

# Opening comments to the More Inclusive New Zealand Forum

Speech delivered by Gabriel Makhlouf,  
Secretary to the Treasury

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Kia ora tatou. [Mihi].

The Treasury is really proud to be involved in this forum today. Getting to this point has taken a lot of work, and I'd like to recognise our partners in the Forum:

- The Institute for Governance and Policy Studies
- The Social Policy Evaluation and Research Unit
- Statistics New Zealand
- The Greater Wellington Regional Council
- The Salvation Army
- The Wellington City Mission
- The University of Otago
- The Family Centre Social Policy Unit; and
- The Children's Commission.

It's a great partnership to be part of. And some of you may be wondering why we're involved. Doesn't the Treasury look after the money? What do they know about social issues? Shouldn't they be leaving it to the experts?

Those are fair questions. I'd like to give fair answers, and share our aspirations for the Forum.

The reason we're here is that we want to raise living standards for all New Zealanders. Those of you who have read our Living Standards Framework will know what I mean. But, in brief, we want people to be included and be able to participate fully in the economy and society.

At the Treasury we have a lot of respect for the people and the agencies who work with New Zealanders in need. We aren't experts in social policy. But we have a passion for working through evidence and testing assumptions to get to the heart of problems. We recognise that the challenges to a more inclusive society are complex, that it will take a collective effort to get better results, and we want, we need, to be part of that.

And yes, as the government's lead economic and financial advisor we also want to be confident that all the advice we provide to the Government is focused on improving outcomes for New Zealanders, and is grounded in reality.

This year the Government will spend around \$24 billion<sup>1</sup> on social security and welfare. To put that in perspective, that's more than the total value of our dairy exports was when prices were at their peak. So \$24 billion is a lot of money, and that's not even including the spend in health and education. We have a responsibility to spend it wisely.

It's easy to think of it as a cost. But if it gets better outcomes for individuals, and builds a better society, then really it's an investment. This is the philosophy behind the Government's social investment approach, which looks at where we can get the best value from Government spending both in terms of results for individual citizens, and reduced financial and social costs over the long-run. It's also the thinking behind the hardship package that was at the centre of the recent Budget.

So we're not starting from scratch.

And there's a lot that we agree on. For example, we all agree government services need to be better integrated, more responsive to local needs, and more simply administered. People on the ground often tell us about having to go through a lot of red-tape, a lack of coordination, and ultimately a lack of focus on the people the services are for.

In this respect, Children's Teams, Social Sector Trials and Whānau Ora Navigators are all positive steps. The Government's social housing programme is another example of where we're putting people first. The focus is on how we can get better outcomes for tenants, rather than who owns the bricks and mortar. One of the objectives for this forum is to bring together government officials, NGOs and service providers to talk more about how we can put people, rather than the method of service delivery, at the centre.

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<sup>1</sup> This figure represents Vote Social Development, which includes New Zealand Super (51% of Vote), benefits (29% of Vote), assistance for students (9% of Vote), social housing (3% of Vote), departmental operating costs (6%), and client-related costs (1% of Vote). Underneath the main categories of spending it includes things like services for senior citizens, children, families, communities, youth and disabled people.

Of course we won't always agree. One of today's keynote speakers, Miles Corak, talks about how different groups often interpret information very differently. He has a great blog post on "two stories about inequality"<sup>2</sup>, and the strong dichotomy that can develop, hindering us from making more progress.

A recent example of this in New Zealand was the response to a Treasury Working Paper published last month on income inequality in New Zealand over the last thirty years. One group hailed it as challenging the widespread assumption that inequality in New Zealand is increasing. Another stated that the *real* outtake of the report should be how different government policies have led to an increase or decrease in inequality.

In fact, whether or not income inequality has increased or declined depends on what time period we look at, and what specific measure of income inequality is used.

Even then, income inequality is not the only relevant metric for understanding how inclusive our society is. To get a more complete picture we also need to look at intergenerational mobility, and what that tells us is that New Zealand is middle-ranking relative to other OECD economies. Social mobility in New Zealand is higher than in the United States, but significantly lower than in the Nordic countries. If social mobility is not as high as it could be, that suggests not everyone has the opportunity to fully reach their potential, even if income inequality is not currently rising in New Zealand.

And while we can look at policies of the past, we also need to look at bigger trends and how the world is changing. For example, in the late 1980s and early 1990s, there was high and rising unemployment. We've seen big economic and social shifts, like New Zealand's integration into the global economy, shifts in our trading partners from Europe to Asia, massive technological change, and changing household patterns.

What matters most is what we do today. From a policy point of view, our focus should not be on historical drivers, but what are the policies *now* that will support a more inclusive, sustainable and prosperous New Zealand – such as an education system that pushes against disadvantage; a job rich, high-productivity economy; and a State sector that intervenes early and effectively for disadvantaged New Zealanders.

The purpose of this forum is to gain a shared understanding of the different perspectives on social inclusion, and the world we live in now. We want to combine data and research with the practical experience and insights of people who work in this area every day. And most importantly, we want to identify concrete actions that will enable us to keep making public services more effective, and New Zealand more inclusive.

The main barrier to progress today will be our assumptions. To finish with a brief example, as part of our social inclusion work one of our teams has been working with the Wellington Soup Kitchen to better understand the needs of the people they help, and the challenges faced by The Soup Kitchen itself. It would be easy to assume that The Soup Kitchen's main need is for food. But in fact it's for shoes. Specifically, size ten shoes.

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<sup>2</sup> <http://milesorak.com/2015/02/06/two-stories-about-inequality/>

The main people who use the Soup Kitchen are men living rough. They spend all day walking between soup kitchen, the night shelter and agencies. So yes, these men need food, but their greater need is to be mobile in the city. They spend all day on the streets before the night shelter opens. The Soup Kitchen has plenty of food. But not enough size ten shoes.

Assumptions can get in the way. But if we can get below the surface, and get a better appreciation of the issues we face, and the perspectives we bring, we stand a much better chance of finding good solutions, getting better results, and creating a more inclusive New Zealand.

Please, have an open mind today. Talk to people you don't usually talk to, engage, share and most of all enjoy.