



NEW ZEALAND COUNCIL OF TRADE UNIONS  
*Te Kauae Kaimahi*

**Submission of the  
New Zealand Council of Trade Unions  
Te Kauae Kaimahi**

to the

**New Zealand Productivity Commission**

on

**The Issues Paper:  
More Effective Social Services**

**P O Box 6645  
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## **2. Introduction**

- 2.1. This submission is made on behalf of the 36 unions affiliated to the New Zealand Council of Trade Unions Te Kauae Kaimahi (CTU). With over 325,000 members, the CTU is one of the largest democratic organisations in New Zealand.
- 2.2. The CTU acknowledges Te Tiriti o Waitangi as the founding document of Aotearoa New Zealand and formally acknowledges this through Te Rūnanga o Ngā Kaimahi Māori o Aotearoa (Te Rūnanga) the Māori arm of Te Kauae Kaimahi (CTU) which represents approximately 60,000 Māori workers.
- 2.3. The CTU welcomes the opportunity to contribute to the discussion on the delivery of social services and as the summary document states, “to develop a solid understanding of social services commissioning and delivery in New Zealand”.
- 2.4. The CTU and its affiliated unions want to provide input into this inquiry to ensure that there is a full understanding of the social service sector from the workforce perspective. The CTU has significant membership in the social services sector. Hence our strong interest in this inquiry.
- 2.5. The delivery of social services is an important issue for our members, both as part of the social services workforce, and as citizens who access social services. The availability, organisation and delivery of social services underpin social outcomes for New Zealand citizens and reflect our values as to the type of sort of society we aspire towards.
- 2.6. Five CTU affiliates: the Public Service Association (PSA), the New Zealand Nurses Organisation (NZNO), the Post Primary Teachers Association (PPTA), the New Zealand Educational Institute (NZEI), and the Association of Salaried Medical Specialists (ASMS) have made responses on the Issues Paper (the Paper) which demonstrates the importance of this issue to the workforce and to our affiliates. The CTU endorses the submissions of its affiliated unions and the views of its wider membership. The Service and Food Workers Union (SFWU) have contributed directly to this CTU submission.
- 2.7. This submission provides a CTU critique of some of the initiatives that have been profiled and responds to some of the 54 questions in the Paper throughout this submission and also in the final section of the submission.
- 2.8. The four case studies that the Productivity Commission is undertaking as part of this inquiry are welcome. All focus on relevant social issues but the two case studies on services for people with

disabilities and the delivery of home-based care of older people are particularly important to us and the workforce as they will exemplify our concerns regarding employment and service quality in the social services sector.

- 2.9. We note that the Paper is the first stage in the inquiry process and that there will be other opportunities to engage. This CTU submission comments on the terms of reference of the inquiry and its scope, outlines our view of the primary considerations in the purchasing and delivery of social services that need consideration and identifies principles that we think social service provision should be based on. We are willing to enlarge on these principles as the inquiry progresses and to provide more examples, research and evidence.

### **3. Significant Background Influences**

- 3.1. The establishment of the New Zealand Welfare State in the 1930s set the foundations of policy, legislation and practice that are a part of the infrastructure, expectations and provision of social services today. The 1972 Royal Commission on Social Security and the 1988 Royal Commission on Social Policy both reaffirmed the principles of access of all people to acceptable living standards sufficient to ensure that everybody can participate and have a sense of belonging to their community.
- 3.2. The reorganisation of the public sector in the 1980s and 1990s, and the corporatisation and privatisation of many state assets and the separation of the roles of funder, purchaser and provider was the start of the state transferring the delivery of an increasing proportion of social services to non-state providers. Deinstitutionalisation of policies in mental health, intellectual disability and aged care in the 1980s saw a shift of many social services from public to NGO, community and private provision.
- 3.3. The growth of community and voluntary sector organisations delivering social services previously solely provided by central or local government has continued. In addition, however, there is an increasingly involvement of for-profit providers and larger corporations and multinational companies operating in the social services sector.
- 3.4. The path that New Zealand social service delivery has followed has similarities to the United Kingdom. Therefore, the presentation of Professor Julian Le Grand, from the London School of Economics, who recently spoke at the New Zealand Treasury on the reform of social services in the United Kingdom during the late 1990s, provided some more context to this inquiry.

- 3.5. During the time of the Blair Government, public services in the United Kingdom were under pressure to improve the effectiveness of social services and wanted solutions to address problems of long waiting lists, empty hospital beds, inequitable access for low income groups to services and falling PISA scores. Le Grand categorised the responses social service delivery in the United Kingdom into four models and characterised them as: trust; mistrust; voice and choice.
- 3.6. In the United Kingdom it is the “choice model” that has been increasingly favoured and embedded - though elements of the other models remain. The New Zealand situation is similar with policies and practices leaning towards the “choice model”. But there are a multitude of issues that have not been analysed or fully understood about this so-called “choice model”. We are very concerned about moving in this direction without a full appreciation of the implications of this model.

#### **4. The Inquiry Terms of Reference and the Paper**

- 4.1. The terms of reference for this inquiry are to enhance productivity and value in the state sector by examining whether the current contracting and purchasing processes in social services are delivering on the outcomes that are wanted.
- 4.2. The goal of the inquiry is to recommend measures that would lead to improvements in the efficiency and effectiveness of the social services sector. But the Paper provides no background or analysis as to the issues the Productivity Commission is concerned about. There is no identification of concerns regarding the delivery of social services in the form of costs, productivity, or ineffective services.
- 4.3. A long list of issues are outside the scope of the inquiry: an evaluation of specific social policies, a review of public funds allocated to specific social services; benefit levels, the productivity of the New Zealand public sector, and public sector expenditure and employment. But the scope is wide in its inclusion of all social services – many of which are vastly different to each other.
- 4.4. The terms of reference for this inquiry are both narrow and wide. Narrow, in that they omit reviewing funding, productivity and employment but wide in that they cover the entire diversity of social services and refer to their entire budgets. Some absences in the terms of reference are particularly notable.

- 4.5. The discussion on the role of the state in the provision of social services is brief, shallow and extraordinarily narrowly researched. It pays little attention to the New Zealand social services history and values and why the state provides some services. This is a critical component of the delivery of social services. Which services the state should provide and why and the particular circumstances of New Zealand history, culture, values and context are critical to the understanding and the future provision of social services.
- 4.6. We have to ask whether the Commission is discarding any pretence at ideological neutrality in this inquiry by leading the discussion on social services landscape with a quote from a 1999 publication (Lewis, 1999) of a right-wing U.K. think tank whose Director is David G Green, a 1990s guest to New Zealand of the Business Roundtable whose principal contribution to New Zealand debate on social welfare was described by prominent New Zealand academics, as “propaganda”, “a political tract” and “extreme” (Hyman, Chapple, & Stephens, 1996). The next citation (West, 1996: “The Spread of Education Before Compulsion: Britain and America in the Nineteenth Century: Government Education Increased Bureaucracy and Reduced Liberty”), which like the previous citation has no reference to New Zealand and appears to argue against publicly funded compulsory education, is from a publication of a right-wing libertarian US foundation (the *Freeman*, the “flagship” publication of the Foundation for Economic Education). A historical reference sourced to Easton does not create balance.
- 4.7. This shallow and biased presentation of crucial issues appears to suggest a strong prior stand on its approach which undermines confidence as to the outcomes.
- 4.8. The inquiry wants to focus on improving effectiveness of social services. But the term “effectiveness” is not defined. This matters. Public and community providers may describe services that are effective as ones that build stronger communities. Private for-profit providers would define “effectiveness” very differently. There are very different implications depending on whether “effectiveness” is defined in terms of individuals or communities or performance targets for example.
- 4.9. The absence of any discussion on employment and workforce issues is also a problem. Workforce and employment are subjects that cannot be ignored. There are major deficits in training of workers in some social service sectors. Some sectors have temporary or ongoing skill and labour shortages. Insecure jobs with poor work conditions are endemic in a number of social service sectors and these discourage the accumulation of skills and experience and put quality at risk. Of the total \$36 billion per annum social services budget, wages are the largest

part of the cost structure of social services. Wage issues both in the public sector, especially with current wage restraints, and the effects on wages from contracting-out, are major issues in the social service sector and have an impact on social service provision.

- 4.10. The terms of reference and the Paper focuses on the investment approach in social welfare but provide no analysis of that or any of the other “innovative approaches”. We outline some of our concerns about the welfare investment approach in paragraphs 13.1-3 of this submission.
- 4.11. The paper describes nine new approaches. What is glaringly obvious is that all these new approaches feature more involvement of the private sector in social services: social sector trials, social bonds, partnership schools, private management of prisons and prison rehabilitation. A very selective and political approach has been taken in the Paper by only profiling these initiatives.
- 4.12. The direction of the Paper, and the 54 questions, are heavily skewed towards exploring a stronger role for the private sector in the delivery of social services. This is both biased and highly political.

## **5. Significant Contextual Issues**

- 5.1. The increase in the number of New Zealanders facing serious social and economic problems and needs does not form part of the contextual background for this inquiry. High rates of poverty, low incomes and greater inequality are placing great strain on social services. The slippage in New Zealand’s social indicators and outcomes is a fundamental background context issue in this inquiry. Increasing social needs are not divorced from or independent of an inquiry into social services.
- 5.2. There are significant economic and social issues which need to be identified, form part of the social services landscape and affect the delivery of social services. These include but are not limited to:
- The very high levels of poverty among New Zealand children. Being born into a family dependent on an income-tested benefit is almost a guarantee of living in poverty. In 2013, 80 percent of children in such families were in poverty.
  - The inadequacy of wages for thousands of New Zealanders to provide them with a decent standard of living. On average between 2009 and 2013, two in five children in

poverty (41 percent) were from households where at least one adult was in full-time employment or was self-employed.

- The significant financial constraints in public sector spending with major cuts in social service budgets. In the last five years the public sector has had significant budget cuts, had the size of its workforce reduced and has been under wage restraint.

## **6. CTU Principles to Guide the Provision of Social Services**

6.1. We recommend these principles guide the delivery of social service provision:

6.1.1. The fundamental principle of the welfare state is the maintenance of a standard of living that enables everyone to participate in and have a sense of belonging to their community. Though the structure of society has changed, the principles that underpin the welfare state remain relevant today.

6.1.2. The market model is frequently in conflict with the objective of delivering social and public good for a number of reasons including:

- Integration and collaboration in service provision are key to improving social service outcomes. But the market model with its emphasis on competition detracts from collaborative and integrated approaches.
- The public provision of social services is based on the recognition of society's collective responsibility for its members. The market model is best suited to individual provision which tends to undermine the spirit and recognition of collective responsibility.
- Many social services are difficult to define and frequently require a holistic approach. Defining them strictly may detract from the effectiveness of service provision. Yet, private provision requires strict definitions for tendering purposes, to prevent rorting by inappropriate under or over-provision.

6.1.3. A strong public sector is fundamental for the provision of social services. Investing in public services, including in its workforce, is core to achieving economic and social stability. Strong public sector provision is important for maintaining state sector capability and neutrality in the



provision of services. There are some social service functions that must remain the preserve of the state due to their statutory and sometimes coercive nature.

- 6.1.4. Contracting out of public services must not result in the erosion of wages and employment conditions in the social service sector that inevitably impact on quality of services and the sustainability of the workforce. Decent wages for social service workers are important, not just for fairness but for sustaining social services and achieving improved social outcomes. Providers must be funded for the training and ongoing professional development of their staff to prevent erosion of sector capability. Contracting should minimise insecurity of employment which is currently endemic in some sectors and undermines the development of careers, skills and working conditions.
- 6.1.5. A strong, capable and independent community and voluntary sector is vital. This requires the same levels of resourcing as it would had the public sector been providing the service. Contracting should not impede the sectors' independence, and in particular, should not prevent it speaking critically.
- 6.1.6. There must be protections against private (including not-for-profit) providers imposing their own values on clients of social services. New Zealanders have a right to receive public services non-judgementally.
- 6.1.7. There must be responsible contracting procurement rules for the involvement of the private sector in public services. These should cover health and safety, employment conditions and environmental impacts and set high standards that are no less than the government itself follows and seek to raise standards generally.
- 6.1.8. The involvement of private contractors should not impede accountability to the public. The Official Information Act should be extended to all contracts, financial accounting and the activities of the private providers in the delivery of contracts.

## **7. The Welfare State Principles Remain Relevant**

- 7.1. The New Zealand welfare state has a long history in New Zealand established in the 1930s and has undergone changes over its 80 plus years. It was established at a time of economic and social deprivation to ensure the entitlement of all people to an adequate standard of living, to enable participation in, and a sense of belonging to society, and to improve quality of life. It

recognised the importance and interrelationship of taxation policies, wages, full employment, economic development, education, health, housing, social services, and cultural policies.

- 7.2. Society has changed a great deal since then but the fundamental principles that were the foundation of the New Zealand welfare state remain relevant today. Some of those principles are being realised in different ways. The call for a living wage that provides workers and their families enough for their basic needs and also enables meaningful participation in their community is one such example.
- 7.3. The global financial and economic crisis forcefully underlined the importance of social security as an underlying economic and social necessity. The value of a strong social security system was very clear when it absorbed the effects of the economic crisis and provided protection to vulnerable New Zealand workers who were adversely affected by the global economic crisis. The social security system acted as an automatic stabiliser that helped the country adjust to, and also recover, from the economic crisis.
- 7.4. Conversely a reduction in social security benefits and limiting access to quality public services, when there are high levels of unemployment and low wages will lead to an increase in poverty, social exclusion and higher income inequality.
- 7.5. Social protection measures to ensure access of all to quality health, education and all the other social services are even more important to address the social issues caused by growing inequality. A recently released paper from the International Labour Organisation (ILO, 2014) describes it thus:

*The case for social protection is compelling in our times. Social protection is both a human right and sound economic policy. Social protection powerfully contributes to reducing poverty, exclusion, and inequality – while enhancing political stability and social cohesion.....Further, social protection enhances human capital and productivity, so it has become a critical policy for transformative national development.*

## **8. The Market Model, Privatisation and the Commodification of Social Services**

- 8.1. The assumptions that underpin market approaches often conflict with the provision of social services and the principles of universal access and equity in social services. A model based on competitive tendering, a greater role of the for-profit private sector and more contracting-out with the presence of more large corporations and multinationals does not have social and public good as its overriding objective.

- 8.2. The market model which is based on competitive tendering process has a depressing effect on wages and employment conditions as providers compete on price to retain service provision. This translates into service quality issues.
- 8.3. Incentive-based payments may be one way to achieve social outcomes specified in a contracts but they are subject to many problems such as the “parking” of difficult clients and gaming and a focus on “numbers and outputs” rather than people and communities.
- 8.4. An Audit Commission report from the United Kingdom, “For Better, For Worse”, in 2008 highlighted the complexities involved in outsourcing and strategic partnering and questioned some of the efficiencies arising from out-sourcing (Audit Commission, 2008).
- 8.5. There is a trend evident in the social service sector towards contracts with big providers. There is a significant risk from private providers who are motivated by a for-profit motives moving into the social sector for business development and expansion reasons.
- 8.6. No-where is this more evident than in the New Zealand early child care sector where large-scale child care centres are springing up in new areas and making aggressive offers to buy other struggling small scale centres. The new owners are then rebranding them and reducing employment conditions.
- 8.7. The history of mental health services in New Zealand exemplifies the risks with increased private provision. Mental health services moved out of the large psychiatric hospitals in the late 1980s into small mental health trusts, many of them run by organisations that had a strong consumer focus and some of them with strong family connections with the client base. Assistance was provided by District Health Boards (DHBs) and their predecessors to set up these not-for-profit organisations. The workers were paid well compared with their aged care and disability support colleagues and were all trained to a Level 3 or Level 4 National Certificate. But over time, wages and training levels have both been eroded.
- 8.8. Since the DHB funding constraints and the cessation of the ring-fenced mental funding, the mental health providers have been forcefully amalgamated into larger national organisations and the local responsiveness and support has reduced. For instance, in Wellington there was a Pacific mental health service, a Māori mental health service, five mainstream mental health services (two national and three local) and six day service programme organisations. There is now one Māori mental health service, two mainstream (both national) and 3 day service programmes.

- 8.9. The shift of mental health services into the private sector has been at the expense of employment conditions which have a direct impact on service quality. We expand on this in the section 11 of this submission.

**9. The Important Role the State Plays in Social Services Delivery**

- 9.1. The New Zealand welfare state was strongly based on the provision of public services by the state. The reasoning behind this remains valid today. An outline of the role of the state in the provisions of social services is, and must be, an essential component in this inquiry. The draft report needs to outline the role of the state in the provision of social services and also where social services should not be contracted-out.
- 9.2. The primary role of the state is to safeguard the interests and wellbeing of its citizens. The delivery by the state is the clearest way to ensure accountability and ensure that public good interests are not overridden by private or sectional interests.
- 9.3. Historically, public service employment has played a progressive role, with fairer pay distribution, good employment conditions, stronger collective wage bargaining and a proven track record in progressing gender equality. Public sector employment has provided an important benchmark for the wider labour market.
- 9.4. Research carried out by the New Economics Foundation for UNISON shows why and how the public sector can lead a shift to progressive employment practices for all public service workers and public sector supply chains (Kersley, Shaheen, Vardakoulias, & Mohun-Himmelweit, 2014).
- 9.5. The state as a provider looks for its motivation to the public service ethic rather than personal financial benefit to motivate employees. What motivates public service is the ethos of a public service ethic. This is evident in the results of the Workplace Dynamics Survey of New Zealand Public Services showing that the public sector workforce that delivers social services is highly motivated by an ethic of public service (Plimmer et al., 2013). However there are significant concerns which are confirmed by the PSA survey of almost 16,000 public sector workers that they are under increasing pressure and these pressures are making the delivery of quality services harder and harder.
- 9.6. The CTU does not support an investigation into productivity into the service sector for reasons described in our 2013 submission (NZCTU, 2013). However, there has been a lot of useful work done on which is relevant on how to increase the capability in the social services sector. The

Workplace Productivity Agenda in the mid-2000s looked at how to increase capability in workplaces by investing in people, enhancing skills and networks, attending to culture, and building leadership and management capability. These factors of productivity, which they were then called, provide some tools to build the capability of organisations and provide other responses rather than assume the way to build capability is increase the private sector role.

9.7. A narrow definition of social outcomes and narrowing the definition of social services is evident in other parts of the social service sector and the trend is of concern. The tertiary education sector has witnessed the narrowing down of tertiary education to a much greater focus on economic outcomes and the impact of limited provision of education demonstrated by a fall in community education provision from 236,000 learners in 2009 to 75,100 in 2012.

9.8. The Tertiary Education Union are concerned about this narrow view for Adult Community Education provision which fails to adequately recognise the role of adult community education role in communities, in promoting social cohesion, and in providing flexible opportunities for life-long learning for our society (Tertiary Education Union, 2014). It also fails to capture the value of learning experiences that take account of the whole student in the context of their whānau/family, community and workplace.

## **10. A Strong, Thriving and Independent Community and Voluntary Sector**

10.1. The provision of social services by the community, NGO and voluntary sector has a long history in the health, disability and social services sector. But they are experiencing significant challenges with the growth of poverty and inequality and are now expected to respond to increased social needs without commensurate increases in funding.

10.2. Community and voluntary welfare sector organisations have a vital role in providing social services and building strong communities. They provide invaluable services including being independent from the government, providing voice and keeping a watching eye on the state.

10.3. Being independent from government, having voice and keeping a watch on the state are all essential roles of community and voluntary sector organisations. But there are real and serious concerns about service contracts silencing the voice of community and voluntary organisations and questions about whether service contracts are having a compromising effect on the independence of Non-Governmental Organisations (NGOs) (cited in Public Service Association, 2011).

- 10.4. A survey into their experiences shows that NGOs experience that their role in public debate is not always welcomed ( Grey & Sedgwick, 2013). Community and voluntary groups argue that it is time to listen to their voice more and to ensure that the conditions exist that allow for engagement in public debate, and overcome what the authors of the survey call the emergence of a “democratic deficit”. We think this is an important issue to highlight in the inquiry report. Transparent contracts enabling NGO independence can overcome this.
- 10.5. The New Zealand Council of Christian Social Services has expressed concerns about the effects of service contracts and how they can they lead to “mission drift“ in which the organisation moves from its original mission of helping people to meeting the requirements of the funder (O'Brien, Sanders, & Tennant, 2009).
- 10.6. Another contract issue is the community and NGO sectors’ concerns in dealing with narrowly prescribed short-term contracts with tightly targeted funds and audit requirements which can be detrimental to continuity, innovation and creativity. Contract management is a big issue in the sector for in the NGOs sector.
- 10.7. A 2003 survey of NGOs in the health sector which examined contracting with Government and its agencies revealed concerns between the DHBs and the NGOs including poor communication, lack of feedback, failure to follow guidelines and unequal relationships. One submitter noted that *“the system is characterised by greater or lesser degrees of mistrust, complicated processes of auditing and monitoring, enormous transaction cost for both funders and providers and a lingering suspicion of malfeasance.* (Stace & Cumming, 2006, pg 14). In the social services sector good relationships must be at the heart of good contract management.
- 10.8. The community and voluntary sector needs more resourcing rather than face unfair competition from large scale corporate providers. We sympathise with the views of many NGOs who state that they “work on the smell of an oily rag”. NGOs need adequate resourcing and support to be meet their fiduciary duties, obligations, responsibilities around governance, management and leadership capability in the social sector.

## **11. The Workforce Issues are Major**

- 11.1. As the outsourcing of contracts has increased, growing numbers of former public service employees are working in the private sector but paid through by public sector contracts while fulfilling public service duties. The impacts of growing economic and social needs are

experienced by public sector agencies and by NGOs and their workforces in the social services sector.

- 11.2. The shift from public to private employment can result in diminished pay and employment conditions and this has been especially so for workers in the health and education sectors. For some workers the move from the public to the private sectors removes workers from national bargaining systems such as public sector Multi Employer Collective Agreements and collective employment agreements.
- 11.3. The CTU and unions are very concerned about the effect of contracting-out on wages and conditions of employment, quality standards and training. Associated with this are issues related to quality standards and training. It must be realised that contracting-out has a direct impact on service quality.
- 11.4. The aged care sector is the most glaring example of the effect of contracting-out lowering wages and reducing conditions of employment within the same occupation and workers attracting a lower rate of pay if they are privately employed rather than publicly employed (Caring Counts, 2012). In the case of aged care workers, a public sector carer will typically earn about \$4 more than a care worker in the private sector. "Efficiency" must not be based on cutting wages and reducing employment conditions.
- 11.5. The Caring Counts Inquiry examined in detail the workforce conditions for workers, (mainly women) working in the aged sector and concluded that carers working in the aged care sector were being paid chronically low wages and there were also inconsistencies between different parts of the sector with pay disparities between community support workers and carers, and health care assistants and nurse aides working in public hospitals.
- 11.6. Training opportunities are also fewer in the private sector. Caring Counts found that 61 percent of community support workers have no formal qualifications of any kind and in the residential aged care sector 46 percent have no qualifications (Caring Counts, 2012 pg,73 ). Workers are not incentivised to take up training opportunities as aged care providers are not rewarding staff through pay increments as their competencies and skills increase.
- 11.7. We note that the Productivity Commission is undertaking a study into home-based services for older people as part of this inquiry. This is a case in point of social service provision changing but at the expense of the workforce. The underpayment of workers in home-based care, and most symbolically demonstrated by the non-payment of travel time between clients, is a case of

the workforce subsidising the social service sector over many years. The development of home-based services in providing more choice and reducing institutionalisation has been at the expense of the workforce.

- 11.8. Unions describe that there is a time bomb of wage issues as evidenced by the Equal Pay Case, *Service and Food Workers Union Nga Ringa Tota Inc v Terranova Homes and Care Ltd*, [2013] NZEC, and various other minimum employment wage cases having been or currently before the Courts. These legal challenges have come about as a result of the state moving out of the provision of health services and the services now being dominated by community and private providers who pay their employees a lot less than they were previously paid by state providers.
- 11.9. In the early childhood education (ECE) sector a similar picture exists between the pay and employment conditions of the largely public sector workforce of teachers and aides working in kindergartens compared to the wages and employment conditions of the privately-run establishments. The NZEI submission on the Paper outlines in detail the changes in this sector with the growth of private for-profit provision of ECE.
- 11.10. Privately run prisons run similar risks. Figures from the Department of Corrections last week show that the Mount Eden Corrections Facility prison – the only privately run prison in New Zealand - has had far more prisoner assaults recorded for the last three years than any other prison . The prison's operations were contracted out and it has been run by global outsourcing firm Serco since May 2011. The Centre for Public Services in the U.K. found that staff in private prisons were paid 25 percent less on average than their state counterparts and had inferior non-pay entitlements (Centre for Public Services, 2002).

## **12. Contracts, Funding and Procurement Principles**

- 12.1. The New Public Management model supported an increased private sector role in services where the state had formerly been the provider and split the funding and provision of services to avoid the feared “provider capture” of services.
- 12.2. In the United Kingdom a Parliamentary report (House of Commons, 2014) into hearings on contracting out government services found that public trust in outsourcing has been undermined by the poor performance of large multinationals in supplying security guards for



the Olympics, issues with the work capability assessments by Atos<sup>1</sup>, misreporting of out-of-hours GP services by Serco, and that G4S<sup>2</sup> and Serco had overcharged for years on electronic tagging contracts. The report sounds some warning bells:

*“Government is clearly failing to manage performance across the board, and to achieve the best for citizens out of the contracts into which they have entered. Government needs a far more professional and skilled approach to managing contracts and contractors, and contractors need to demonstrate the high standards of ethics expected in the conduct of public business, and be more transparent about their performance and costs”.* (ibid, 3)

- 12.3. The collapse of ABC Learning in Australia provides another warning signal. The demise of ABC Learning in 2008 demonstrated the risk on the dependence on large corporates and gave rise to public questions on whether profit and child care can mix. Despite massive government subsidies, this company collapsed leaving 30,000 children and their parents in the lurch, and thousands of staff unemployed. The case highlighted not only the social importance of childcare, but also how inappropriate profit is as the prime motive for running childcare centres.
- 12.4. One area where the inquiry could offer useful support is to identify principles of good contracting out and good contract management. Responsible contracting policies (RCPs) are a means to enable the inclusion of objectives to achieve social good outcomes and prevent the erosion of labour conditions. RCPs can specify that there is no undermining of wages and employment conditions, uphold health and safety standards, promote collective bargaining as well as address other social concerns such as environmental impacts. RCPs can set standards that are no less than the government itself follows and should aim to raise standards generally.
- 12.5. The involvement of private contractors must not impede accountability to the public. The Official Information Act should be extended to all contracts, financial accounting and the activities of the private providers in the delivery of contracts.

### **13. Selected Initiative: The Welfare Investment Model**

- 13.1. The investment approach to welfare is one of the initiatives profiled in the Paper as an innovative approach and is identified in the terms of reference as “a shift towards a smarter

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<sup>1</sup> **Atos** is a French multinational corporation that provides consulting and technology services, systems integration and managed services and receives contracts for outsourced public service contracts from some governments, including the United Kingdom.

<sup>2</sup> **G4S** is a British multinational services company and is the world's largest security company measured by revenues and has operations in around 125 countries. With over 620,000 employees, it is one of the world's largest private sector employers.

system” (New Zealand Productivity Commission, 2014, pg 81). But it is far too early to say this. There has only been one evaluation of the welfare investment model and it involved a limited number of targeted beneficiaries. All that can be said so far is that it is not known how this approach will deliver on social outcomes.

- 13.2. The initial findings from the investment approach shows that there has been a decrease in the number of beneficiaries and the Government has welcomed this as this is one of the Better Public Service targets. But the glaring omission from the initial evaluation is an evaluation of outcomes (such as decent jobs) for the beneficiaries themselves. The evaluation found a significant churn between employment and people going onto other benefits rather than off benefits. Missing from evaluation was any focus on the type and quality of employment that people are going into and how sustainable it is and the impacts from the beneficiaries ‘point of view – in the end, the crucial point.
- 13.3. A study of contracting out welfare to work programme in Australia and the Netherlands by the Joseph Rowntree Foundation found that delivering Government objectives through contracts is prone to many of the same implementation problems as experienced in public sector delivery systems but that contracting out poses further challenges because it fragments responsibility among multiple contractors, changes the relationships between policy makers and front-line services and blurs lines of responsibility and accountability. A strong association was found between incentive based contracts and ‘parking’ where harder to help participants receive a bare minimum of services (Finn, 2008).

#### **14. Selected Initiative: Client Centred Funding**

- 14.1. Client-centred funding, or also known as individualised funding, enables disabled people to arrange and manage their own support needs in respect of carers and related arrangements and is now available to some disabled people. The wish for people to be autonomous and in charge of their own care needs is appreciated but there are major employment issues which need more attention.
- 14.2. The issues that are raised by turning dependent citizens into employers of their carers have not been confronted. Such arrangements can move people into the responsibility of an employer without the necessary training or adequate cognisance of the employment responsibilities which may become complicated by the dependency of the relationship and the high degree of trust that is required. This can lead to much more than the usual (and often difficult) problems when an employment relationship breaks down.

- 14.3. Individualised funding is not a panacea. Studies in Victoria, Australia, confirmed that not everyone wants full individualized funding and that this approach to disability support needs to be implemented cautiously (Laragy, 2002).
- 14.4. We refer to the ASMS's submission in which they refer to personal budgets and the evidence that they provide on the impact of personal health budgets showing no conclusive proof that they improve outcomes or save money (Health Foundation, 2010).
- 14.5. We support the concept of the consumer having choice in the employment of their support worker but advocate for it to be managed through an organisation that is accountable for managing the employment and the health and safety requirements (which are significant) to the level of the Home and Community Support Standards and other relevant legislation.

**15. Selected Initiative: Partnership Schools Kura Hourua/ Charter Schools**

- 15.1. Partnership Schools Kura Hourua/Charter schools are a highly controversial model so we see the inclusion of this model in the selected initiatives as political. The evidence does not stack up that these schools will improve educational outcomes. We refer the Commission to the submission of the PPTA who provide more detail about these schools.
- 15.2. The views of the profession and our members, which we support, are that the "choice" offered by these schools come at a huge cost to the existing schools network and will jeopardise what the programme public schools are currently providing for vulnerable students. The United States has had charter schools for more than a decade and there has been no measurable improvement in that country's overall performance on core education outcomes in maths literacy and science (OECD, 2013).
- 15.3. With barely a year passed since these schools were introduced any findings must be suspect. The education impacts, which are critical require expert analysis, but the most important of the impacts will not be known for several years and in some cases decade. It is unfathomable why the Commission has included this as an initiative.
- 15.4. A most extraordinary aspect of Charter Schools, is that they operate outside regulation and even the law. While they receive substantial tax payer funding, they are not accountable to parliamentary scrutiny.

**16. Other Issues**

- 16.1. The Paper identified whānau ora services as a new model of social service delivery. The principle of iwi-delivered services for iwi is supported. In regard to the wider whānau ora model and questions relating to this in the Paper, more time is required by us to respond on this model. We note the submission of the Te Rūnanga o Aotearoa, NZNO, on questions that pertain to cultural competency and Te Tiriti o Waitangi. This will form the basis of a discussion at the December CTU Te Rūnanga meeting and therefore we wish to make a further submission on the whānau ora work programme following this discussion.
- 16.2. Question two in the paper asked about the role of volunteers. Volunteers will continue to be important in the provision of social services and some agencies in agencies which have a long history of volunteerism but there are critical questions about the role of volunteers especially with increasing pressure on social service agencies. Principles should be developed about volunteers not replacing or posing a threat to the job security of paid staff. Competitive tendering, particularly in times of static or reduced funding, will induce some providers to replace some jobs with volunteers to reduce costs. Volunteer positions must be carefully monitored to ensure they do fulfil the role of true volunteerism. Abusing this will lead to tensions between volunteers and employees on the one hand, and between volunteers and their organisation if they feel their good will is being abused, on the other.
- 16.3. Question 56 asks about whether we are willing to meet with the Commission for consultation on this Paper. The CTU would willingly co-ordinate a meeting for the Productivity Commission of Te Rūnanga o Ngā Kaimahi Māori o Aotearoa, and CTU affiliates to go over the material and issues in this submission and the submissions prepared by affiliated CTU unions.

**17. Conclusion**

- 17.1. The direction of this Paper is strongly geared towards more private sector involvement in the social services sector on an assumption that the private sector could carry out these roles more effectively. It fails to provide any evidence for that assumption. The market model undermines the spirit and recognition of collective responsibility which is so important in social services provision. There is compelling evidence that the market model has deleterious effects on wages, employment conditions which all affect service quality and provision. There is a very limited understanding in the Paper of the complex, interdependent nature and relationships in the social services sector. The initiatives that have been selected are highly political and the implication of those models have not been analysed and are not fully understood. The overseas

evidence of failures of large multi-national companies in the social services sector should serve strong warnings bells. Increasing and improving the ability and effectiveness of social services to improve social outcomes that are desired for a strong and healthy society are in everybody's interest. The CTU is keen to continue engagement and consultation to improve social outcomes for all New Zealanders.

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