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Submission on the Interim Report on “More Effective Social Services”

This submission on the Interim Report on “More Effective Social Services” is linked to the submission from Victory Community Health in Nelson on the original issues paper. The Interim Report was discussed at a meeting of the Nelson Community and Whanau which is a regular monthly meeting of community and voluntary organisations in Nelson City.

1 Introduction

This submission agrees that the current system is fundamentally flawed but argues that intensifying this approach is also not the answer. The Interim Report continues to argue for market mechanisms to measure success in the social field. While voluntary sector organisations have proven to be highly adaptable to the market shift by government funders, some of their most valuable attributes have been eroded by market mechanisms. The submission also argues that the social insurance proposals in the report are revolutionary and require much more debate in the community and that while increased individual choice can be a seductive argument it fails to take account of the social and economic cost of the consequences in imperfect markets.

2 A flawed system

We agree with Victory Community Health that the Productivity Commission is attempting to repair a fundamentally flawed system. It is disappointing that, having highlighted some of the failings of the

current system, the Interim Report recommends intensifying the market-led approach which has created the problems identified. While there may well be some market mechanisms which are useful in the delivery of social services, the underlying tendency of the market to colonise and find new areas from which to extract profits means that it infiltrates areas in which it is less than useful and which may even be dangerous to the health and well-being of vulnerable people. Marketisation of government and the voluntary sector is doing damage to some important aspects of our society. In particular, the use of a purely economic measure of productivity in this report reinforces one of the problems the voluntary sector has been trying to cope with in the social services area for approximately thirty years since the introduction of New Public Management into the government sector in New Zealand.

3 The objectives of a healthy, functioning government sphere are broader than economic.

While it is recognised that government spending needs to be carefully managed, the Productivity Commission is recommending a system in which the principal focus is the reduction of government spending without any assessment of what is publicly desirable or of the level of need and how much it would cost to meet it. Simply seeking to reduce cost ignores the potential of government to support the aspirations of its citizens to achieve things that are more effectively done collectively, collaboratively and, in particular, intentionally. The predominant economic focus of the Productivity Commission is likely, if adopted, to produce recommendations which will exacerbate the fragmentation and inequality in society which has developed in New Zealand since the 1980s.

4 The wrong measures of success

The Interim report recommendations rely heavily on goal achievement as the measure of success. Government efforts to develop substitutes for the profit measures of the market has been an ongoing problem for the voluntary sector. The complex world of social services relies as much on less tangible processes. While the report acknowledges that organisations should be left to develop their own approaches to achieving goals, it is not clear, other than for the reduction of government risk, why there is a need to introduce investment funding from the private sector into this mix. This is not new money in the sector, rather it is loan money which returns to the lender with added value, all of which must be met from government funds. If government is trying to ensure that it will not have to support the cost of failure, it is admitting that this is a real risk in this sector which even private sector involvement will not allay. This risk is one which government should, by now, have developed better understanding of, and better public explanation of. The recommendations in the report do nothing to address this. Rather,

they will add more cost to the short term process in the hope of longer term gains which are very uncertain and very difficult to measure. At the same time the process may place greater strain on both the social services sector and those with whom they are working as they try to deal with pressure from financial investors to meet simplistic goals.

5 Voluntary Sector organisations have proven to be highly adaptable and do not need further market incentivisation

The report talks about the lack of appropriate incentives in the current system and the inability of organisations to adapt to new ideas. However far from failing to adapt to market incentives the vast majority of community and voluntary sector organisations have worked hard to meet the successive waves of output and then outcomes oriented measures applied in government contracts. To achieve what has been asked of them they have learned to write contract tenders and to compete with other voluntary sector organisations and, in some instances, with the private sector. They have adapted to metric systems of accountability, they have professionalised their workforce and their volunteers. They have shifted to corporate governance. Some voluntary sector organisations have adapted so well that they have grown very large in the process, describing themselves as “compassionate corporates.” However the existing market-led government approach to social services is doing great damage to the role these organisations play in society and to the health of civil society.

6 Social Investment Bonds are not necessary

The report seems to recognise that there is a need for something other than the narrowly defined contracting which currently exists. We concur with that but suggest that it is not necessary to develop Social Investment Bonds to achieve something most voluntary organisations have always been good at, using their own flexible and integrating approach to mission-achievement. The sector has been a huge source of entrepreneurialism for decades in this country. When people are committed to a cause they are often very insightful about how to achieve their objectives. As an example, voluntary organisations argued for outcomes based reporting long before government recognised the need for it.¹ By giving organisations more room to manoeuvre they are likely to attract people who are very keen to involve themselves in developing different ways to reach good outcomes for people. Where government works

¹ Although government's linking of outcomes based reporting to funding, with sanctions for non-achievement, was hardly what the organisations were seeking. Outcomes based reporting works best in a learning environment where the lessons can be taken into future work.

closely with the organisations and develops relationships of greater mutual knowledge and understanding, better results can be achieved.

7 The broader role of community and voluntary sector organisations is being erode by the Market.

Community and voluntary organisations play other roles in society beside their social services role. These other roles have been eroded by the influence of the market and they are likely to be further damaged should Productivity Commission proposals be adopted. Government once supported the role of community and voluntary sector organisations in their work to achieve community good, support which allowed the organisations to be responsive to the ideas of their communities and their members. The organisations contributed to the development of cohesive communities, raising important public issues and engaging the public in altruistic activity through volunteering. Contracting for government services, particularly “contracting-in” where organisations found the work they had always done being transferred to government ownership, has contributed strongly to the demise of many of these activities. Contract-driven governance changes have shifted the organisations away from people with deep knowledge and understanding of the organisations and their communities towards people with more professional, contract oriented skills. The proposed new arrangements are likely to entrench financial and business expertise in the organisations and further marginalise the community volunteers. None of the proposed changes will encourage the restoration of the public voice of the organisations because contract related information is deemed confidential to the parties. These are serious issues for our society. They are the result of existing market involvement in the voluntary sector and they will be exacerbated by a shift to greater private sector involvement and control of social services.

8 Social insurance proposals need more examination

The proposals to develop insurance schemes which are designed to encourage risk prevention measures in the system require much more examination. Proposals that the schemes should be devolved to private insurers, whether these are business or voluntary sector organisations, will shift decision-making about the nature of services out of government and into the private sector. The nature of core services and entitlements and the access people have to them are matters of public concern. The proposals seek to entrench tiered systems of access to services, with core entitlements being supplemented by private funding. These proposals risk deepening the entrenchment of inequitable systems, where money rather than citizenship will determine access to many services. The attitude of the Productivity Commission towards the democratic right of people to lobby their MPs and seek changes in government policy and

even practice appears disdainful. It is anti-democratic, particularly where systems are being designed to remove such pressure. Government should not contract out its responsibility for the design and delivery of our basic rights to health, social services and education. It is only through government that equity of access can be assured.

9 The problem of choice

Market mechanisms are often seductive in their promise of greater power for the individual. The right to choose is particularly persuasive. The argument for consumer design of appropriate services packages is a case in point. The Interim Report suggests that the problem of interface coordination could be solved by enabling the “consumer” to choose the services he or she needs. This process assumes well-resourced organisations and a competent and informed consumer as well as a perfectly functioning marketplace. It denies the reality of decades of under-resourced organisations, the complexity of people’s lives that make the gathering of reliable information a daunting, if not frequently impossible, task, and it ignores the consolidating nature of markets where businesses seek to develop advantages and capture markets. It also ignores the small size of New Zealand and its markets. There are some very large international organisations already operating in the social sector who are doubtless poised to undertake some of the services which will become available should the Interim Report recommendations be adopted. The report does not analyse the performance of these organisations in other domains, nor does it look at the impact or cost of the likely competition on voluntary sector organisations, or the impact of their potential loss to the communities with which they are involved. Notions of consumer choice suit organisations with adequate reserves so that the vagaries of fluctuating funds can be overcome. Charitable voluntary organisations do not have the recourse to bank financing which is available to businesses and they are not huge risk takers, nor are they allowed to be. The NZ Treasury recently warned that current models of outcomes based reporting, which the Interim Report supports and recommends strengthening, are not suited to the voluntary sector, largely because of their precarious financial nature. This applies to large organisations as well as small ones. A recent (as yet unpublished) study of three New Zealand organisations showed that even the largest had few reserves and all were living on a knife edge, dependent on their government contracts to survive². If, as the Productivity Commission proposes, government should fund organisations on the basis of consumer choice, where is the analysis of the impact when, for example consumers change their mind? This has

² Webster, P., (2015) Marketisation of Charitable Organisations in Social Development. Unpublished PhD Thesis, Massey University.

cost implications to communities and society if the resources and assets of these organisations are destroyed in the process. This lack of analysis about the impact on the voluntary sector and the consequences, financial and otherwise, of the collapse of any of these organisations, indicates a lack of real interest in the health of this sector. It reinforces the view that proposals such as those in the Interim Report are disinterested in the means of delivery and make no discrimination between private sector business and the voluntary sector. This speaks of a real lack of understanding of the different roles these organisations play and the value of the voluntary sector in social services.

10 Conclusion

The Interim Report says that, to date, the current approaches are not producing results. While we would concur that the current system is not a good one, we contend that markets are not good mechanisms for addressing the complex social issues found in the social sector. Voluntary sector organisations have made huge efforts to adapt to a system that is simply not appropriate for the development of good social services. Rather than intensifying the role of the market greater productivity may be possible by addressing the issue from a social, rather than a purely economic perspective.