

Perspectives on a Fair chance for all NZPC interim report

Thank for the opportunity to take part in the NZPC webinar on 25 October 2022 and to offer my perspectives on the NZPC's 'Fair chance for all' interim report. In this memo I elaborate, in a more structured way, on some of the issues I raised during the webinar.

My background is as a pracademic – in recent years I have researched, taught at university and published extensively on a range of New Zealand public management and public policy issues. This included a major study of the performance management system for NZ state organisations referenced below. I spent my earlier career in a range of central agency roles as well with the OECD and in Washington DC.

I am making this submission in a purely private capacity and the ideas do not represent the views of any of the many public organisations that I am involved with. I am aware that my colleagues at NZIER, where I am not an employee but a Research Associate, have been engaged by the NZPC as part of the disadvantage inquiry. I have not discussed the specific contents of this written submission with any colleagues including those from NZIER.

Missing Links

My first general comment is that looking at the interim report in toto, the whole is less than the sum of the parts. There are some excellent background papers – from John Creedy et al and Kate Prickett and co-authors that don't seem to have been used to their potential. Chapter 4 (causes) is a useful stand-alone summary but doesn't build on the insights from Chapter 3 (measures). There is no clear theory of change or intervention logic that links Chapter 2 and 3 to Chapter 4 (Public Management System) and 5 (System change) – a point I will come back to more below.

Unpacking the impact of public policy regimes from the public management system

The interim report conflates the public management system with the public policy system and its various regimes and settings in different domains (health education, social services etc). These are two distinct phenomenon with separate literatures and areas of focus.

A particular public management system can support a wide range of public policy regimes – consider the differences in the policy regimes applying to universities, polytechnics, public, private and integrated schools and ECE under the one public management system - so there is no necessary relationship between the two. Combining them under one rubric – the public management system – using a definition that is unique to this report - simply confuses the discussion. (To avoid that confusion in this paper I will use the term public management system in the conventional sense and use the abbreviation NZPC PMS if I am referring to Interim Report definition which includes the public policy system).

Clarifying the link between disadvantage and the public management system

The report makes a connection between the NZPC PMS (as uniquely defined in the NZPC report) and persistent disadvantage. In brief I would make the following brief comments:

- The intervention logic connecting the NZPC PMS (as defined in the report) and persistent disadvantage is not articulated in the interim report
- No systematic evidence is provided for this link
- Persistent disadvantage occurs in every jurisdiction I am familiar with, and co-exist with a wide range of public management systems – so whether there is a causal link is doubtful

- There is no academic or grey literature in NZ or overseas I am aware of that systematically links disadvantage and the public management system (as defined in the mainstream sense)
- The interim report does not clearly distinguish¹ between:
 1. Practices that are inherent in New Zealand's constitutional and political arrangements that would apply to any conceivable public management system. Examples of things that are inherent are Ladley's law of political conflict (Prebble 2011), and the three year parliamentary term (driving short termism).
 2. Practices that are *unique to the New Zealand's* current public management system but not found in other jurisdictions with different public management systems
 3. Practices that are in use but *not inherent* in the design of the NZ public management system (rigid contracting and commissioning practices discussed in the NZPC's 2015 Social services report)

Attempts to address the first category above are out of scope for the terms of reference in report. Reform to the formal public management system would only address practices that relate to the second category and the impact – positive or negative - on disadvantage is unclear.

The most promising line of enquiry is focusing on reforms aiming to changes in practices in the third category. I suggest that the final report focus on the third category above – improving practices such as commissioning - so that there is more effective delivery of social services.

Understanding the role of the public management system

I suggest there is a plausible argument that if there is any link between the public management system and persistent disadvantage/social mobility, it has the opposite sign to that suggested in the Interim Report. In other words, persistent disadvantage is less in NZ than they would be otherwise because of the PMS!! This is because New Zealand:

- state agencies work under the most devolved public management regime in the OECD - so they face the lowest external constraints on the way services are delivered at the front line
- is simultaneously the most centralised state in the OECD - so citizens face less barriers as they don't have to navigate through the layers of government that exist in federal jurisdictions
- scores very highly on a wide range of international surveys comparing different aspects of public management systems. For example a recent systematic international comparison of public management regimes ranked New Zealand second in the world overall and in the top group on virtually every dimension.
<https://www.bsg.ox.ac.uk/about/partnerships/international-civil-service-effectiveness-index-2019>

My point is to highlight that the link between the public management system and persistent disadvantage is not obvious and whether the impact is positive or negative is arguable. It's a really tough job to unpack what indirect contribution the public management system is making to persistent disadvantages as opposed to the more direct contribution from how some public

¹ See Gill 2011 at 514-515 for a discussion of design variables that were specific to the New Zealand public management model as it has been designed and implemented. These variable need to be clearly distinguished from the constraints that are inherent in politics, people and public services and are faced by any conceivable public management model.

policy regimes are implemented. I suggest the focus of the next phase of the inquiry needs to be on the public policy regimes and how they operate in practice.

Unpacking the role of the different public policy regimes

I am not aware of any empirical evidence of a negative causal link between the NZPC PMS and disadvantage. But I am aware of a NZ study of the fiscal incidence of the public policy system which suggests the opposite effect!

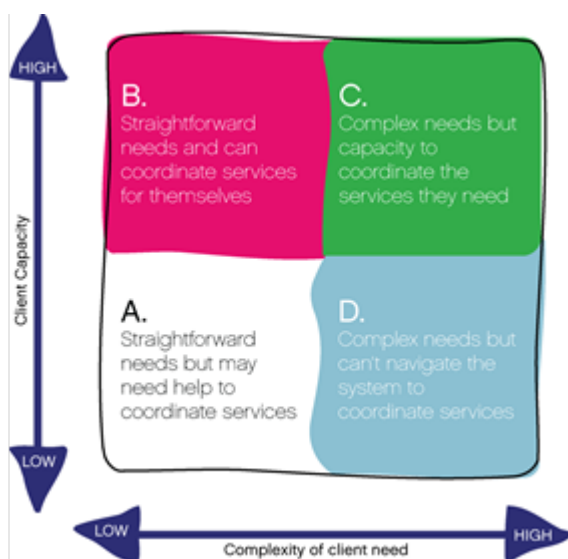
Colleagues at VUW have researched the fiscal incidence of NZ central government taxes and spending (i.e. who pays and who gets what from the state) (Aziz Gemmell and Laws 2013). They show that the overall fiscal incidence of the public policy system results in a redistribution of resources over the life cycle and from higher to lower incomes earners (see Figure 13 and 14 in particular). For both males and females there is a transfer from the working aged (through taxes) to the young (mainly education spending and income support) and the aged (NZ Super and health spending). Within cohorts the income transfers are from those with higher market incomes to those with lower incomes.

Refocus on how public policy regimes operate

That is not to suggest that there isn't scope for improvement in how the various public policy regimes operate to address persistent disadvantage. Clearly there are policy options that need to be explored that focus on early intervention, addressing resource deficiencies at key phases in the life cycle, improving how the housing market operates etc. This is where work in the next phase of the inquiry needs to focus.

Variable geometry – working in multiple modes

People are defined by their diversity: different approaches may be needed for those in persistent disadvantage (typically 5-10% of the population), those at risk of experiencing persistent disadvantage (maybe around 40%) and those not at risk (say 50%). The important point made in the 2015 NZPC Social Services report is the challenge of designing a regime that operates in multiple modes.



The 2* 2 diagram above (NZPC 2015 p 53) highlights the importance of agency and complexity. Where a case is complex, but if the person has high agency then they are generally to manage their way through the system. And then you have people whose agency is low in complex situations and they struggle with navigating the system. The public policy regimes need to deal with this problem of variable geometry—you need to be able to deal with people from all those 4 quadrants. Service redesign needs to focus on helping people move from Quadrant D to Quadrants C and B.

Moving the national policy debate forward

Political debates on income support and social welfare policies over the last few decades have generally been a dialogue of deaf between advocates focusing on raising benefits levels at one extreme and ‘work for the dole’ at the other. In reality, dealing with disadvantage and social mobility is more complex and neither increasing benefits nor increasing work readiness will work on their own.

The NZPC has a unique opportunity with this inquiry to provide an evidence based research platform to move the national policy debate forward. Unfortunately the analysis of the data presented in the interim report hasn’t been completed. I would also suggest more could be made of excellent background work that has been commissioned from John Creedy et al and Kate Prickett and co-authors.

Stylised facts and emerging conclusions

One device that might be useful would be to bring out more sharply the stylised facts and emerging conclusions on disadvantage and income mobility in New Zealand. What I mean by stylised facts are the general propositions that have emerged from a range of studies the all serious commentators would concur with. By contrast emerging conclusion are propositions from the best available research but which haven’t been replicated in other studies.

Glass-half-full, glass-half-empty

The Interim Report has a nice Venn diagram which highlighted three clusters: the income poor, the left out/excluded, and the doing without. One of the interesting stylised facts is the percentage of Kiwis who experienced disadvantage on one dimension and not the others. So you've got a real glass-half-full, glass-half-empty story you need to tell. I think the interim report has too much focus on the glass-half-empty and how the resilience of those at risk of persistent disadvantage can be improved.

From statics to dynamics

The Venn diagram captures a picture of people at a point in time. This needs to be extended to bring out what is known about mobility over time to fully address the terms of reference. Focusing on dynamics over time is likely to result three clusters – those in persistent disadvantage, those at risk of experiencing persistent disadvantage, and those not at risk.

Risk of a Missed Opportunity -

The NZPC has a unique opportunity with this inquiry to provide an evidence based research platform to move the national policy debate forward. Unfortunately the interim report has not provided that platform and some fundamental refocusing is required to seize that opportunity.

References

Gill, D. ed. (2011) *The Iron Cage Recreated The performance management of state organisations in New Zealand*. Institute of Policy Studies, Victoria University of Wellington.

New Zealand Productivity Commission (2015) *More effective social services*

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<http://researcharchive.vuw.ac.nz/bitstream/handle/10063/2852/Working%20paper.pdf?sequence=1>

Prebble, M (2010) *With Respect: Parliamentarians, officials, and judges too*. Wellington: Institute of Policy Studies, Victoria University of Wellington.