

A fair chance for all

Breaking the cycle of persistent disadvantage

Interim report | September 2022

NEW ZEALAND
PRODUCTIVITY COMMISSION

Te Kōwhiriā Whai Hua o Aotearoa



Overview



The Government has asked the Productivity Commission to undertake an inquiry into economic inclusion and social mobility – A fair chance for all – with a focus on helping those experiencing persistent disadvantage. This report brings together our interim findings on this wide-ranging and complex topic and seeks public comment and feedback on a way forward.

While many of us are thriving, there are too many in Aotearoa New Zealand who are not

We all want to live fulfilling lives where we have a strong sense of identity, are able to contribute to our families and communities, have the things we need to realise our aspirations, and grow the next generation of New Zealanders. As New Zealanders, justice and caring for others is part of our cultural identity. We all share a responsibility for looking out for each other and not leaving anyone behind.

While many of us are thriving, there are too many in New Zealand who are not. About 17% (724 000) of New Zealanders experienced persistent disadvantage in both 2013 and 2018. Young people, families and whānau can face multiple disadvantages that hold them back, which can turn into a cycle of persistent or intergenerational disadvantage. People and families face impossible choices every day, just trying to get by.

Our interim recommendations focus on the overall settings of the “public management system”

Rather than recommending sector-specific policy changes or how individuals, communities and society in general can achieve change, we asked the question: what are the “upstream” system settings that hold persistent disadvantage in place and what would enable change? We then looked across the public management system to understand what is creating the inequities in people’s lives in the first place and why certain groups are more vulnerable to disadvantage in New Zealand.

As you will see, we identify four barriers to addressing persistent disadvantage that exist throughout the public management system and impact all sectors and all institutions. One of these barriers is the fragmented and siloed nature of government, which challenges the idea that making improvements in individual sectors will be sufficient for addressing persistent disadvantage.

A future without persistent disadvantage is within grasp

The seeds of change are already there. Working collectively, the people of New Zealand, the Government and the public service can remove system barriers to unlock opportunities for those living in persistent disadvantage.

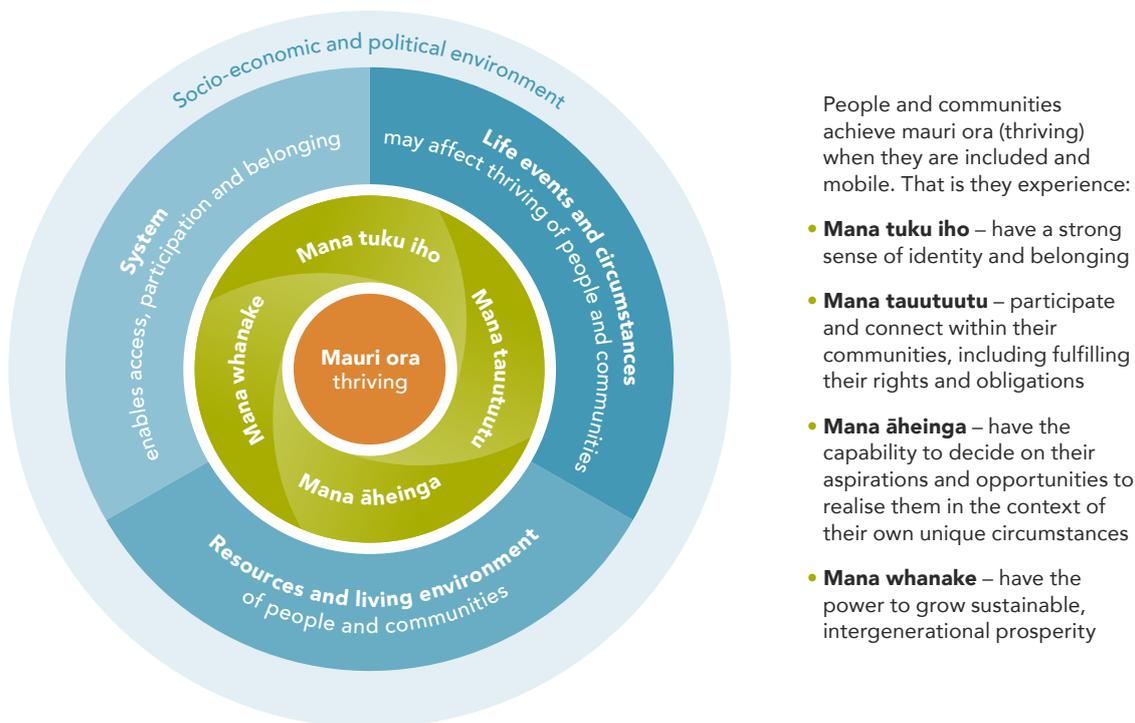
To get to that more equitable and productive future, we need to be brave and discuss some confronting issues like the ongoing impacts of colonisation, institutional and systemic racism, and who holds power. We also need to ask some fundamental questions about the purpose and nature of our public services. It is time to take a step back and reconsider some of the embedded “assumptions” that underpin the way we think about these issues.

New values must be grounded in te ao Māori in recognition of Te Tiriti o Waitangi (Te Tiriti) as the foundational document of Aotearoa New Zealand. We have adapted the He Ara Waiora wellbeing framework already in use across the public sector as one way to both ground this report in te ao Māori, and to recognise our responsibility to engage with Māori and understand Māori perspectives.

We have a broad vision of social inclusion that has strong links with Māori and Pacific peoples’ perspectives on wellbeing

Inherent in our vision is the principle of equity, which recognises that each person has different circumstances and needs, and gives them access to the resources, capabilities and opportunities they need to thrive.

Below is a visual representation of our Mauri Ora approach, which we developed after considering a range of feedback and research. In this, we draw on four dimensions of wellbeing set out in He Ara Waiora – a tikanga framework that conceptualises a Māori perspective on wellbeing that is applicable to all.¹ These are: mana tuku iho (identity and belonging); mana tauutuutu (connection and balance); mana āheinga (aspiration and capability); and mana whanake (prosperity). We use mauri ora (thriving) to describe the ultimate wellbeing and productivity outcomes we are seeking for New Zealanders.



¹ For a fuller description of He Ara Waiora, refer to <https://www.treasury.govt.nz/information-and-services/nz-economy/higher-living-standards/he-ara-waiora>

What the Commission found in this inquiry

Disadvantage is not simply being income poor

In spite of the innate strengths and ability of people and communities to withstand life's challenges, not everyone is thriving or attaining mauri ora. We describe this state as being in "disadvantage" or in a state of "mauri noho", or languishing. When disadvantage is ongoing, whether for two or more years, over a life course, or across generations (intergenerational disadvantage), we define this as persistent disadvantage.

Disadvantage is not simply about being income poor, but about not being able to experience all the "mana" as described in He Ara Waiora. In trying to quantify this, we use a definition of disadvantage that sets out three domains that align with the absence of mauri ora:

- left out (exclusion or lacking identity, belonging and connection);
- doing without (deprivation/material hardship or lacking aspiration and capability); and
- income poor (income poverty or lacking the foundations to grow prosperity).

Eliminating persistent disadvantage would create substantial social and economic benefits and improve wellbeing for all

People freed from disadvantage can lead better lives and the benefits will ripple widely. If we were to reduce the incidence of persistent disadvantage, we would raise New Zealand's productivity and increase the contribution people make to their communities through paid work and unpaid work (New Zealand Productivity Commission, 2022). For example, living with a health condition can create significant disadvantage in the lives of people and their communities. It is estimated that each year, type 2 diabetes creates \$562 million in lost wages and reduces the amount of unpaid work (eg, caring for others and volunteering) carried out by the equivalent of \$334 million (PwC, 2021). While illustrating only one aspect of disadvantage, this estimate no doubt understates the potential impact on wellbeing should such disadvantage become intergenerational.

Reducing persistent disadvantage would mean that communities would benefit from having more individuals being able to engage in their local community, such as participating in community groups and helping others grow their cultural capability and feel a sense of belonging (The New Zealand Treasury, 2021). It would also be easier for people in our communities to build relationships with each other and support our children to get a great start in life.

Some groups are more likely to experience persistent disadvantage

The data shows us that sole parents, people from families with no high school qualifications, Māori, Pacific peoples and disabled people were generally between one-and-a-half and three times more likely to experience persistent disadvantage in one or both of the two domains² than the average New Zealand population under 65 years. The regions with the highest levels of persistent disadvantage in one or two domains were Northland, Gisborne and Manukau (a sub-area within Auckland City).

People with low incomes may also find it difficult to change their situation. We found that 38% of New Zealanders with the lowest incomes in 2007 were in the same position in 2018.

² In the interim report, we were only able to measure two domains: being income poor and being left out. In the final report, we anticipate including analysis on persistent disadvantage across all three domains.

Alongside life events or inherent capabilities, power dynamics have a large influence

There are some key life events that are associated with becoming disadvantaged: relationship breakdown and change in family formation; living with a long-term physical or mental illness or being injured; and important life transitions. Conversely, there are factors that can protect people from becoming persistently disadvantaged. These 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.

Getting a good start in life is critical for building the capabilities an individual needs to avoid and respond to disadvantage. The evidence points to the importance of the early years (first 1 000 days), but also the benefits of supporting children throughout childhood.

The social, economic and political context also has an influence on the extent to which particular groups of New Zealanders are more exposed and vulnerable to disadvantage in their lives. What we see is people being stratified according to societal power dynamics, which in turn is influenced by Aotearoa New Zealand's history. The public management system can reinforce this stratification.

In response to this complexity our public management system has been evolving to take a more joined-up and collaborative approach

Over the last 20 years there have been several initiatives to improve the coordination of government in enhancing the lives of New Zealanders. There have also been recent reforms to the design and operation of the public sector with the new Public Service Act 2020 (PSA 2020) and updates to the Public Finance Act 1989 (PFA 1989). The aim of these reforms has broadly been to create a more adaptive and collaborative public service, and more specifically "to address complex issues that span agency boundaries, and to provide wrap-around services based on New Zealanders' needs, rather than agency convenience" (Public Service Legislation Bill, 2019).

There has also been recognition that the way public finances are allocated needs to change. In 2019, the Government introduced the first "Wellbeing Budget". At the heart of the Wellbeing Budgets is the idea that GDP is not a sufficient measure of the quality of life. But four Budget cycles on, the Government acknowledges that there is much more to do to broaden and embed a wellbeing approach.

Many people have told us more fundamental change is needed

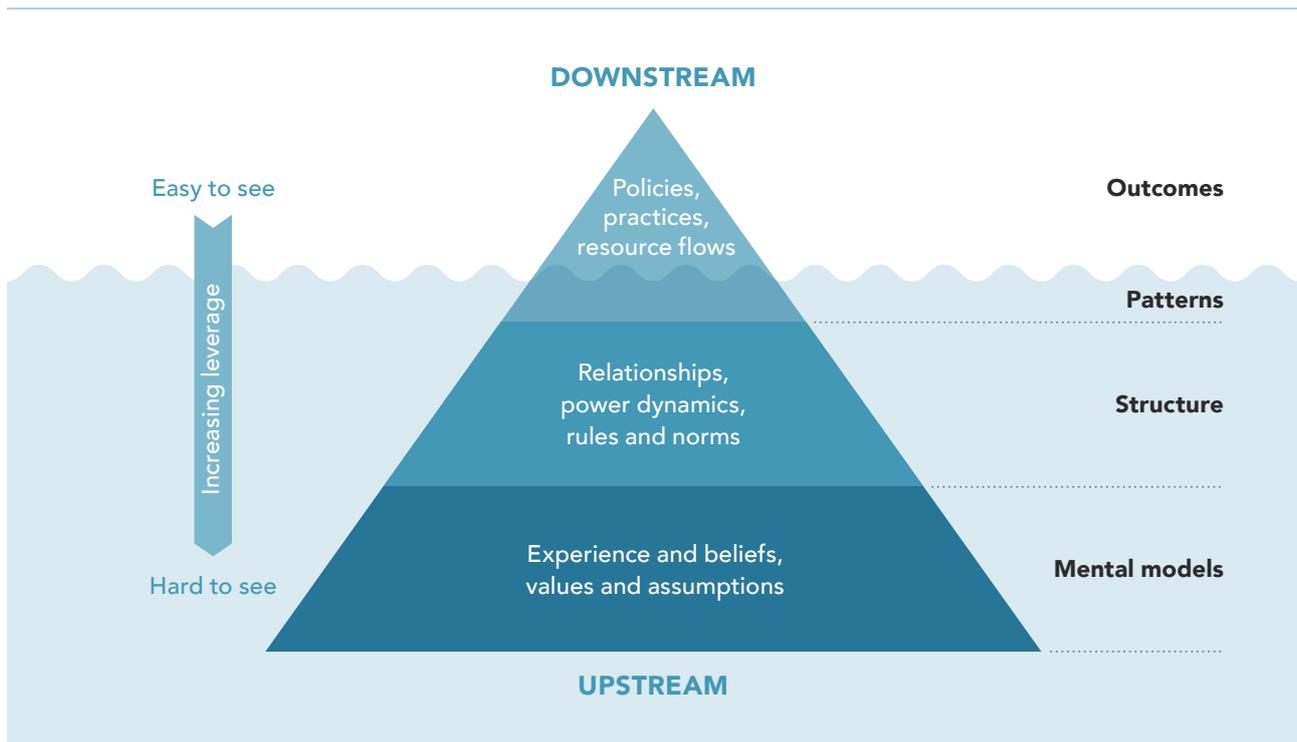
Submitters have told us that more needs to be done. In particular, they wanted us to look at what the Government can do better to support individuals, their families, whānau and communities to thrive; and to support providers.

We also heard from submitters and others we engaged with, including many public servants, that the current system constrains those trying to do the right thing for people in persistent disadvantage. Tinkering around the edges is not going to be sufficient and that more fundamental systems change, which challenges our existing concepts of what "public value" is, is needed:

The current welfare system is broken and no longer fit-for-purpose. Our system that is meant to stop people moving into persistent disadvantage was designed for a different environment and reflects a world view that is not reflective of our Te Tiriti o Waitangi honouring commitment. Related to this lack of a vital role of people/communities experiencing disadvantage to be agents for their change. The current system supports the status quo (persistent advantage). The current policy approach is not geared to embrace the interconnection between environmental, economic, social, cultural and political domains and how they support wellbeing. (Wesley Community Action, sub. 45, p. 1)

Four system barriers are holding back change

We have sought to use a “systems thinking” approach to try to understand the contribution the public management system makes to persistent disadvantage at the population level. This is represented by the “iceberg model” below. The things “below the surface”, like changing our collective values and assumptions, give us more “leverage”, than changing policies, practices and resource flows. The latter are much easier to see, but are the outcomes and outputs of upstream processes.



In trying to understand these hidden parts of the “iceberg”, we have reflected on the influence of our history as a colonial nation and the choices successive governments have made about what to invest in.

Our hypothesis is that persistent disadvantage stems from these “below the surface” values and assumptions that underpin our societal, political and economic systems. And so we see that despite the adoption of a wellbeing approach, old assumptions and mindsets remain entrenched and GDP growth retains a dominant place in discourse and policy analysis. This “paradigm”, or way of thinking, creates barriers that contribute to some people in Aotearoa New Zealand experiencing much more disadvantage in their lives than other people, and inhibits the public management system from being able to sufficiently address persistent disadvantage. We simplify and summarise the barriers as:

- **Power imbalances** – These shape government systems and policies. Policy responsiveness is strongly skewed toward those who have political and economic power, which entrenches the cycle of disadvantage.
- **Discrimination and the ongoing impact of colonisation** – As people of European descent became the ethnic majority in Aotearoa New Zealand, they introduced policies that benefited some of them at the expense of Māori. Prejudiced and paternalistic attitudes toward Māori continue to shape policies impacting Māori. Discrimination against other groups is also prevalent, including towards Pacific peoples, women, migrants and disabled people.

- **Siloed and fragmented government** – Our public services are organised through ministries and agencies focused on separate sectors (eg, education, health and welfare) that provide standardised services to individual people. This approach works until people’s needs become more complex. Despite reforms to get the public sector to work across these “silos”, there is a way to go yet to achieve a truly integrated and system-wide approach to tackling issues.
- **Short-termism and status quo bias** – Government planning and decision making is not sufficiently focused on long-term goals. There is a tendency to be risk-averse and to favour the status quo and make only incremental changes.

These barriers (and the underlying assumptions that help to give rise to them) are part of the reason why previous attempts to address inequities or realise wellbeing for all have not been fully realised. Collectively, the barriers and assumptions constrain the public management system from acting in a way that supports individuals, their families, whānau and communities achieving mauri ora. For example: power imbalances prevent tikanga (decisions being made by the right decision makers, processes and values) being followed in the public management system; discrimination prevents manaakitanga (care and respect) from occurring; a siloed and fragmented government makes kotahitanga (unity) hard to achieve; and short-termism makes tiakitanga (guardianship and stewardship) more difficult to implement.

We can take inspiration for these changes from local and international examples

We have considered a range of promising initiatives that demonstrate it is possible to address persistent disadvantage if we also address the underlying system barriers.

The insights from these examples include:

- Power imbalances can be addressed by reorientating the system around the needs of whānau. Whānau-centred and mana-enhancing approaches prioritise the voice, needs and aspirations of people experiencing disadvantage. We will need a broad social and political consensus to secure the long-term commitment required to address persistent and intergenerational disadvantage.
- Discrimination and the ongoing impact of colonisation can be addressed through an equity approach, which seeks equality of outcomes through complementary but distinct initiatives for disadvantaged groups. Culturally safe environments and culturally responsive organisations are important enablers of an equity approach.
- Whānau and rangatahi can be supported to lead the way on intergenerational wellbeing and equity, while support organisations can learn how to apply a strengths-based approach to help them achieve their aspirations.
- Government silos and fragmentation can be addressed by setting clear goals backed by a transparent and legislated measurement and accountability framework, integrated with the Budget process.
- Learning, improvement and accountability are critical for building the trust and confidence needed to drive transformative change. Accountability and trust are interdependent, and both must be reciprocal.
- The success of mana-enhancing and empowering initiatives has been demonstrated in multiple sectors and these can be scaled with government support. Iwi and Māori should be involved at the start as Māori often make up a significant proportion of affected citizens.
- Short-termism and the status quo bias can be overcome by taking a more future-focused and long-term view. For instance, the Finnish Government has introduced an experimental ethos, while Wales has legislated for the needs of future generations through its Well-being Act (2015).

Our interim recommendations for achieving a fair chance for all

To address the barriers, we propose further changes are needed to the design and operation of our public management system

While reforms in discrete areas of policy, such as those in the health sector, show promise for making a difference, we believe more fundamental change to the “macro”-level settings of the public management system is required.

A core thread is the broad application of He Ara Waiora (and other indigenous frameworks such as the Pacific Wellbeing Strategy) organised around the goal of mauri ora. We support the idea that He Ara Waiora should be used as an overarching framework for public policy in Aotearoa New Zealand.

We characterise the system shifts that are needed as to:

- **Re-think overall system settings to prioritise equity, wellbeing and social inclusion** – If we are to achieve change that makes the biggest difference for people, whānau, families and communities living in persistent disadvantage, we need to interrogate the purpose, values and assumptions of our public management system more closely, and adopt new values and new assumptions that prioritise social inclusion and mauri ora for everyone. This shift underpins all the others.
- **Re-focus public accountability settings to activate a wellbeing approach** – There is no agency tasked with the leadership and stewardship of our public accountability settings. As such, these settings are out of step with a wellbeing approach and wider public sector and public finance reforms. Current accountability settings maintain unbalanced power dynamics, encourage short-termism and siloed government, constrain more effective whānau-centred commissioning and services, and do not accommodate relational, inter-generational and indigenous views of accountability.
- **Broaden and embed a wellbeing approach across policymaking and funding frameworks** – Persistent disadvantage cuts across government sectors and requires a joined-up response to policy design and delivery that is Te Tiriti-led, guided by He Ara Waiora, embraces equity, and takes an intergenerational lens. A comprehensive policy commitment to wellbeing should be backed up by the reprioritisation of expenditure towards wellbeing goals and by supportive funding processes.
- **Enable system learning and improvement through monitoring and evaluation** – Evaluation is an essential part of tackling complex problems as it supports an adaptive “learning by doing” approach. While many initiatives tackling aspects of persistent disadvantage are evaluated, there is currently a lack of system leadership for monitoring, evaluation and learning, limiting uptake of applicable lessons by the centre. Also, monitoring and evaluation methods employed tend to mirror the one-directional accountability settings in place, meaning evaluations are commissioned and framed by the Government, rather than representing an opportunity for whānau and those experiencing persistent advantage to have agency as commissioners and leaders of evaluation.

We welcome your feedback to refine our findings and recommendations before submitting our final advice to Government in March 2023.



Have your say!

We welcome your views at:

www.productivity.govt.nz/have-your-say/make-a-submission