

27 August 2021

Dear Productivity Commission,

Please find below my submission on the A Fair Chance For All inquiry.

1. What are the main dimensions of persistent disadvantage that should be included in the Terms of Reference as areas to be investigated?

The main dimensions of persistent disadvantage are those where government laws, regulations and policies do not allow those trapped at that disadvantage to escape from that situation. Persistent disadvantage occurs where:

- a. there is a net wellbeing per capita disadvantage (sum of economic, social & environmental aspects) vs more optimal policy either across the population as a whole or within a sub-sector, and
- b. where a social cost benefit assessment (economic, social & environmental aspects) would show that it is beneficial from a net wellbeing per capita perspective to remove that disadvantage, and that removing that disadvantage ranks highly compared to other removing other disadvantages, but government fails to act to address the issue.

Secondly a capitalist society will always have a pyramid structure, with a wealthy few and many poor. The structure inherently embeds disadvantage only offset by any government laws, regulations and policies which act to offset such disadvantage.

Furthermore, the use of monetary policy to set interest rates, and thus a required unemployment rate (Nairu) forces a proportion of the population to be unemployed through no fault of their own (noting the alternative of a slave wage economy and full employment would be worse). The effect of this structural disadvantage is only offset to the degree that government laws, regulations and policies intervene.

2. Where should the Commission focus its research effort?

- a. Identifying the main areas of current persistent disadvantage. There are many KPIs that exist and can be used to help identify the likely/known areas of permanent disadvantage
- b. Undertaking analysis to determine where the best net wellbeing per capita gains would be made per unit of expenditure and thus ranking the areas of permanent disadvantage for action
- c. Making recommendations to government to put in place a permanent legislative structure to ensure these are addressed on an ongoing basis as set out in 3.

3. Where should government focus its effort on finding solutions?

The government should enact legislation requiring:

- a) government, government department and local government to:

- a. undertake proportionate social cost benefit assessments on all proposed spending considering net wellbeing per capita (economic, social and environment aspects) and also considering the distribution of that wellbeing
- b. collate issues raised by society, undertake a high level longlist assessment and then more detailed shortlist assessment to determine which of those issues are the main areas of persistent disadvantage/disadvantage, and
- c. consider NZ practice against worlds best practice and determine where we sit.
- d. undertake a) on those identified areas.
- e. Implement spending where that spending maximises the increase in wellbeing per capita pre unit of expenditure or where it best reduces the inequitable distribution of that wellbeing per capita per unit of expenditure.

Treasury already has developed such a framework (& e.g. NZTA uses a more limited framework) but it needs to be legislated and required across all levels of government.

Companies are constrained by financial return criteria (within a legislative and regulatory framework). Governments should similarly be constrained, and their main governance role to be to ensure that the wellbeing approach is followed, not to come up with adhoc policies that don't optimise the use of taxpayer funding for the betterment of the team of 5m (New Zealand Inc.)

- **What are the key barriers preventing New Zealanders from reaching their potential?**
 - a) Where government laws, regulations and policies do not allow those trapped at that disadvantage to reach their potential.
 - b) The fact that government is not legislated to be required to address these barriers from a net wellbeing per capita perspective.
- **What are the key triggers or circumstances that can result in people becoming stuck in persistent disadvantage?**

Where government laws, regulations and policies do not allow those trapped at that disadvantage to escape from that situation.
- **Are there key windows of opportunity in a person's life course where positive changes are easier to secure, or where they are more likely to endure?**

Persistent disadvantage at a young age is more likely to extend over a longer time period and thus positive changes at a young age may potentially endure and produce the best wellbeing per capita return.
- **Which aspects of government policy are most important to focus on? For example, secure housing, mental health treatment and supporting new parents.**

There are specific parts of NZ society where there is currently persistence disadvantage.

However over time these may change, or the intensity of the disadvantage may change in one sub-sector and thus the priority to address it.

This study must come up with a framework (e.g. as per the response to Q3) that is enduring in addressing whichever are the areas of greatest persistent disadvantage and the best to address at any one time.

- **Are changes needed in the ways that government services are provided? For example, devolving responsibility for services, joining up service provision and helping those most in need navigate the system.**

Government's response needs to be holistic. The current approach is fragmented as the government is fragmented into artificial department silos and different levels of government.

The better approach is a human based customer approach so that all services start with and are framed to the person (not the government department or government level)

Only by working at the person level can government get a full understanding of the disadvantage that person faces across all aspects of life (e.g. physical health, mental health, employment, accommodation, education, transport access etc). This approach will also help much better identify and define the areas of disadvantage and how many people are disadvantaged and to what extent.

4. Is there anything else that you would like to see in the Terms of Reference for this inquiry

Yes. The Productivity Commission needs to be recommending as an outcome of this inquiry that:

- a) Parliamentarians and local government councillors are paid on the basis of the net improvement in wellbeing per capita per unit expenditure & the distribution of that wellbeing that their decisions produce. It is absolutely critical that the financial incentives (salaries) align with what is best for the team of 5m.
- b) That political parties putting forward manifesto policies are required to back up the policies with independent peer reviewed social cost benefit assessments showing of the net improvement in wellbeing per capita per unit expenditure & the distribution of that wellbeing that the policies produce. Only if this occurs can the team of 5m make informed judgements on who they should vote for.

Regards