

INCLUSIVE NZ (formerly VASS)

A network for change

Submission on:

Productivity Commission – More Effective Social Services Issues Paper

Background

Inclusive NZ, Inc (formerly NZ Federation of Vocational and Support Services) is an umbrella association for organisations that provide employment and inclusion/participation services for disabled people. We have 70 member organisations throughout New Zealand. Most are contracted to provide services by the Ministry of Social Development (through Work and Income), the Ministry of Health, ACC and the Ministry of Education. Our members are actively involved in the Enabling Good Lives demonstrations in Christchurch and Waikato and have had experience of tendering for contracts for Work and Income Employment Services.

This submission has been prepared following consultation with our member organisations, and their feedback and experiences have informed our comments.

Inclusive NZ is also a member of ComVoices and we support and endorse feedback given in their submission.

1. Introduction

- a) A key challenge highlighted by the More Effective Social Services Issues Paper is the difference in how the community sector and the present government view social services and the role each play in the social services system. This makes it difficult to develop an understanding of social services as a coherent system where we all understand and play our roles.
- b) The language of the market that is used in the paper illustrates the fundamental difference in view between the community sector and the current government. It indicates a top down approach where government views itself as a market leader and a view of social services as a commodity. The language also indicates a medical model approach, focused on interventions, cure and programmes. It might be easier to view purchasing from this point of view but it does not address the complexity of supporting people, whanau and communities and will not lead to greater clarity about what works.
- c) Part of this complexity is the inter-connectedness of different parts of the 'social services system'. Effectiveness is compromised when, for example, government agencies have requirements that directly contradict one another, and when an organisation's administrative and professional capability is compromised by losing a contract or funding.
- d) For people with disabilities the medical model approach that is evidenced in the Issues Paper is out of step with the social model of disability, which is outlined in the NZ Disability Strategy and underpinned by our commitment to the UN Convention on the Rights of People with Disabilities. This sees society as the 'disabling' agent in people's lives, rather than people requiring programmes to 'fix' them. Supports, therefore, need to be focused on inclusion and participation and changing societal attitudes.

- e) We believe that improving outcomes for people and communities requires a fundamental shift in thinking from government. This shift in thinking is happening internationally and was evidenced at a recent international community-led development in Glasgow. Inclusive NZ participated in this conference, which was attended by over 460 people from 32 countries. Delegates included a wide cross-section of government agencies, academics, community organisations and community members. Sir Harry Burns, the Chief Medical Officer of Scotland and Professor of Global Health at Strathclyde University, described this shift in thinking as a need for governments to understand that institutions have reached the limits of their problem solving potential. They now need to see themselves as servants and stewards, and view people as active rather than recipients.
- f) We have summarised our learning from this conference in a report (VASS UK Study Trip 2014) that we will attach with this submission, and will refer to throughout this submission.
- g) We have answered those questions in the Issues Paper that are relevant to our members and our experience.

CHAPTER 3: THE SOCIAL SERVICES LANDSCAPE

Question 1: What are the most important social, economic and demographic trends that will change the social services landscape in New Zealand?

For people with disabilities and their allied organisations the key trends are:

- a) New Zealand's commitment to the UN Convention on the Rights of Persons with Disabilities, which places an emphasis on self-determination and changes the relationship between disabled people and support services.
- b) Changes to the labour market e.g. more casual and contract work. Government contracts with disability employment services do not allow them to count this type of work as an employment outcome which effectively denies those disabled people who require these supports the opportunity to participate in the labour market in the same way as other New Zealanders. (*Improving Existing Employment Services Survey 2013*).

Question 2: How important are volunteers to the provision of social services?

- a) In March 2014 we conducted a survey of our members which included a question about volunteers. 48% of survey participants said that they had increased the number of people volunteering in their service over the past 3 years. The main drivers for this were financial (86%) and to support more people in the community with natural and unpaid supports (71%). (*VASS Members' Survey March 2014*)
- b) It requires significant investment in resource to manage and provide training to volunteers, but this is often not recognised or supported by government funders.
- c) While volunteers are important to many community organisations, they should not be seen as a replacement for paid staff, especially in situations where people are dependent on specialised support for their personal care.

Question 4: What contribution do social enterprises make to providing social services and improving social outcomes in NZ?

- a) Based on previous data we estimate that about 28% of VASS members are involved in running a social enterprise.
- b) Most of these social enterprises have been created for the purpose of providing employment opportunities for people with disabilities. Due to the workplace accommodations they provide and the intensive nature of the support they offer to employees the majority would not be financially viable without support from government, which mainly comes via contracts for service with MSD, and via wage subsidies such as Minimum Wage Exemption Permits. Approximately 1500 disabled people have employment in these social enterprises, enabling them to improve their economic well-being, develop portable employment skills and participate in their communities.
- c) A small number of our members are also developing social enterprises which align with their social purpose and provide their organisations with income. In most cases these enterprises are relatively new (i.e. they have started in the last 5 years) and the income is relatively small.
- d) Social enterprises add value to the work of many community organisations in a variety of ways, including:
- Providing employment opportunities for people who are often excluded from the labour market
 - Providing opportunities for training and skills development that is linked to employment.
 - Providing a revenue stream that supports the work of the organisation.
- e) Government has been largely absent from the discussion about social enterprise, and has been ambivalent in its attitude. While it acknowledges that social enterprise offers a means of alternative funding for social outcomes, it also seems to regard social enterprise as competition to private business. Direct support for the development of social enterprise has only happened in a minor way in the past year.
- f) There are a number of opportunities that the NZ government could explore to improve the contribution of social enterprises, as evidenced internationally. These include asset transfer, preferential contracts and subsidised rents. (*See VASS UK Study Trip Report 2014, pages 15,16 and 21.*)
- g) Changes to the MWEPP system have been signalled for the past two years, but there has been no direct engagement between the relevant government agencies and social service providers. This has led to uncertainty for a number of social enterprises who would not be financially viable without government support for paying wages (whether it is indirectly through MWEPPs or directly through an alternative subsidy system). This uncertainty has led to:
- a reluctance to increase the number of people they employ
 - a corresponding inability to meet the growing demand for services from the private sector
 - employment opportunities for disabled people being reduced.

This illustrates how social outcomes are compromised when there is a lack of clarity and engagement from government agencies.

Question 5: What are the opportunities for, or barriers to, social-services partnerships between private business, not-for-profit social service providers and government?

- a) Individual community organisations have developed partnerships with private businesses and local government based on their own initiatives. Some of these are long-running relationships and others are short term. Our members' experience is that small community businesses frequently support local organisations, even when there is no financial advantage for them in doing so.
- b) One of the barriers is that social services require long-term commitment to achieving social outcomes, while private businesses are most likely to commit support while it suits their own strategic goals. Causes that aren't high profile are less likely to attract support.
- c) There is good evidence that partnerships that focus on collective impact achieve positive results, for example the Disability Employment Forum and the Utopia Project (Skillwise and SAMS in Christchurch). Challenges for these types of partnerships are:
 - the time it can take to develop shared understanding and trusting relationships
 - finding the resource to support 'backbone' infrastructure when all organisations are already working at capacity.

Question 6: What scope is there for increased private investment to fund social services? What approaches would encourage more private investment?

- a) Tax incentives for private businesses that invest in and support social services may increase investment.
- b) Public sector leadership, e.g. tendering for services from social enterprises.

CHAPTER FOUR: NEW APPROACHES TO COMMISSIONING AND PURCHASING

Question 8: Why are private for-profit providers significantly involved in providing some types of social services and not others?

- a) Private for profit providers are interested in social services that offer the ability to make a profit. Some view their clients as the government agency that purchases social services, rather than the people and communities they serve. In instances where the government funding is very close to or less than the cost of providing service, for profit providers are more likely to avoid that service area than not-for profits who may continue to provide an important community service at a loss.
- b) Regardless of a provider's profit making status it is not sustainable to fund or provide services at below cost. It is also important that any arrangements where a funder pays less than the cost of the service are transparent and that any requirements for donations and co-payments or cross subsidization is recognized by the funder as part of the funding model.
- c) We are aware of examples where not-for-profit community organisations have decided not to take on government contracts because they do not consider that they can be effectively delivered for the funding on offer.

Question 9: How successful have recent government initiatives been in improving commissioning and purchasing of social services? What have been the drivers for success, or the barriers to success, of these initiatives?

- a) We are not aware of any evaluation of recent government initiatives that would provide the evidence required to adequately answer this question. For example, there is no evidence yet that the Welfare Investment Approach is a smarter system in any other ways than saving money. Outcomes for clients are questionable and require further research. Simplistic measures, such as how many people have moved off benefit, do not tell the whole story. Has the move off benefit meant an improvement in the person's social and economic well-being? Is it sustainable?
- b) Feedback from our members who have been involved in competitive tendering processes indicates that participating in a tender process is expensive and requires resource to be moved from frontline delivery. In times of economic constraint, where organisations are struggling to make ends meet, this does not seem to be either an efficient or effective use of resource.

Question 11: What other international examples of innovative approaches to social service commissioning and provision are worth examining to draw lessons for NZ?

- a) In the UK there is direct support for social enterprise, e.g. the government offers some tenders to social enterprises only. (See: VASS UK Study Trip Report, 2014.)
- b) The Joint Improvement Team is a Scottish initiative to develop an integrated health and social care environment. This is a partnership approach between government and the third sector focused on capacity and capability development and culture shift. (See: VASS UK Study Trip Report, 2014, page 8 and www.jitscotland.org.uk)

Question 12: What are the barriers to learning from international experience in social services commissioning? What are the barriers and risks in applying the lessons in NZ?

- a) There are risks to applying international examples out of context, and without consideration of any unintended consequences and the impact of our size, geography, values, Treaty obligations, etc.
- b) We are cautious about viewing purchasing and commissioning as an end in itself, rather than a means to an end.

CHAPTER FIVE: ISSUES FOR THE INQUIRY

Question 14: What needs to happen for further attempts at service integration to be credible with providers?

- a) It is not possible to achieve integration if government agencies are still thinking and funding in siloes.
- b) There is a risk that integration leads to a one-size fits all approach.
- c) See also our response in Question 11(b).

Question 15: What are the benefits of client-directed budgets?

- a) We are concerned about the statement in the paper that ‘some clients may have medical conditions or disabilities that limit their ability to make informed choices... services can be designed to allow choices to be made on their behalf.’ Disability support providers have worked hard to ensure that people using their services are able to make informed choices. It is our experience that most people are able to make their preferences known when they are communicated with in the correct way, and a range of good practices, such as Circles of Support, have been developed. There is a risk that designing new services to make choices for people will create another layer of bureaucracy and reduce the amount of funding directly available to the person through their personalised budget.
- b) While we acknowledge that there is a place for client-directed budgets international experience has shown that it is not the right option for everybody. It is important to acknowledge that the current system is working well for some people.

Question 16: Which social services do not lend themselves to client-directed budgets? What risks do client-directed budgets create? How could these risks be managed?

- a) It is not about what social services do not lend themselves to client directed budgets. It is about the personal circumstances of clients. Some people have the necessary capacity to manage their own budget and support, including employing their own support staff, and other people do not want to do this. It is essential that a continuum of CDB approaches is available to meet the needs of all people e.g. direct payments to clients, funds managed by intermediaries and provider managed funds.
- b) Competition is viewed as positive by government and in this Issues Paper but this is not necessarily so. Competition does not create the necessary trusting environment for collaboration and the sharing of effective practice. Competition also comes at a cost, with organisations having to spend more of their operational budgets on publicity and communication tools, effectively reducing their frontline capability. In the UK, the government has made resources and funding available to providers through a Transformation Fund to assist them with adapting to the personalised support system. (See *VASS UK Study Report 2014, pages 18-19*).
- c) Individualisation or personalisation can lead to isolation for the person by disconnecting them from group supports and the person being seen in isolation from their family/community.
- d) Providers have no guarantee of income. This makes it difficult to plan, ensure that adequate staffing ratios are maintained and that the organisation can run efficiently and sustainably. There is still a need for core or baseline funding.
- e) There is a risk that the government being overly-prescriptive about what client-directed budgets can be used for will cancel out any advantages for the client.

Question 18: How could the views of clients and their families be better included in the design and delivery of social services?

- a) Individual plans to identify clients’ goals and aspirations. These are now standard practice in employment and community inclusion services for disabled people.

- b) Feedback from our members shows that there is a need to differentiate between person driven practice and person driven services. Person-driven practice invites the person and their family to be part of the design of their personal supports. The business model of how the service provides the infrastructure for this to occur is done by governance (which may or may not include people and families).

Question 19: Are there examples of service delivery decisions that are best made locally? Or centrally? What are the consequences of not making decisions at the appropriate level?

- a) Devolved decision making can lead to unlevel playing fields, where providers in different parts of the country are funded at different levels for the same outcomes.
- b) If service delivery decisions are to be made locally then communities need access to good information, and be inclusive of all parts of their communities. There need to be mechanisms for ensuring that decisions are made without bias.

Question 20: Are there examples where government contracts restrict the ability of social service providers to innovate? Or where contracts that are too specific result in poor outcomes for clients?

- a) Overly specific contracts, especially those linked to milestone payments, do not allow providers to follow the best interests of the client. They are also risky for providers when a milestone cannot be met because the circumstances of the client change, making it impossible for the provider to claim payment despite the work done.
- b) Overly specific contracts linked to outcomes can also cause providers to 'cherry pick', i.e. choose to work with those clients who will achieve outcomes easily rather than those who have more challenges, and are arguably those most in need.
- c) Innovation happens in an environment where providers are able to try new things. This requires a degree of flexibility in 'how' a provider might design a service to achieve an outcome. Many contracts focus specifically on 'what' a provider can do and what they have to account for.
- d) Contracts linked to contributory funding demonstrate a lack of commitment and investment by government in outcomes for that community/population. It is difficult to innovate when constantly having to focus on cash-flow issues and alternate sources to 'top up' funding.

Question 22: What is the experience of providers with High Trust Contracts?

- a) Feedback from our members who have High Trust Contracts indicates that other than reporting less frequently and a two year contract (up to this year) there is little difference.

Question 26: What factors should determine whether the government provides a service directly or uses non-government providers?

- a) We suggest that this is best done on a case by case basis rather than creating a set of rules, which could lead to the wrong decisions being made.
- b) In some cases government agencies are not clear about what they provide and what they purchase. An example of this is Work and Income offices, who have a role in finding and

placing people in work, and Supported Employment agencies who are contracted by Work and Income to support disabled people into work. Supported Employment agencies have specialised skills in working with disabled people and with employers to ensure that an employment placement will be successful and sustainable. Work and Income personnel are frequently unaware that there is a community organisation contracted for this purpose which can lead to people not being referred and not receiving the appropriate support. It can also damage relationships with employers, and lead to poor experiences for both the client and the employer.

- c) The investment approach has created an environment where it seems that Work and Income case managers are now in competition with Supported Employment providers, as both are required to meet targets for placing people in work.

Questions 27 – 35: Contestability

- a) Feedback from our members indicates that they are not aware of any social services improving as a result of contestability.
- b) Contestability is highly likely to be detrimental to social services for people with disabilities, particularly those who have intellectual impairments, where trust and being known and understood by a service provider is essential. In some cases this can take a long time to develop. This is compromised if a trusted service provider loses a contract through contestability. It also reduces the right of the person to choose the provider that is best for them, which is what true contestability should look like.
- c) We have had recent experiences of providers being unwilling to share in professional conversations about practice because they felt that they could be giving away intellectual property that they might give them an advantage in a tender process.
- d) Members have shared experiences of how changes to a new provider have negatively impacted on clients. An example of this is a situation where a client experiencing mental illness previously had access to a supportive space where he could meet with peers and have a hot meal at least three times per week. He is now being supported to access a community activity for half a day, once a week, which he has to pay for himself. He cannot afford to do this so is not participating. As a result he is socially isolated and his previous provider is concerned that he is at increased risk of suicide. This is not necessarily the fault of the new provider, but a fault in the design of the new contract which has disguised cost-cutting as 'community outcomes'.
- e) Smaller community organisations feel particularly vulnerable in the contestable environment. They have less resource and capacity and are at a disadvantage when competing with larger and for-profit providers who have experience and funds to invest in tender bids. Tender processes that are awarded on the strength of a tender document and do not take into account an organisation's relationship with its community also place these organisations at a disadvantage.

Questions 41 – 44: Contract design and measures of performance

- a) Most social services deal with complex social issues. Outcomes often take time to achieve, and require the contribution of a range of services that are often funded by a range of government agencies.

- b) The questions focus on contracts, when in actual fact it is about the way services or supports are designed. This should be the starting point and contracts should be tailored accordingly.
- c) Focusing on the effectiveness of 'programmes' will not provide government with any greater understanding of the outcomes it is achieving. This requires a commitment to long-term strategies and an understanding of how the components of these strategies interact to achieve outcomes.
- d) Outcomes for people with disabilities are linked to quality of life, especially for those with high support needs. Investment in quality of life outcomes for disabled people enables them to contribute both socially and economically.
- e) Government agencies need to be aware that community organisations have limited resources to dedicate to IT systems for the purposes of data collection, and that introducing new systems will require supporting infrastructure, training and implementation.

Question 45: What have been the benefits of government initiatives to streamline purchasing processes across agencies? Where could government make further improvements?

- a) Government needs to be consistent in its own policies and approaches before streamlined contracting can have any real impact. For example, social service agencies are being encouraged through government policies to focus on inclusion, well-being and sustainability yet the government's Charities Commission is challenging organisations for changing their rules to use these terms.

Question 46: Is there sufficient learning within the social services system? Is the information gathered reliable and correctly interpreted? Are the resulting changes timely and appropriate?

- a) Our experience would indicate that government agencies do not have the capacity or capability to consider anything other than quantitative information. Narrative reports containing qualitative information do not seem to be read or considered.
- b) Changes made to contracts are more often driven by the desire to reduce spending, political ideology and election cycles than in response to information about what is or is not working.
- c) Government agencies only measure what they contract, and innovative practices are most often not contracted or funded by government agencies.

Question 48: Would an investment approach to social services spending lead to a better allocation of resources and better social outcomes? What are the current data gaps in taking such an approach? How might these be addressed?

- a) We would agree with Chapple's criticism of the investment approach to welfare. (Page 61)
- b) International evidence from Washington State in the USA indicates that better employment outcomes, particularly for disabled people, are achieved by committing to specific employment strategies that are not linked to welfare reduction.

CHAPTER 6: CASE STUDIES

Employment Services

- a) Our members provide employment services for people with disabilities through Work and Income. It is difficult to comment on contracting processes as we are currently waiting to hear about contracting changes for the coming financial year. In a parallel process, Work and Income is developing an outcomes framework for employment services for disabled people.
- b) As outlined in Question 9(a) we have not see any evidence that the investment approach to welfare is achieving better outcomes for people. We are concerned that by prioritising which clients to work with, Work and Income is effectively picking winners and losers and that some people who want to work will not be supported to do so.

Services for People with Disabilities

Our members provide a range of services for people with disabilities and are actively involved in the Enabling Good Lives demonstrations in Christchurch and Waikato. They have had less connection with the roll out of Individualised Funding.

Enabling Good Lives

While we are supportive of the principles of Enabling Good Lives we have some concerns about the implementation process.

- a) There are inherent challenges in trying to create a new system within an existing one. This has had both impacts for clients and providers.
- b) The existing system is inherently one dominated by the interests of funders and contracts rather than clients. The new system is centred around people and their goals and aspirations. While this has been acknowledged in EGL's principles, the implementation is struggling to devolve power, co-design and release resources to clients. Power and control still rests with central government.
- c) Providers have borne the brunt of these challenges, especially when contracting and funding issues were not finalised before the clients began accessing services. Challenges have included:
 - Uncertainty about how providers were to be paid and what the invoicing and payment process should involve. There was also no clarity about how providers should price their services.
 - Issues around GST which have taken time to resolve.
 - Providers having to absorb the costs of service delivery for 7 months while funding issues were being worked through.
- d) The EGL process relies on 'independent navigators' to work with people and their families to develop a personal plan and find the appropriate type of support. The navigation role has the potential to create an extra layer of both cost and bureaucracy that effectively reduces an individual's budget. It also poses a risk for some people who will only be able to disclose their preferences as a result of having built a relationship with a navigator/facilitator over time.

- e) The use of the term ‘independent’ has also been contentious. While we acknowledge the need to ensure that navigators act on behalf of the person, rather than a provider, we believe that checks and balances could be put in place to ensure that this was occurring if a navigation service was being provided by a disability support organisation. This would enable existing resource and expertise within provider organisations to be utilised. In not allowing this the demonstrations have missed an opportunity to explore all options before settling on a final recommendation and will potentially overlook a viable and sustainable option that could be both efficient and effective.
- f) Apart from the MSD funded Training and Workforce Development, which is administered by Inclusive NZ, there has been no systemically focused resource made available to support providers to shift to a new system which involves marketing their services to individuals, and accounting for individual outcomes and budget allocation. Internationally we are not aware of any system transformation that has not provided resources and support to providers. In Victoria, Australia, the State Government supported providers with funding and infrastructure for leadership development, workforce development, building their business and administrative capacity and funding to redevelop facilities. In the UK, the government has made resources and funding available to providers through a Transformation Fund to assist them with adapting to the personalised support system. (*See VASS UK Study Report 2014, pages 18-19*). In New Zealand providers have been repeatedly told there is no extra funding.

Individualised Funding:

- a) Our members have had limited exposure to Individualised Funding initiatives as they can only be used for some services contracted by the Ministry of Health. In this respect we would argue that they are not truly an individualised or integrated approach as MoH is dictating what clients can use funding for.

Enabling Good Lives and Individualised Funding are not the only demonstration, trial or proposed change in policy that disability support providers are attempting to understand. There is also:

- Local Area Co-ordination and the ‘New Model’
- Better Public Services
- Contestable funding and contracting
- Disability Action Plan
- Investing in Services for Outcomes
- Welfare Reform
- MSD Health and Disability Long-term Work Programme
- Improving Existing Employment Services
- Social Sector Trials
- Strategic Investment Framework
- Streamlined Contracting

Disability support providers are struggling to understand what applies to them and how it will impact on their organisation. This has created a climate of uncertainty, which is compounded by the fact that many providers have not had a funding increase in 10 years. At the present time the government is relying on the goodwill of social service providers and their motivation to support people and communities no matter what.

We are happy to meet with the Commission to discuss the inquiry further.

Supporting Documents:

- VASS UK Study Tour 2014
- Improving Existing Employment Services Survey Report

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