

A fair chance for all

Breaking the cycle of persistent disadvantage

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NEW ZEALAND
PRODUCTIVITY COMMISSION

Te Kōmihana Whai Hua o Aotearoa



Overview



Too many New Zealanders experience persistent disadvantage

Despite their innate strengths and the ability of people and communities to withstand life's challenges, not everyone in Aotearoa New Zealand is experiencing mauri ora.

The cycle of persistent disadvantage experienced by too many cannot be ignored, or tolerated as inevitable, or put off until another day, or accepted as too difficult to change. The costs are borne by all – individuals, families, whānau, businesses, communities, government and our entire nation. Equally, we all stand to gain when this cycle of persistent disadvantage is broken.

Everyone in Aotearoa New Zealand wants to live good lives. New Zealand has a long history of valuing fairness and "a fair go". We were the first country in the world to introduce universal suffrage, and there is a strong tradition of standing against anti-egalitarian regimes. A fair chance for all means all New Zealanders, present and future, feel proud of their cultural identities, are supported to achieve their aspirations, and have genuine choices and access to opportunities to live better lives.

Our kaupapa

The terms of reference for this inquiry asked the Productivity Commission (the Commission) to “undertake an inquiry into economic inclusion and social mobility, focusing on the drivers and underlying dynamics of persistent disadvantage”.

There have been many previous reviews relating to improving the wellbeing of New Zealanders. Although sector-specific policies have received attention on many occasions, there has been much less investigation into the role of the public management system itself in addressing persistent disadvantage. The Commission, in its function as an independent advisor to Government and its ability to look beyond individual sector/agency work, has focused on filling this gap. Consequently, this inquiry took a system-wide and whole-of-government perspective to identify system shifts and changes to break the cycle of persistent disadvantage.

The Commission was asked to avoid duplicating other major inquiries, such as those undertaken by the Welfare Advisory Group (WEAG) and the Tax Working Group, so we did not examine the tax or welfare systems. Constitutional reform was also out of scope.

Persistent disadvantage

We defined **persistent disadvantage** as disadvantage that is ongoing, whether for two or more years, over a life course, or intergenerationally. Our definition of persistent disadvantage sets out three domains:

- being left out (excluded or lacking identity, belonging and connection);
- doing without (deprived or lacking the means to achieve their aspirations); and
- being income poor (income poverty or lacking prosperity).

Frameworks for social inclusion and wellbeing

We defined **social inclusion** as being when all New Zealanders live fulfilling lives – where individuals, their families, whānau and communities have a strong sense of identity; can contribute to their families and communities; and have the things they need to realise their aspirations and nourish the next generation.

There were many different frameworks that could be used to consider how persistent disadvantage might be addressed to achieve this aim. We drew on He Ara Waiora, a tikanga-based framework built on te ao Māori knowledge and perspectives of wellbeing, which is intergenerational in scope. We worked with Treasury and Ngā Pūkenga, a group of Māori thought leaders, to adapt He Ara Waiora, using mauri ora as the central concept to describe the wellbeing and productivity outcomes we are seeking for New Zealanders in this inquiry. We also drew on Treasury’s Living Standards Framework and the All-of-Government Pacific Wellbeing Strategy to develop our mauri ora approach, which is set out below.

Mauri ora approach

Our mauri ora approach is strengths-based and includes the four dimensions of human wellbeing from He Ara Waiora. These dimensions are reflected in our definition of persistent disadvantage, and the subsequent analysis in this report, which seeks to enhance the mana and wellbeing of people experiencing disadvantage. In particular, we explored how barriers in the system, life events and circumstances, and/or a lack of resources or poor environment interact and may inhibit the ability of individuals, families, whānau, and communities to enhance their wellbeing. We used this to frame how we considered what to recommend.



People and communities experience wellbeing through four mana-enhancing dimensions.

- **Mana tuku iho** – have a strong sense of identity and belonging.
- **Mana tāutuutu** – participate and connect within their communities, including fulfilling their rights and obligations.
- **Mana āheinga** – have the capability to decide on their aspirations and opportunities to realise them in the context of their own unique circumstances.
- **Mana whanake** – have the power to grow sustainable, intergenerational prosperity.

Our findings

Close to one-fifth of New Zealanders experienced persistent disadvantage in both 2013 and 2018

Approximately one in five New Zealanders (18.2% or 697,000) experienced persistent disadvantage in one or more domains in both 2013 and 2018. Around one in twenty New Zealanders (4.5% or 172,000) experienced complex and multiple forms of persistent disadvantage (in two to three domains).

The most common persistent disadvantage experienced was being left out (8.8% or 337,000), followed by being income poor (7.4% or 283,000) and then doing without (6.9% or 265,000).

Persistent disadvantage is a systemic problem

A central finding of this inquiry is that people experiencing disadvantage and those trying to support them are constrained by powerful system barriers. Siloed and fragmented government and short-termism reflect well-known challenges that the public management system has been grappling with for decades. Outside the public management system, power imbalances, discrimination, and the ongoing impact of colonisation form part of the economic and social context and create the main drivers for both advantage and disadvantage in Aotearoa New Zealand.

Social, economic, health and other conditions, along with life and past events can make people more vulnerable to persistent disadvantage. Support to manage or overcome these conditions might come from whānau, communities or the government, or from all these places. The goal for the system needs to be that all people can get what they need to live a better life.

Factors that protect against persistent disadvantage include adequate income, housing, health, and social connection; cultural identity and belonging; knowledge and skills; access to employment; stable families; and effective government policies and supports.

For many people, disadvantage does not persist. People can get themselves through a temporary period of disadvantage by drawing on their own resources, accessing support from family, whānau, and friends, the local community, and from the Government (central and local).

However, in the absence of effective support, disadvantage that would otherwise be temporary can persist and compound, trapping people within multiple complex disadvantages.

There are challenges with the way the current policy and public management system operates

In Aotearoa New Zealand, persistent disadvantage continues despite repeated reviews that describe consistent themes and call for changes in policymaking and service design. Although the advances in wellbeing approaches set out in the Commission's final report are a good start, implicit and explicit assumptions within the public management system create challenges for implementing a comprehensive wellbeing approach.

These challenges have been discussed in a variety of studies that have examined Aotearoa New Zealand's policymaking approach and system settings.¹

There is often a narrow focus on economic growth and material prosperity

This narrow focus sometimes stems from a view that even non-material aspects of wellbeing, such as health and life satisfaction, flow from increased individual and national prosperity, often measured using Gross Domestic Product (GDP). While the Living Standards Framework and He Ara Waiora are intended to address this issue, more could be done to truly operationalise these frameworks into policy and investment advice and decision making.

¹ See Babian et al., 2021; Boston et al., 2019; Haemata Limited, 2022b, 2022c; Karacaoglu, 2021; Lowe & Wilson, 2017; Mazey & Richardson, 2021; Parliamentary Commissioner for the Environment, 2021; Pawson & The Biological Economies Team, 2018; and The Southern Initiative & Auckland Co-design Lab, 2022. Full citations available in the inquiry's final report.

Some values are emphasised over others

The system (implicitly) prioritises “western” ways of doing things over indigenous and/or more diverse views of wellbeing. This has resulted in the prioritisation of the individual as the focus of policy action (individualism), rather than prioritising collectives, such as family, whānau and communities (collectivism). In contrast, He Ara Waiora, and the All-of-Government Pacific Wellbeing Strategy emphasise a more collective and intergenerational perspective on economic and community activity. However, there remains a tendency for wellbeing policy and investment analysis to default to the types of values set out in the Living Standards Framework alone.

The system struggles to recognise or account for the full range of impacts on wellbeing when making decisions

The still largely siloed nature of the current public management system means that decisions in one part of government may undermine efforts in another part to improve wellbeing. The current system settings need to change to enable the system to focus on complementarities, by encouraging policymakers to uncover and respond to the complex linkages between the decisions being made by different government agencies motivated by different wellbeing objectives.

The current system is overly focused on short-term outcomes and struggles to consider the future

This is reflected in the Budget process, which focuses on the next four years of funding, and in agency statements of intent and reporting cycles, which are often shorter. Investment decisions give disproportionately greater weight to short-term benefits and costs, relative to the needs of future generations. System settings need to change so that policymakers give greater weight in planning and investment decisions to long-term challenges and the needs and rights of future generations.

The system often fails to respond to people experiencing multiple challenges at the same time

People experiencing persistent disadvantage often face multiple challenges at the same time. Yet the system attempts to achieve wellbeing outcomes for them through the accumulated efforts of individual agencies – each focusing on doing their job well but working in isolation. As noted by the OECD, “public policy makers have traditionally dealt with social problems through discrete interventions layered on top of one another. However, such interventions may shift consequences from one part of the system to another or continually address symptoms while ignoring causes.” Shifting system settings to support a connected, multi-sector approach would enable the public sector to make more effective progress towards improving the wellbeing of people experiencing persistent disadvantage.

The system does not pay enough attention to the distribution of wellbeing across individuals, families, whānau and communities

To address persistent disadvantage, more emphasis needs to be given to the distributional impacts of policies and programmes, so individuals, families, whānau and communities most in need get the attention and resources they require. Shifting system settings to consider distributional impacts (which may result from a range of factors, including power imbalances and access to opportunities and resources) would help to improve wellbeing for a greater number of individuals, families, whānau and communities – particularly for those experiencing persistent disadvantage.

A clearer system purpose and direction for wellbeing is needed

Aotearoa New Zealand was an early adopter of wellbeing measurement frameworks and the introduction of a Wellbeing Budget, and we commend this growing emphasis on wellbeing. However, the current wellbeing approach leans heavily on measurement and lacks true integration into the public management system. Aotearoa New Zealand has been at the forefront of international wellbeing approaches, but other countries are now operationalising wellbeing better.

Public accountability settings need to be re-focused...

Current accountability settings constrain more innovative and effective ways of addressing persistent disadvantage. We have identified three critical gaps in the accountability system:

- weak direct accountabilities for ministers and the public service in addressing persistent disadvantage and the needs of future generations;
- the neglect of te Tiriti o Waitangi (te Tiriti) as a foundational constitutional document; and
- settings that constrain ongoing learning and more innovative and effective ways of addressing persistent disadvantage, including relational, collective and trust-based approaches.

These gaps reflect an overemphasis on preventing abuse of power, and focusing on “delivery” rather than results, leading to a “pseudo-accountability” trap. They also reveal settings that are out of sync with the intent of other public sector reforms to the Public Service Act 2020 and Public Finance Act 1989, particularly those around the provision of more modern, connected, citizen-focused public services. This is limiting the effective operation of those reforms.

...to support locally led, whānau-centred and centrally enabled approaches

Locally led, whānau-centred and centrally enabled approaches can provide more effective and responsive assistance to individuals, families, and whānau experiencing persistent disadvantage. However, Aotearoa New Zealand’s public accountability and funding settings do not yet adequately enable and support more trust-based and devolved ways of providing public services, or the relational commissioning approaches committed to in the Social Sector Commissioning Action Plan. Moreover, the approaches that do exist are typically under-resourced and struggle to meet the level of need and aspirations within communities.

To resolve this, policy work is needed to redesign accountability settings so the pursuit of ensuring appropriate use of public funds do not excessively constrain the cross-cutting nature of locally led, whānau-centred approaches. Likewise, contracting, monitoring, evaluation and learning approaches need to be more proportionate to the quantum of funding and risk involved.

The inquiry acknowledges the range of existing whānau-centred approaches to improving wellbeing and devolving direction setting and decision making to local communities. However, efforts across government are piecemeal, not fully coordinated and lack long-term funding arrangements, which limits their potential effectiveness. Central government needs to take a stronger role to build enduring support (including funding pathways) for these initiatives. A whole-of-government approach to policy work in this space is needed, and roles and responsibilities need to be clearer.

Building a learning system

The inquiry found a need for a step-change in how the Aotearoa New Zealand public sector uses evidence and learns. To break the cycle of persistent disadvantage, the public management system needs to become a 'learning system', by:

- generating, synthesising and sharing what it is learning across the system (with policies and accountability mechanisms in place to ensure this happens and that what is being learned is acted on);
- including diverse views and perspectives to bring decision making closer to those experiencing persistent disadvantage, by engaging with people who are affected by government decisions, so they have input into shaping those decisions, as well as judging the impacts;
- supporting policymakers to take action now and in the future, to improve the lives of people experiencing persistent disadvantage; and
- taking an intergenerational lens, which includes ensuring the system-wide impacts of decisions over time are evaluated.

The way forward

A future without persistent disadvantage is within our grasp

The cycle of persistent disadvantage cannot be resolved through quick fixes or isolated actions. There is no single approach that works to overcome persistent disadvantage. But there are common themes: locally led, whānau-centred, centrally enabled approaches; trusted relationships – holding each other to account – between funders, providers, and the people and their communities; and learning from the voices of people and their communities.

The seeds of change are already there. In the spirit of service, aligned to the big picture, and upholding their duty of care, many public servants are striving to make a difference to the wellbeing of Aotearoa New Zealand and all its people.

We acknowledge that system change is not easy, but it is possible with time and commitment. A generation ago, Aotearoa New Zealand's public management system was redesigned to address the challenges of that time. Now we must once again confront what is not working – and focus on finding things that do work.

The recommendations we have made are intended as an interconnected and reinforcing package. They build on system change already underway.

In summary, we recommend that the Government:

- Sets a clear long-term direction and priorities for wellbeing.
- Establishes measures for a social floor that enables social inclusion.
- Puts in place roles and institutions that foster stewardship; support locally led and whānau-centred wellbeing; and give greater voice to vulnerable groups, including future generations.
- Commits the long-term resourcing needed to see the work through.
- Strengthens public accountability for reducing persistent disadvantage and enhancing mana and wellbeing.
- Takes overall responsibility for public management system learning and improvement, underpinned by appropriate monitoring and reporting.

Gain cross-party agreement on long-term wellbeing objectives

We see value in pursuing a combination of approaches by current and previous governments to address persistent disadvantage. It is important to identify where early investment could make the most difference in people's lives, and to set goals focusing on improvements to address the complex problems spanning multiple domains and agencies.

Cross-party agreement to develop and implement generational (20- to 30-year) strategic wellbeing objectives will be essential for sustaining the long-term commitment needed to address persistent disadvantage, with progress regularly monitored and reported.

A social floor should be established, and existing work must be progressed and expedited

A social protection floor is described as "nationally-defined sets of basic social security guarantees which secure protection aimed at preventing or alleviating poverty, vulnerability and social exclusion" (International Labour Office, 2012). Establishing this baseline is necessary to give effect to the implied social contract that enables business and economic activity.

Such a baseline standard of living would also need to be consistent with Tiriti obligations of both partners. Several submissions also noted that a social floor would be consistent with Aotearoa New Zealand's human rights obligations under national laws and international agreements.

The Treasury and other agencies, working with people experiencing persistent disadvantage, should define such a floor as part of the Living Standards Framework and He Ara Waiora. This should include defining the levels of income required for individuals, families, and whānau to meet the material requirements for social inclusion, while recognising that non-material requirements are also important.

In the short term, we recommend existing work relating to protective factors needs to be not only progressed but expedited.

Broaden the values within the system to include the many dimensions of wellbeing and indigenous worldviews

Frameworks such as He Ara Waiora and the Pacific Wellbeing Outcomes Framework need to be given greater centrality and weight, both in policymaking and in the expectations placed on how public servants should uphold the "spirit of service" in the Public Service Act. We are not advocating for one dominant approach to be replaced by another; rather, we are arguing for a more pluralistic and multicultural approach. In practice, that will require additional, deliberate and sustained investment in operationalising such frameworks, so they are truly seen as equally valuable.

More generally, embedding tikanga frameworks such as He Ara Waiora into the public management system would enable the Government to give better effect to te Tiriti o Waitangi.

Legislation and institutions to accelerate system shifts

A Social Inclusion Act – alongside, and complementary to, the Child Poverty Reduction Act 2018 – would underpin accountability for efforts addressing persistent disadvantage. The primary purpose of the Social Inclusion Act would be to require the Government of the day to state its short- and long-term objectives towards reducing persistent disadvantage in measurable terms, and to explain how it proposes to meet those objectives.

In recognition of the current absence of voice for future generations, as well as the inherent short-term bias within the public management system, a Wellbeing of Future Generations Act is recommended. This would establish a Parliamentary Commissioner for Future Generations, whose statutory role would be to represent the interests of future generations.

Adapt, evaluate, listen, learn, and innovate

The accountability and learning systems within the public management system should be reviewed and revitalised to encourage new approaches which work across government agencies, and to hear and value evidence from people and communities experiencing disadvantage. The objective is to develop a more responsive, relevant and accessible public accountability system that builds trust and empowers people – particularly those experiencing persistent disadvantage, who are not well served by current accountability settings. The public management system must be one that learns from experience, corrects mistakes and improves what it does. It should empower people experiencing disadvantage by giving them a more influential voice.

Support more locally-led, whānau-centred and centrally enabled ways of working

The Government should commission a programme of policy work aimed at enabling and sustaining more locally led, whānau-centred and centrally enabled initiatives that directly support people's autonomy to make changes in their lives. This work, which should be undertaken in collaboration with community partners, will require resourcing for both agencies and community partners.

Eligibility and accountability settings to ensure public funds are used appropriately should not excessively constrain the cross-cutting nature of these approaches. Eligibility criteria should include appropriate endorsement that organisations authentically engage with and are accountable to their respective communities. In particular, eligibility criteria should ensure organisations are accountable to the people in their communities that are experiencing persistent disadvantage.

Long-term funding needs to be committed to such initiatives, provided ongoing effectiveness and/or improvement can be demonstrated.

Enable a public management system that learns and empowers community voice

Stronger leadership and stewardship for learning and improvement as a system function is needed to achieve the step-change towards becoming a learning system.

The requirements of this function should include:

- ensuring the voices of individuals, families, whānau, and communities experiencing disadvantage are used to inform what support and help is needed and how it should be provided;
- supporting the public management system to innovate, test and adapt to find out what works to break the cycle of persistent disadvantage;
- tracking the adoption of new systems settings, behaviours and practices that prioritise equity and support the changes needed on the ground in whānau and communities;
- ensuring the public management system acts in a timely manner on what is being learned – for example, by adapting services, sharing learning where relevant, removing any obstacles, or creating new services to meet unmet demand; and
- supporting the public management system to anticipate needs across the life course and between generations so that government can do more to prevent persistent disadvantage from occurring, instead of just addressing it when it does happen.

To ensure good practice for agencies, we recommend the development of standards and guidance, with a review function to monitor this. Investment in capability building will also be required.

Perhaps the biggest change required is a change in mindset, which reorientates towards investing in learning by doing, and understanding the lived realities of individuals, families, whānau and communities experiencing persistent disadvantage, and what matters to them.

Collect better information

Aotearoa New Zealand has poor data on how people's fortunes change through time and across generations. The inquiry calls for commitment to investing in data collection for measuring wellbeing and disadvantage over a life course, between generations, and within different communities.

Our recommendations

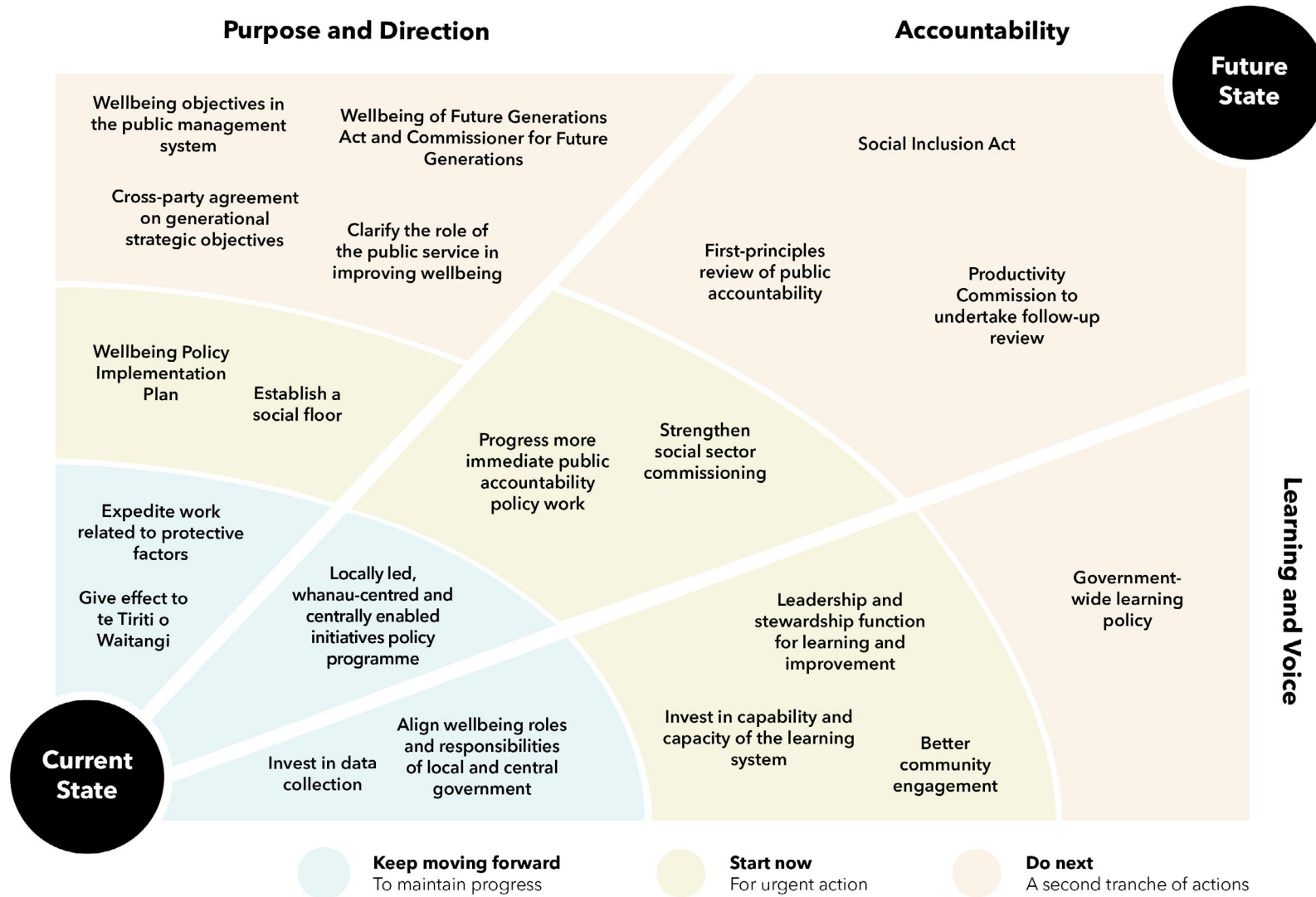
Our recommendations fall into three main areas of the public management system:

- Purpose and direction
- Accountability
- Learning and voice

Implementation of the recommendations in this report allows us to reimagine a public management system that ensures all individuals, families, whānau, and communities, can access what they need for better lives.

An implementation roadmap

The roadmap below details the system shifts we have recommended, with a suggested phasing of action.



Read the full report: www.productivity.govt.nz/inquiries/a-fair-chance-for-all/