

## More effective social services

August 2015



Social services help New Zealanders to live healthy, safe and fulfilling lives. They provide access to health services, education and housing opportunities, and protect and support the most vulnerable in society. They are crucial, but also costly; the Government spends around \$34 billion each year on social services. It is very important that these services are as effective as possible.

The Government asked the Productivity Commission in June 2014 to look at ways to improve the effectiveness of the social services it funds. We spent 14 months investigating, and talked to people throughout the country and overseas. This *Cut to the chase* summarises our inquiry's findings and recommendations.

Social services are very broad. There are thousands of services involving many government agencies, thousands of providers and ultimately all New Zealanders as clients, at various times throughout their lives. This means it is challenging to make observations that apply everywhere – there is always an exception. But these exceptions do not prevent constructive analysis and discussion.

There are a lot of different ways to examine and categorise services, agencies, providers and clients. We considered many of them in our inquiry. We found two ways of looking at social services particularly useful – as a system, and in terms of four different types of clients.

### Social services as a system – performing well but can do better

From the perspective of someone in urgent need, details are not important. If the system recognises their needs and provides an effective service, then it is succeeding. If not, it has failed.

So is the social services system working? A lot of the people we talked to reported that the system was failing. However, many of them were only seeing the parts of the system that they deal with closely. Drawing on all of their input and experience, we judged that the system is doing a good job for many people, most of the time. But there is plenty of room for improvement at the system level.

- The people who need social services often find government processes confusing, overly directive and unhelpful. The system frequently treats them as passive recipients of services rather than active participants in improving their own lives.
- Social services providers find government processes wasteful and disconnected from the real-world problems they struggle with. Government agencies often do not pay service providers for the full cost of services, yet they expect full control over the details of service delivery.
- Despite the many reports that providers are required to submit, government agencies know too little about which services work well, which do not, and why. The system does not encourage providers to innovate, or to share and adopt successful innovations. The system misses many opportunities to intervene early and prevent small problems from becoming bigger.
- Social services are funded and delivered by administrative silos – separate agencies for health, education, justice, etc. Agencies often do not recognise the links between the outcomes they seek and those sought by other agencies. This fragmentation means no-one has visibility of the system as a whole and of its performance.

## The system performs differently for different types of clients

We found it useful to separate client characteristics into four broad groups. Each group faces a different situation in dealing with the system, and ideally needs a different response from the system. The complexity of their needs distinguishes clients – do they need a single service best delivered by a specialist agency (A and B in the figure) or a package of services from many sources (C and D)? Clients also differ in their capacity to understand and manage their own access to available services.

New Zealand's social services system is well suited for groups A and B, which is where the majority of clients are. The system needs to provide standardised services with consistent quality for the large numbers of people in groups A and B. Clients need information to make their own service choices (group B), and professional referrals to match them to the best service (group A). Despite some shortcomings, silos are an effective way of managing specialist services, with strong vertical accountability back to Parliament.

These same features mean that the system too often performs poorly for those in society with complex needs that span across silos (groups C and D). For these people, accessing the services they need, in the form that they want, and when they want, can be extremely difficult and frustrating. In those groups, the system needs to be able to deliver well-integrated services, tailored to the needs of individual clients and their families. The inability of silos to collaborate effectively means that too often these needs go unmet, opportunities for early intervention are missed and disadvantage endures. For taxpayers it often means the fiscal cost of the system escalates as people re-enter the system at a later date at more costly intervention points – such as emergency units and prisons. The human costs are extremely high for these clients, their children and wider society.

Group C clients should be empowered with more control over the services they need. Those who are less able to make decisions (group D) need support and a response tailored to their needs. It is these people – the most disadvantaged New Zealanders – who are the targets of a long succession of government initiatives. Yet effort remains fragmented and success elusive. It is time for a different approach.

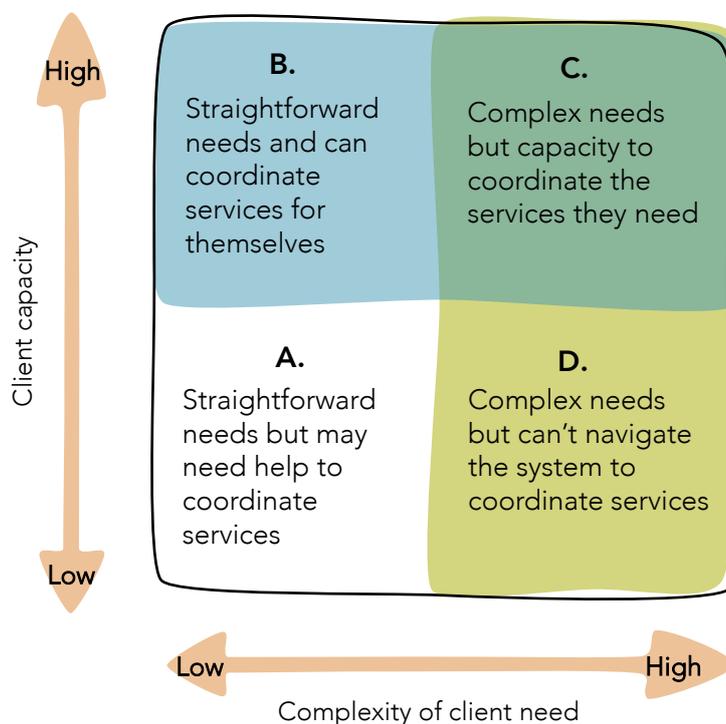
### A new deal for the most disadvantaged New Zealanders

A relatively small proportion of people fall into group D, but they experience consistently poor results across health, education, welfare dependency and crime. This can create a cycle of disadvantage that persists across generations. This is unsatisfactory for all of us – those in need, those tasked with helping and New Zealand society generally. We have the opportunity to do better.

For these people and their families, just making the current system work better is not enough. They need an adaptive, client-centred approach to service design. They need “navigators” who can engage with them and their family, understand their situation and support them to access the services they need. Yet the current funding and delivery of services through administrative silos makes this difficult.

Navigator services work better if they, and agencies that commission services, have responsibility for improving outcomes for a defined population. Service decisions and a dedicated budget should be close to the clients and reflect their needs. Better information on navigator and provider performance, and clients' needs and outcomes, will be required to guide funding and service decisions.

The Government should assess and implement an appropriate model with the features required for successful integrated services targeted at the most disadvantaged. Whānau Ora is an important, but incomplete, step



towards such a model. Our report outlines two candidate models with the required features – a Better Lives agency and District Health and Social Boards.

Implementing a new model will require a major shift in thinking and structures. It is both achievable and realistic, but putting it into practice will take time and persistence.

## Improving the social services system

### Empower the client

The social services system works well when people with the right information, incentive, capability and authority make decisions about service delivery. Whether their needs are straightforward (group B) or complex (group C), many clients, or their representatives, are best placed to make these decisions.

Social services are commonly contracted out or provided in-house. As a result, clients have too few choices around what the service is, who delivers it, or when, where and how it is delivered. Choice and control give clients a way to experiment with different services. Providers innovate and adapt their services to fit what clients want. Most clients experience an increased level of satisfaction after receiving choice and control over service delivery.

For group B clients, choice is common in education and parts of health. But New Zealand has few examples of empowering group C clients to make choices about service delivery. Individualised Funding for disability services is one exception. Client choice should be extended in disability support, drawing on the lessons from Enabling Good Lives. The Government should investigate extending client choice to other types of services such as home-based support of older people, respite services, some family services, and drug and alcohol rehabilitation services.

### Improve commissioning and contracting

Effective commissioning is fundamental to well-functioning social services, but government agencies do not undertake commissioning in a structured and consistent way.

A key commissioning task is selecting the model for the delivery of a service that best matches policy objectives, and the characteristics of the service and its intended clients. We identified seven service models currently used in New Zealand and elsewhere. Two of these, in-house provision and contracting out, are dominant in New Zealand. Considering a wider range of models increases the likelihood of a better match, and better outcomes for clients. Managed markets, trust, shared goals, vouchers and client-directed budgets can be effective in the right circumstances.

Commissioning tasks also include the detailed design of services, such as determining client eligibility and service standards, the design of evaluation, and pricing. Commissioning organisations should guide service implementation and provide stewardship so that services are operating well, learning and innovating, and achieving their purpose. The Government should appoint a lead agency to promote better commissioning of social services. Commissioning organisations should actively build the required skills, capability and knowledge to lift the quality of commissioning.

Providers reported that contract terms and funding levels were not sufficient to allow them to make investments in staff training, information systems or innovation. Full funding is appropriate when governments are paying non-government organisations to deliver the Government's goals or commitments. Full funding should be set at a level where an efficient provider can make a sustainable return on the resources they use in providing the service.

### Build a system that learns and innovates

A system that learns needs to have clear goals, strong incentives and the flexibility to find, try out and spread new ideas. Designing the system and choosing service models to incorporate these features are key.

Giving clients and providers more decision-making authority and control over resources encourages innovation. A devolved system needs good information systems, and rewards for successful providers, to drive the spread of new ideas that improve client outcomes, and to close down or modify unsuccessful programmes.

The current evidence base for system-wide learning is weak and needs to be strengthened. Conventional evaluation of many social services is lacking, of poor quality or not used to improve decisions. Commissioning

organisations should ensure that every programme is monitored and evaluated. Government-funded social services research and evaluation should be promptly published.

A system that learns needs timely, client-centred data and analytics to be available to decision makers throughout the system. Cost-effectively collecting, sharing and analysing data across the social services system will make it easier to design and commission effective services. Better information will also help target resources to where they make the most difference to improving people's lives.

Confidence and trust in the sharing of personal data is crucial. Government and non-government organisations should work together to develop and implement protocols for data privacy and security. The work of the New Zealand Data Futures Forum provides useful guidance. The Social Sector Board should be responsible for social sector data integration, which should include the design of institutions and processes to progressively develop a comprehensive, wide-access, client-centred data network.

### Make smarter investments

Well designed and targeted early interventions can help reduce or prevent worse consequences at a later date. The Government's Investment Approach is an attempt to make social services more effective through better targeting of interventions. It aims to reduce long-term spending by providing well-targeted employment and related services to the people who receive it. The approach should be further refined and applied more widely, both within the Ministry of Social Development and across other social service agencies.

### Improve system stewardship

Government has a unique role in the social services system. It is the major funder of social services, and has statutory and regulatory powers that other participants do not. The Government should take responsibility for system stewardship – maintaining active oversight of the system as a whole, clearly defining desired outcomes, prompting change when the system underperforms, and identifying barriers to, and opportunities for, beneficial change.

## Implementing change

While many of our recommendations would move control over relevant decisions further from central decision makers and closer to clients, such devolution also requires change at the centre.

The Government should establish a small and cohesive *Ministerial Committee for Social Services Reform* to take responsibility for leading the Government's reform of the social services system. The Committee should give priority to developing and implementing a new model that improves outcomes for the most disadvantaged New Zealanders. The Government should establish a *Transition Office* to support the Committee.

The Social Sector Board should retain responsibility for ongoing stewardship functions that need co-ordination across agencies, including data sharing, setting standards, and improving commissioning and data-analysis capability. The Government should enhance Superu (the Social Policy Evaluation and Research Unit) to become an effective independent agency responsible for ongoing monitoring, researching and evaluating the performance of the social services system.

The Government has to demonstrate leadership in the things that only it can do as system steward. Yet, for reform to succeed, it needs to collaborate with and unlock the potential of the many leaders across the system.

## Our inquiry engaged widely

During the course of our inquiry, we released an issues paper (October 2014) and a draft report (April 2015); considered 246 submissions; and held more than 200 meetings with interested parties. We were impressed with the hard work, perceptive thinking and commitment of those who deliver social services to people in need. We acknowledge and thank those who participated in the inquiry, contributing enormously to our understanding of the issues and to our recommendations.

The **New Zealand Productivity Commission** – Te Kōmihana Whai Hua o Aotearoa – is an independent Crown entity. It conducts in-depth inquiries on topics selected by the Government, carries out productivity-related research, and promotes understanding of productivity issues.