in the report, yet it concludes without resolving the problems that “There are good reasons for believing that a multiple insurer model would out-perform a single government insurer”.
- 8.43. We submit that there are major unresolved issues in using an insurance model for social services. Those are exacerbated by the use of competing insurers. We would strongly oppose private provision of “social insurance” because it is a move to a commercial insurance model which has incentives to deny access to services or to reduce quality of services.

## **9. Chapter 11: Client Choice and Empowerment**

- 9.1. The position that empowerment principles and practices are a fundamental component of social services is well accepted. While there are exceptions to this because of services that have coercive elements and/or statutory requirements, and where it just plainly impractical, for many social services the principle of empowerment is a goal and practice in many part of the social services sector. That is not to say the application of empowerment principles cannot be improved and strengthened.
- 9.2. The problem we see in this Draft Report is that the concept of empowerment has been conflated with advancing a model for more services to move to individualised funding systems. These two issues are not the same and greater empowerment to persons receiving services does not depend on an individualised funding approach.
- 9.3. Chapter 6 of the Draft Report is more strident in its proposals about individualised funding models while Chapter 11 is more realistic and the complex and problematic aspects of individualised funding are teased out. There seems to be some inconsistency between the findings and recommendations of the two chapters.
- 9.4. Our preference is to use the term individualised funding rather than the euphemistic language of “client-centred budgets”. The language of client-centred and client-centred budgets is not only unclear, it can also be misleading. In claiming and using this language, and heavily promoting it in the Draft Report, there is an implication made that care services are currently not delivered in a people-centred way and that workers and professionals are not delivering person-centred care. We strongly contest this.
- 9.5. The choice and empowerment model has been led strongly by disabled persons, disabled peoples’ organisations, and as the Draft Report correctly states, “has happened in parallel with

a quest for greater social inclusion and the pursuit of human rights". Disability advocates and disabled peoples' groups have led the way over the last two decades in challenging the care they have received and saying that services have to change to be empowering and that they must have some choice in deciding their own care services.

- 9.6. But there are issues and difficulties with this model which have to be better recognised. We agree with the statement in Chapter 11 "that New Zealanders will not benefit from poorly designed and implemented CDSMs" (p.240). Some of the complexities of individualised funding are well covered in Chapter 11
- 9.7. Unions have been working with the Ministry of Health Individualised Funding model for some years. The PSA in its submission to the issues Paper sets out some of the issues which are quoted in the Draft Report (Public Service Association, 2014, p.231).
- 9.8. The workforce issues have not been addressed in the implementation and delivery of current individual funding models. And this is supported in Chapter 11 which notes in F11.14 that "there is limited evidence in the impact that client directed budgets have on workers." It is followed by the question, Q11.1 that, "the Commission wants to hear from people with first-hand experience working under individualised funding and Enabling Good Lives."
- 9.9. The working conditions in the social services sector for workers delivering direct care services are well-known for their inferior employment conditions and low wages. Workers in the home care sector are more vulnerable due to working in isolation, the lack of direct employment protection, low levels of unionisation, difficulties for unions to access workers and workers to access unions, and lower levels of qualifications. This predominantly female workforce directly experience wage and employment discrimination.
- 9.10. All of these factors create a vulnerability for the workforce, who are in work that is insecure, poorly paid and with limited career opportunities. The social and economic costs from insecure work for New Zealand workers are detailed in the CTU publication, "Under Pressure", (New Zealand Council of Trade Unions Te Kauae Kaimahi, 2013). The extension of individualised funding models in their current forms is likely to increase levels of insecure work.
- 9.11. Martin Sullivan, a disability advocate, in a submission to the Social Services Select Committee Inquiry into the quality and care of services for disabled people and how they might be improved, identified that the problems of training, career structure and pay and employment conditions were major impediments to improving care (Martin Sullivan, 2006).

- 9.12. For services to people to be effective and sustainable the workforce issues have to be considered in the context of the sustainability of individual funding. We support the proposal that if more care models are based on client empowerment type models and individual funding that principles need to be developed.
- 9.13. Chapter 11 identified principles (p. 239) for successful client-directed models but inexplicably fail to identify employment standards, including training as a principle. For individualised funding models to be successful and effective it is necessary to attend to employment issues as the nature and sustainability of delivery of services is dependent on the workforce.
- 9.14. There must be consideration of principles such as maintenance and continual improvement of the sustainability and skills of the workforce as a whole; capacity and capability as a factor in a person being able to manage the employment responsibilities, and having sustainable organisations who broker between the disabled person requiring care and the worker providing it.
- 9.15. It is also vital to consider client-centred models which are also conducive to integration of services. For example it is widely considered that greater integration of the levels in the health system is one of the most important steps towards making it more effective and efficient, but the individualised provision of primary care which is primarily private has been a longstanding barrier to that goal despite increasing moves in other parts of the system.

## **10. Chapter 12: Better Purchasing and Contracting**

- 10.1. Richard Wood says in a media piece on the collapse of Relationships Aotearoa (“Richard Wood: Relationships Aotearoa demise could be just the start,” 2015) that we can expect to see more organisations share their plight if funding issues are not addressed. Serious questions are raised as to how a social service organisation could ever get to this point where the health and wellbeing of thousands of New Zealanders and their families is threatened by the sudden closure of services. This collapse raises questions that need to be considered in this Inquiry and in the Final Report.
- 10.2. The 2000 NGOs who are funded by MSD to deliver social services are described as crucial social services – but all are only part-funded and none of them have had their funding inflation adjusted since 2009. There is a question to ask as part of this Inquiry. Does the Government contract with the NGOs sector because it can get the services more cheaply? That is the appearance. Under such conditions, innovation, continuous improvement and sustainability are

secondary. Worse, this undermines other services such as those publicly provided, because they are made to appear high cost and inefficient (though the latter does not necessarily follow if they are providing a higher level of service) in comparison.

- 10.3. Financially strapped NGOs have nowhere else to go if the Government does not pay a fair rate for the job, creating issues of sustainability for the whole social service sector.
- 10.4. One area where the inquiry could offer useful support is to identify principles of good contracting out and good contract management. We referred to these in our earlier submission. Responsible contracting policies (RCPs) are a means to enable the inclusion of objectives to achieve social good outcomes and prevent the erosion of labour conditions. RCPs can specify that there is no undermining of wages and employment conditions, uphold health and safety standards, promote collective bargaining as well as address other social concerns such as environmental impacts.
- 10.5. The Treasury RFI process in December 2014 also identified providers' frustrations with the contracting process stating quite simply that, "contracting out process are fragmented are complicated, time consuming and generate competition between providers". They also note the difficulties with short term nature of contracts (The Treasury, 2015).
- 10.6. The agreement reached by unions, employers, the Ministry of Health and DHBSs to address the underpayment of home support workers in the home support sector and a process to regularise the workforce is an example of how problems in the contracting out of services can be overcome. The end result was achieved by a commitment of all parties that the workforce issues and ultimately the services issues in the sector could be through a tripartite process and forum of union, providers and government working together.
- 10.7. An issue that needs to be considered if there are to be recommendations about improving contracting is recognising the relationships that NGOs and community organisations providing social services have with their communities. The relationship that provider have with their communities is encapsulated in the concept of social value and plays a part in the quality, depth and effectiveness of the social service that is provided.
- 10.8. Chapter 12 makes a recommendation that an agency be given the task of developing a single set of up to date guidelines for agencies entering into contracts with non-governmental providers of social services. The Draft Report picked up that the existence of several sets of guidelines cause some difficulties. If new guidelines are developed that are to apply across all

social services then we recommend that this process be undertaken in consultation with NGOs, unions and providers.

**11. Chapter 13: The Māori Dimension**

- 11.1. Te Runanga o Ngā Kaimahi Māori o Aotearoa and the CTU supports moves to progressively hand back rangatiratanga within the social services to Māori and to ensure the system as a whole better reflects the tikanga of concepts such as manaakitanga and whanaungatanga. By supporting a commitment to full implementation of the Tiriti partnership in social service delivery the CTU is not advocating for privatisation in the social service sector, but rather full acknowledgment of rangitiratanga and the partnership responsibilities that flow from this.
- 11.2. Social outcomes for Māori show the limitations and failings of top-down governmental approaches to social service provision where full engagement and partnership with Māori has not taken place. To change this, Māori need to be fully involved in the whole system, from governance and management, to delivery for clients. Anything other than models that ensure Māori are able to fully participate in the governance, management and delivery of social services are contrary to principles of rangatiratanga clearly articulated in the articles of Te Tiriti o Waitangi.
- 11.3. We note the importance of a staged process for handing back rangitiratanga, working closely with iwi, hapū whānau, and Māori organisations to ensure that the process is open, and allows for a full range of options for the provision of services to be explored. Any new models must ensure that decisions about how services can be provided are in the hands of Māori – whether at the level of iwi, hapū, whānau, Māori organisations or a mixture of these. New models also need to ensure that responsibilities sitting with the Crown are implemented and progress is monitored.
- 11.4. The work being undertaken by the Ministerial Māori Language Advisory Group to refine the implementation of the Māori Language (Te Reo) Māori Bill following the submission and Select Committee process provides a framework that could usefully be considered for the provision of social services. The Advisory Group has proposed two clear paths for governance and management of te reo Māori:

The draft proposal establishes Te Mātāwai with a broader focus, with roles in governance, funding, strategy and coordination. It also proposes the creation of a Rautaki Reo: Crown to focus on language planning at the national level and a Rautaki Reo: Māori, a strategy

focusing on language planning at the community level, both guided by the same vision for te reo Māori. (Ministerial Māori Language Advisory Group, 2015. p1)

- 11.5. To guide such a framework, a shared national vision for the provision of social services for Māori would assist in the process of devolving rangatiratanga to iwi, hapū, whānau and Māori providers. Of course this must be further refined at the iwi, hapū, whānau and provider level (for example as cited in the draft report, the vision expressed by Ngai Tūhoe).
- 11.6. Te Runanga o Ngā Kaimahi Māori o Aotearoa and the CTU's view is that recommendation R13.1 is insufficient in terms of setting out a planned way forward for Māori. Our recommendation is as follows: Given the complexity of the task of returning rangatiratanga to iwi, hapū, whānau and Māori providers, Government must formally engage with iwi, hapu, whanau and Māori social service providers to discuss and plan how this will take place. Among the tasks of such a group would be analysis of current strategies for social service provision and workforce development across the social services. This would require discussions with each sector of the social services and across the systems as a whole.

**Specific issues for the provision of social services for Māori**

- 11.7. The draft report notes the importance of ensuring commissioning, provision and data are all used in ways that respond to Māori concerns and aspirations, and that in particular models for the future do not recreate problems of the past (such as those around the collection and use of data). Particular care needs to be taken with regard to data analytics – to mitigate against perceptions of surveillance of whānau Māori and to restore confidence in the purpose of data collection amongst whānau Māori. Finding ways to place data back into the hands of Māori would be an important step in the transfer of power from the Crown to Māori.
- 11.8. The devolving of social service provision to Māori requires a strategy for Māori workforce development – in all spheres, but especially with regard to evaluation of programmes from kaupapa Māori perspectives and supporting staff working at the frontline.
- 11.9. A further strategy is needed for workforce development for non-Māori working with Māori clients – whether these individuals are public servants or staff within provider organisations. Such an approach acknowledges that whānau Māori may choose a range of provider types – Māori and non-Māori – as well as forming part of the Crown's responsibilities as Treaty partner to ensure that Article 3 provisions are fully integrated into the sector.

- 11.10. Consideration should be given to reviewing the practices of government ministries and agencies to evaluate the extent to which they are able to support Māori staff and Kaupapa Māori practices. Organisational culture and practices are known to have a direct impact on the ability of staff to effectively meet the needs of their clients. Given that Māori remain over-represented in many negative socio-economic indicators, a system review should include evaluation of the organisations that contribute to the system. As Āwhina Hollis-English notes in her PhD thesis exploring the experiences of Māori social workers:

A major finding is that Māori social workers in government organisations report very few examples of organisational support for Māori practices. Some of these participants reported that they had the feeling of being under surveillance. Furthermore, there was a common concern that positions designated for Māori would eventually be disestablished. Participants expressed the view that working more closely with non-Māori colleagues would improve these colleagues' ability to support Māori whānau. In addition, it would address a major challenge, the perceived lack of understanding of colleagues about the role of Māori social workers and tīkanga Māori. (Hollis-English, A, 2012p 220)

- 11.11. We have concerns about the funding mechanisms proposed in the draft report, particularly Social Impact Bonds (SIBs):

There are significant public policy and economic difficulties associated with SIBs. From a policy perspective, there are very real difficulties in assessing what projects have the potential to deliver a net benefit for the government, and even greater difficulty in evaluating whether contracts are being successful or not (which is critical for determining the level of payment investors receive). From the market perspective, key features that make SIBs unattractive as compared with other investments are their low rate of return given the high risk associated with them, the likely inability to independently verify whether success has been achieved and their lack of liquidity. (Ross Philipson Consulting Ltd, 2011)

- 11.12. Whilst Philipson goes on to suggest that SIBs may be worth investigating further, we view them as being another mechanism to distance the Government from its responsibilities in the provision of social services. Such a model brings particular issues of concern for Māori social services providers, including the Government being able to transfer risk into the hands of private investors, thus compromising their Article 3 responsibilities. Most concerning however is that Social Impact Bonds are largely untested, and their effectiveness is yet to be proven. Our view is that in the complex area of social service provision, much time and resources could be wasted attempting to introduce this model, while whānau Māori continue to suffer and struggle in their day-to-day lives.

**12. Chapter 14: Implementation**

- 12.1. The Recommendations in this Chapter of the Draft Report propose that the Government form a Committee of Ministers for the Government's reform of the social services sector and establish an Office for Social Services within a central Government department.
- 12.2. The CTU does not support the recommendation of a Committee of Ministers for the leading the Government's reform of the social services sector. Such reforms, as described in the Draft Report, are neither supported nor necessary. Neither do we support the establishment of an Office for Social Services. The purpose of it is unclear and in addition such an office would bring in another layer of expensive bureaucracy.
- 12.3. The Final Report should identify how within existing structures and agencies the objectives of strong, effective and equitable social services can be better achieved by partnerships between Government with Māori, community, NGOs and unions.

**13. Key Points and Conclusion**

- 13.1. The CTU is concerned about the direction of this Draft Report with its recommendations to move to models of privatised social service delivery such as individualised funding, vouchers and social impact bonds.
- 13.2. Support for public sector provided social services in the Draft Report is woefully inadequate and insufficient.
- 13.3. The lack of any consideration of the impact of real cuts in government funding on social services makes the analysis undertaken of the social services sector incomplete and questionable.
- 13.4. Failures and problems in the contracting system are not reasons for looking at other models which would extend the privatisation of social services. Rather, there must be much greater focus on how current models can be improved. This must include attention to the all-important issue of workforce and consider wages, training and employment conditions.
- 13.5. There is not support among providers for a more market-based approach in social services. Rather providers have stated in a Treasury collated process that social services will be improved by more collaboration.

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- 13.6. There should be very great caution about the introduction of social impact bonds in the New Zealand social services sector. There is no robust evidence to support that they will improve the effectiveness of social services.
- 13.7. The CTU believes the Investment Approach being applied in MSD, which is strongly supported in the Draft Report, is narrow and flawed. There are major issues with its focus on actuarial techniques to develop policy; how data is used; using information for the tighter targeting of social service provision and the much greater use of private provision in social services.
- 13.8. Neither does the CTU support applying an insurance approach to social services. The recent experience of ACC being run on a commercial insurance basis has been very damaging.
- 13.9. While we support the principle of greater empowerment, this should not be conflated with extending social services to more individualised funding models. Individualised funding models should not be extended until they attend to employment issues of pay, conditions and security of employment.
- 13.10. Contracting our processes would be improved by including principles of responsible contracting policies as a means to enable the objectives of good social outcomes and to prevent the erosion of labour conditions.
- 13.11. Te Runanga o Ngā Kaimahi Māori o Aotearoa and the CTU support the progressive handback of rangitiratanga within the social services to Maori and to ensure the system better reflects the tikanga of concepts such as manaakitanga and whanaungatanga and formal engagement with iwi, hapu, whānau and Māori providers to plan rangitiratanga within the social services for Māori. By supporting a commitment to Te Tiriti in social service delivery, Te Runanga o Ngā Kaimahi Māori o Aotearoa are not advocating for privatisation in the social services sector.
- 13.12. The CTU does not support the recommendation of a Committee of Ministers for the leading the Government's reform of the social services sector. Such reforms, as described in the Draft Report, are neither supported nor necessary. Neither do we support the establishment of an Office for Social Services. The purpose of such an Office is unclear and in addition it would bring in another layer of expensive bureaucracy.

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