

New Zealand Productivity Commission Inquiry – More Effective Social Services

Submission from the Ministry of Social Development

Background

The Government has asked the Productivity Commission to carry out an Inquiry into how to improve outcomes for New Zealanders from social services funded or otherwise supported by government. The Inquiry terms of reference instruct the Commission to focus on potential improvements in the ways government agencies commission and purchase social services. The Inquiry aims to help agencies recognise how commissioning and purchasing influence the quality and effectiveness of social services, and suggest measures they could take to promote better outcomes.

The Inquiry will examine the strengths and weaknesses of current approaches to commissioning and purchasing social services; lessons learnt from recent initiatives and new approaches and how to improve coordination within and between government agencies and service providers. The Inquiry will also have a focus on the provider market, looking at how government actions influence and shape the market; market sustainability and how to build and maintain capability.

The goal of the Inquiry is to find and recommend measures that would lead to improvements in the efficiency and effectiveness of the social services system. The Commission released an Issues paper on 7 October and has called for submissions by 2 December.

MSD is pleased to have the opportunity to make a submission on the Issues paper and to work closely with the Commission during the Inquiry. The Commission's report could have profound implications for MSD. The Commission's broad Terms of Reference covers arrangements used by government agencies to deliver social services via contracts with non-government providers. This will include examining how agencies choose between contracting and government provision of a service. The Inquiry provides MSD with the opportunity to seek the Commission's support and advice on how we can advance initiatives we are looking to grow that will improve social outcomes, effectively and efficiently.

MSD position

MSD's overarching position is that we support the goals and objectives of the Inquiry and consider that the Issues paper does a good job portraying the social services landscape. We think the selection of the four case studies is a good approach to answering the questions raised in the Issues paper. It will help ensure that government spend is having the desired positive impact on individuals, families and communities.

In particular the paper:

- surveys the social services landscape well, and asks the important questions that the inquiry should consider
- rightly identifies the need to strike the right balance between central government support and individual, community and family responsibility
- includes client-informed policy and service provision in its consideration of new approaches to commissioning and purchasing

- highlights the need to examine lessons learnt from initiatives and new approaches overseas, including lessons for service design and delivery, and the future role of NGOs, communities, iwi, families and individuals.

MSD is fully supportive of the Commission's focus on information as a key driver for more effective social services

Monitoring data and evaluations are critically important to the operation of our service providers and are identified as the lynch-pin of our future development as an organisation. Information is central to the Investment Approach and is the primary consideration in the development of MSD's Community Investment Strategy.

As our service delivery models mature, we are constantly learning in order to refine or to introduce new processes, practices or trial new initiatives. For our purchase of employment services this includes:

- developing, refining and learning more about the capabilities and limitations of client service 'streaming tools'
- seeking to find the optimum caseload ratios for each of the services and testing these ratios through Investment Approach trials
- reviewing which clients are streamed to which case management services
- separating business process and case management practice
- feedback loops from frontline staff
- quarterly and annual, internal and external, actuarial reports and valuations.

With respect to Chapter 4 of the Issues paper, New approaches to commissioning and purchasing, MSD supports the Commission's approach to explore programmes and initiatives in more detail. For example, the Social Sector Trials will help us understand service users' experiences and the delivery and achievement of outcomes.

We would like the Commission to:

- note that MSD advocates for the importance of commissioning activity being informed by a comprehensive need analysis but that where domestic information is unavailable, reviewing international initiatives is a valuable source of information
- consider where high trust contracts (contracts with providers who have consistently demonstrated the ability to achieve outcomes) are in place and what difference this has made to service delivery and achieving outcomes. This would be valuable information
- provide advice on how different circumstances (e.g. regional, demographic etc.) may lead to a different nature of market being preferable. For example, whether a fully competitive market (characterised by short term contracts) gets better or worse results in a given circumstance than a semi competitive market (characterised by, for example, multi-year high trust contracts). The Commission's expertise on the nature and extent of markets would be useful input for development of new approaches to commissioning.

Access to quality information will support purchasing agencies and the social sector to tell the story of what results are being achieved for New Zealanders. It will also create an environment of accountability for outcomes and inform decision making when purchasing social services. Quality information and data will also support innovation and flexibility in which approach is chosen.

New Zealand's increasing diversity

New Zealand's society is becoming increasingly diverse. Purchasing agencies therefore need to be more sophisticated at ensuring that culturally appropriate services are provided at the right place at the right time. This can be challenging for a variety of reasons. We believe that this challenge should be specifically addressed during the Commission's Inquiry. In this context the Issues paper refers to the Make It Happen Te Hiku initiative (page 34) which runs in parallel with the Te Hiku Social Development and Wellbeing Accord. We welcome the Commission's interest in these initiatives and would be pleased to provide further information to support a greater understanding.

We suggest several new approaches to commissioning and purchasing for the Commission's consideration

In general we consider that the Inquiry's approach to commissioning and purchasing is appropriate. We make several suggestions that the Commission could consider when thinking about new approaches in this area:

- co-design of social services (ie. involving clients in the design, implementation and evaluation of government funded services) should be included in consideration of new approaches to commissioning and purchasing
- client-based contracts (eg. the "personal choice" approach) could also be considered as an innovative approach to commissioning and purchasing (in addition to those listed on page seven of the paper). You make reference to this perspective in question 15. However it is important to note (as you do on page 18) that some of MSD's core responsibilities are, for the most part, undertaken with involuntary clients. The involuntary nature of the client population has implications for any recommendations or options for client choice and outsourcing service delivery
- diverse client requirements will need to be considered when thinking about commissioning of services in future. For example, people who have difficulty accessing services or who do not generally access services, will need services designed and delivered with this in mind
- targeting of social services – This is critical to the Investment Approach and understanding what works for different clients, as well as accounting for key differences in service lines' (or agencies') approaches to services; for example, in-house trials vs. in-house Business As Usual services vs. contracted services vs. legislatively prescribed services. The Commission needs to look beyond the vehicle by which services are commissioned, which appears to be a primary line of questioning in the issues paper, to fully understand why a service is delivered and to whom
- prioritisation/allocation of social services – Your question 48 asks whether the Investment Approach will lead to a better allocation of resources. That is certainly a key objective. The Community Investment Strategy is also expected to look at this. As we have discussed, MSD is in a rapid evidence building cycle for these future-focussed initiatives. We would like to hear the Commission's view on whether our current endeavours in this area are sufficient and any additional ideas on how to use the information we gather to optimise critical allocation decisions.

Small changes to the way the social sector landscape is described could add value to the inquiry

We set out several areas below where we consider that more detail and clarity could assist the inquiry in achieving its aims.

A couple of additions would provide a more complete picture of the social sector landscape

- the paper could more clearly acknowledge other players which provide services and support throughout the sector – such as iwi, families, community groups and individuals. You question the importance of others in the provision and funding of social services in questions 2 and 3 and MSD is being approached with increasing frequency by new groups that are looking to have a role in the future
- the description of the social sector landscape could describe older people's situation and role in a little more detail. For example, page 17 discusses clients from families who "...have had poor social outcomes across generations". We note that older people and people with disabilities may have high needs which are not intergenerational i.e. they are lifecycle related or are due to personal circumstances
- it would be useful to make a distinction between services that are transactional in nature (e.g. payment of pensions) and the services that aim to address long-term issues in people's lives (e.g. social isolation).

It would be helpful to more explicitly recognise expected changes in the sector

There are a number of changes to the social sector environment that we believe the inquiry needs to further recognise. These include:

- fiscal pressures (e.g. funding NZ Superannuation, health and residential care services for an ageing population) that will drive the need for services/interventions to demonstrate both effectiveness and value for money
- demographic changes that will change the social sector landscape – in particular an ageing pakeha/NZ European population, contrasted with a younger, growing Maori/Pasifika and Asian population. Population and workforce ageing is the single biggest social, economic and demographic trend that New Zealand faces over the next 40 years
- social service delivery that is moving away from the traditional "top-down" (provision of services to clients) model, where services are Government designed, funded, monitored and evaluated.

Further issues for the inquiry to consider

In our view the inquiry is considering a relevant range of issues. We make several suggestions related to the following issues for consideration.

Improving the procurement process across government

Streamlining the contracting process across agencies has the potential to achieve positive outcomes including faster decision making, ultimately leading to quicker implementation of service delivery. We consider that more work is possible to streamline contracting processes across government.

Encouraging innovation in social service delivery

We could:

- redesign contracts to encourage innovation and ensure accountability in the design of service delivery amongst providers. At risk clauses and tight service specifications can enhance accountability but there is a risk that they could stifle innovation by limiting the ability of providers to tailor services to clients. This tension will need to be carefully managed in new contracting approaches
- explore contracting arrangements that take a portion of core government service and investigate decentralising it to an external organisation, in a way that incentivises the organisation to achieve positive outcomes, while protecting Government exposure to risk.

Encouraging capability and capacity building within NGO's and within the sector

MSD would like to hear the Commission's views on:

- to what extent is it the government's responsibility to build capability and capacity vs. it being a responsibility for the sector
- if it is the government's responsibility, what are the best ways to achieve this
- if it is a sector responsibility how can the government foster an environment that facilitates this outcome.

Improving the measurement of success

We note several points which may assist the Commission in this area:

- a focus solely on outputs as a measurement tool (noted on page 57) may limit service development and client wellbeing
- data collection and data analysis needs to be improved, especially where hard outcomes cannot be observably attributed to service delivery (as when contracting to third parties)
- improvements can be made to client tracking and reassessment over time. Where providers have multiple funding contracts for a population group (for example, adolescents) cross-agency data collection and information sharing would improve understanding of the range of different interventions required for a single client at the local level.

Other questions and points to note

A correction is needed in relation to the reference to Enabling Good Lives on page 66 – Enabling Good Lives is not coordinated by the Office for Disability Issues, but is a joint project by the Ministries of Health, Education and Social Development.

On page 30 the issues paper states that the Ministry of Social Development contracts with almost 120 Maori providers. The Ministry does not define what constitutes a Maori service provider and no definition is given in the issues paper. We would be interested to see how the Commission has arrived at this number.

Concluding Remarks

MSD supports the goals and objectives of the Productivity Commission's Inquiry into More Effective Social Services and consider that the Issues paper does a good job portraying the social services landscape. We agree with the context, scope and focus of the Inquiry. We consider the Inquiry provides an excellent opportunity for MSD and we look forward to working closely with the Commission.