

Submission To: Productivity Commission
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Thank you again for the opportunity to comment on another quality Issues Paper from the Commission. Although a complex subject, the questions raised are presented in a rational and pertinent manner which will no doubt provide useful material toward preparation of the final report to the referring Ministers.

The Commissions definition of Social Services for the purposes of this Inquiry is clean, robust and easy to understand.

Social services: Services dedicated to enhancing people's economic and social wellbeing by helping them lead more stable, self-sufficient and fulfilling lives. This inquiry is primarily concerned with social services provided, funded or otherwise supported by government.

Or the shortened version from the Cut to the Chase paper –

Social services assist New Zealanders to live healthy, safe and fulfilling lives.

As I am not involved in specifying or delivering Social Services, I will limit my comments to areas where I have particular knowledge i.e., local government.

Working with the definitions of Social Services above I was surprised to read the following statement in the Issues Paper -

Local government in New Zealand accounts for only a small proportion of total spending on social services. Some councils provide social services directly, particularly social housing. Councils sometimes coordinate local social services and make small-scale grants to community groups. Council social services are predominantly in areas such as the arts, sport, recreation and the environment.

Given the definitions that have been provided for social services, this statement cannot be appropriate.

We know that local government spends billions of dollars on the provision of safe drinking water, sanitary sewerage reticulation and treatment, refuse collection and disposal including toxic substances, inspecting food premises, hair dressers and the likes, ensuring land, air or water are not polluted, providing cemeteries/crematoria for safe burials, etc., etc. – all for the purposes of “assisting New Zealanders to live healthy, safe and fulfilling lives”.

This matters because the primary focus of these local government initiatives is to support good health through PREVENTATIVE measures, and if we are to consider effective and efficient social service delivery then prevention is by far the most cost effective option. Lumping this type of expenditure into 'the environment' does not do justice to the intent or the dollar quantum – the primary purpose is to support healthy lives.

What is more, preventative expenditure is relatively easier to measure than the ambulance at the bottom of the cliff because we know the costs involved in both cases – e.g. (say) \$1,000 per household per year for safe drinking water vs a family in hospital for four days with giardia related gastroenteritis. We know also from our own research, and from that done in other countries over many decades, that the more time, effort and money we spend on preventative health and education initiatives for (say) under 5's, the better outcomes there are for everyone. This applies equally to services directed to employment, the elderly, family violence, drug/alcohol services and gender or race based services.

As the Issues Paper quite rightly points out -

Specific ministers, and the government in general, are often blamed for the consequences of poor delivery of social services. Government thus seeks a system that minimises its political risk. This aim may at times conflict with the ability of government to pursue efficiency and effectiveness in the social services system.

The quickest way to reduce political risk in social service delivery is to minimise the demand for social services and the most efficient and effective means of achieving this is through preventative initiatives. This is where the policy agenda is of critical importance – mixed/confused policy will always produce mixed/confused outcomes so getting the policy right is the key to success.

Most people understand and accept that the return on expenditure for preventative initiatives is considerably longer than New Zealand's three year political term which poses real challenges for political parties. It suggests therefore that the answer is to achieve broad political consensus on social service outcomes, with the means of achieving these forming the basis of the election mandate of the various political parties. It is far from obvious however that this is an achievable goal although that does not mean that we should not keep trying!

Rather it might be a more sensible approach to share the political risk associated with social service delivery and this is where I would suggest there is much scope for discussion. The referring Ministers have already commented that -

There is growing international awareness that difficult social problems are no longer just the domain of governments and that tackling them in new and innovative ways to get better results will involve combining the expertise of public, social and private sectors.

It is my considered view that local government is inherently much better suited/equipped to deliver social services than central government because they are much closer to their respective local communities, where the demand for social services emanates. Conversely central government in New Zealand is much better suited to deliver infrastructure services given the size, shape and small population of the country and yet we have quite confused roles between these two spheres of government.

While the wider discussion is outside the scope of this particular inquiry, there does seem to be an opportunity for the Commission to explore whether this could be the preferred option for a range of social services as suggested in one of the options outlined in the paper –

Central government devolves commissioning and contracting decisions: that is, the government sets broad outcomes but devolves responsibility for commissioning and contracting to a body that is closer (eg, geographically or culturally) to clients.

Local government in New Zealand has essentially the same role that it was given over 100 years ago – the provision of property based infrastructure supported by property based taxes, albeit a considerable quantum of those taxes are directed towards improving social outcomes as mentioned earlier. It is far from clear that this limited role is still optimal for New Zealand communities in the twenty first century.

It is interesting to note that a comparable service delivery model already exists between central and local government under the Resource Management Act 1991. Central government determines National Policy Statements (NPS's) for a range of environmental outcomes and local government, along with other providers, manages the service delivery including the usual array of consultation, reporting and monitoring.

Adapting the same model for government funded social service delivery appears to be quite a workable option given that both parties are well versed in the existing operating model together with the process involved in developing the NPS's. NPS's for social outcomes would therefore appear to be a quite workable means of achieving broad national consensus and these standards are quite amenable to being changed as and when required. Without them effective and efficient social service delivery is like Alice in Wonderland – any road will take us there and it matters little who the driver is. Conversely, really good NPS's can be delivered by a much wider range of providers including specialist services for select groups and/or individuals.

This would still allow central government the necessary flexibility to work with other service providers (within the same NPS's) which is likely to be necessary given the challenges associated with trying to implement a 'one size fits all' model – something that is not especially suited to New Zealand's extremely diverse communities. In this regard, great care is also needed if competition is to be introduced to the mix as it is not difficult to achieve provider capture in a market as small as ours.

There is no doubt that local government is closer to its citizens than central government and this brings with it the added benefit of public scrutiny - an essential element in monitoring

the performance of elected representatives and their respective bureaucracies. The best means of ensuring efficient and effective social service delivery is to have a very transparent process – anonymity is a good friend of mediocrity and mediocrity drives poor performance so the more open the process the better the outcomes are likely to be. Many government websites do provide a lot of information but some material on those sites is not especially user friendly to access so improvements in this area is also likely to improve performance.

I would be happy to meet with the Commission to discuss this submission further if the Commission believes that this would be beneficial.

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