

More effective social services inquiry
New Zealand Productivity Commission
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Community Networks
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Tēnā koe,

Background to Community Networks Wellington

Community Networks Wellington (until recently known as Wellington Council of Social Services) has operated in the Wellington community under various names since 1952. We are a member-based organisation with over 100 members in Wellington city and a newsletter distribution of 140. Our primary purpose is to share information, resources and knowledge with organisations and individuals working in, for and with the Wellington community to encourage a collaborative and effective community sector.

CNW would like to thank the Productivity Commission for the opportunity to provide input to their review of the social services sector and commend the Productivity Commission on undertaking such a thorough review of the sector. While we may not agree with all of the Commission's recommendations and conclusions drawn, we see this document as a useful resource due to the amount of research it pulls together.

Key points

Underlying philosophy

1. As with our submission to the Productivity Commission's "Issues Paper" on more effective social services, **we are concerned with the continued assumption that community wellbeing is an issue that can be achieved through a market economy.** The shift in language (and the resulting shift in approach) that comes from describing the social sector as a 'market place' in which social services are 'purchased' to achieve pre-determined outcomes is reductionist and fails to fully understand the complexity of holistic community development and wellbeing.
2. **We highlight the Commission's finding that non-governmental providers are "driven by a commitment to a mission rather than personal financial**

gain” and caution that this risks being lost if social services are opened up to the private market. The report points out that:

- i. *“Motivations are important because they influence how providers react to incentives and how they behave when their actions cannot be observed by the Government.”* (pp. 43-44).
 - b. In light of this we challenge the Commission’s understanding of the term ‘incentives’, which, in the social sector, is about positive wellbeing outcomes, not financial gain.
3. **We endorse Treasury’s opinion on contracting for outcomes for social service:**
- a. *“It is not our view that government should introduce price competition into the social services market to solve the issues of efficiency and effectiveness. This is not a standard market and price competition would not lead to the direction of resources towards the clients who would benefit the most. NGOs have already expressed that they are only partially funded for the cost of their services and therefore there would not be any desire to ‘undercut’ each other on a price basis in this collaborative environment. Price as a lever to incentivise efficiency within NGOs will be limited.... We have interpreted the supply of services provided by NGOs to be relatively inelastic in price. People are clearly motivated by outcomes for the people they work with, and as such there is more than funding that drives this sector. This is evident in the substantial volunteer time and philanthropic funding element, and the resilience of NGO providers rooted within communities. Many NGOs are driven to respond to community need rather than responding to prices.”* (Treasury, 2013: “Contracting for social services” pp. 21-22 available at: <http://www.treasury.govt.nz/publications/informationreleases/socialservices/pdfs/cossm-2789883.pdf>)
4. **We are concerned that the full value of the social service sector is not included when compared with market models in the report.** The social, cultural and economic value of the work undertaken in the sector by volunteers, family and friends is not adequately recognised. Shifting to a market-based model with private providers risks losing this immense resource that is often unaccounted for in economic ways, but which is an integral part of our society. We encourage the Commission to take the social, cultural and economic values of this contribution into full consideration before it makes any further recommendations relating to opening the sector up to the market with private companies tendering for contracts. As noted on page 90:
- i. *“...every 1 percentage point decline in informal support capacity has led to about a 5% increase in demand for government funded disability services.”*
 - b. Our prediction is that private companies will not involve volunteers in the same way as the community sector and this would risk losing a

resource that gives 800,000 hours' work per week (Fig 2.4, p. 36) and that has numerous wider well-being outcomes in the community.

5. **We refer the Commission to “Outcomes Plus: The added value provided by community social services” recently released by the New Zealand Council of Christian Social Services.** This research

i. *“...shows that the value delivered by the community and voluntary sector (their ‘added value’) precedes and goes well beyond what they are contracted to do by government.”* (Neilson, 2015: p. 7).

b. It goes onto say that:

i. *“Government policies and funding models which undermine the characteristics and infrastructure of the community and voluntary sector will jeopardise the overall contribution of the sector to individuals, communities, the government, and society as a whole.”*(Neilson, 2015: p.7).

6. **We are concerned that reducing government investment in—and provision for—social services is a fait accompli.** The report states:

i. *“Government should be cautious in extending its responsibility, and do so only where there is evidence of wide community backing for such an extension...”* (p. 90)

b. Similarly, we feel that government should be cautious in reducing its responsibility, and do so only where there is evidence of wide community backing for such a reduction. As the report rightly says:

i. *“A wider debate may be required about where the boundaries of responsibility for social services best lie.”* (p. 90)

c. We are concerned that this debate is not taking place and that rather, this report takes it for granted that the community wants government to withdraw from investing in social services. We feel there is a gradual yet systematic relinquishing of the government's responsibility for society's wellbeing. Indeed the use of the term 'crowding out' (p.90) to describe a process whereby government takes over work undertaken by 'volunteers and collective effort' has negative connotations and is used to justify government not taking on greater responsibility. Another way of seeing this is that it is due to government reneging on its responsibility that volunteers are forced to fill the gap / meet the need of the community. We therefore welcome debate on the wider role of government in the welfare and wellbeing of citizens.

7. We take issue with the reports' statement that:

“The presence of free or subsidised social services reduces the incentives for self-investment and self-insurance” (p. 195).

This statement may be true when assessing a private market, however, **we implore the Commission to understand that the community is not a market and therefore the same models cannot be applied to social services.** Many

of the people we work with can only access our services *because* they are free. If a fee were put on the services of our member organisations, the majority of people with whom we currently work simply could not afford to access our services. This would have drastic and long-term consequences for the country and a negative impact on future welfare liability.

Te tiriti o Waitangi

8. **We are concerned that Chapter 13 “The Māori dimension” fails to fully incorporate te Tiriti o Waitangi into this work.** We feel that, in line with a partnership approach to te Tiriti, Māori perspectives should be integrated throughout the whole report, rather than being addressed in one chapter at the end of the document.

9. **We support “...increasing the ability of iwi and Māori to exercise greater control (rangatiratanga) of what and how social services are delivered...”** (p. 33).

New Ideas

10. We support innovation and the introduction of new ideas to the social sector, however **we are concerned that many of the new ideas presented in the draft report lack evidence of long-term positive change in the lives of the people concerned.** Many of the issues with which we are working in the social sector are the result of well-entrenched systemic problems such as inequality, intergenerational poverty and institutionalised prejudice. Finding solutions that work in the long term is critical to improving outcomes for individuals and we feel there is a lack of attention paid to examples of well-established programmes with evidence of long-term change. We warn the Commission against assigning too much weight to new ideas and/or initiatives that lack long-term evidence of positive change.

Learning and development

11. New ideas and innovation require sufficient investment to enable a thorough process of learning and development. **We are concerned that the emphasis placed on models of competitive funding means that investing in research and development is a luxury that many providers will be unable to afford.** Our experience is that as funding decreases so too does investment in staff training and research and development in programme delivery. An increasingly market-driven model encourages organisations tendering for contracts to cut their costs wherever possible. Training and development of staff as well as research into—and learning from—programmes and delivery models will be the first line items slashed from budgets in an effort to reduce costs. This is contrary to a system that learns and grows from its experience.

12. We agree with the report’s finding that: “...providers (government and non-government) need to ensure that the skills of their workforce keep pace with the growing and increasingly complex needs of clients.” We ask when the funding to enable this training and development will become available? As

Trevor McGlinchey of the New Zealand Council of Christian Social Services has said:

- i. *“Some government funded social services organisations report it’s been over ten years since they last received a cost of living allowance for the services they deliver. The increase in inflation over that period is over 27% (http://www.rbnz.govt.nz/monetary_policy/inflation_calculator/). So during a time of huge demand for services, especially since the Global Financial Crisis, and increasing demands for accountability, achievement of outcomes, and payment of increased costs like KiwiSaver, social service organisations have effectively decreased their spending power by over a quarter. During this period as well there has been a dramatic increase of the complexity of the services required by whānau, families and communities. (<http://www.communityresearch.org.nz/news/sweeping-changes-for-social-services-comment-from-trevor-mcglinchey/>)*

13. **We disagree with recommendation 7.2: “Where the Government specifies and directly funds the development of innovation, it should own the intellectual property rights.”**

The Office of the Social Sector

14. **We are perplexed by the proposal to establish “The Office of the Social Sector” given the underlying rationale of this report is to reduce expenditure.** A new bureaucracy will simply increase administrative costs and reduce the funding available for work in, with and for the community.
15. **If the proposal for “The Office of the Social Sector” were to progress, we question the level of sector input there will be to its establishment, its terms of reference and the mechanisms for ongoing input from—and collaboration with—the social sector.** We also question what level of autonomy the office would have? Would it be within an existing government department or would it be an independent body?
16. **If the proposed Office of the Social Sector is intended to help ministers to develop the overall reform strategy and guide its implementation, what support would there be for community-based organisations to adapt and change their ways of working to meet the new requirements placed upon them by government agencies contracting their services?** Change is costly at both government-level and in the community. It is vital that if the government is seeking new ways of working, then community organisations are given the resourcing (training and funding) to adapt.
17. In considering the establishment of The Office of the Social Sector, we remind the Commission that, as they have identified, government funding accounts

for only 50% of charities' total income (p. 36) and that 90% of not-for-profit organisations in the country are run entirely by volunteers (Stats NZ, 2005).
We caution against establishing a government department that may look to exert comprehensive control over a sector which it is only partially funding.

Devolution and delegation

18. **We support the thinking behind devolution and delegation in that it encourages locally defined and determined solutions to local issues.** We encourage the Commission to read The Salvation Army's "Mixed Fortunes Report: The Geography of Advantage and Disadvantage" for an insight to the limitations of centrally developed policies and service delivery models.
19. **We support the theory of devolution and delegation on the condition that sufficient funding is provided to resource the services.** We are, however, wary that one of the motivations behind increased devolution and delegation is to distance the government from addressing complex community issues and to insulate politicians from potentially challenging situations.
20. **We are concerned that devolution and delegation without adequate resourcing may become the rationale for privatisation.** If the government devolves a service to a provider but does not provide sufficient funding then it is inevitable that, over time, under-performance will result. Our concern is that this failure will then become the justification for opening the service up to the private sector where, as stated in the report, the aim is for financial profit, not social outcomes (p. 43-44).

Leveraging IT and data

21. **We suggest that a competitive funding environment will not encourage the sharing of data between service providers.** While we agree that increased collaboration is fundamental to effective service delivery, we are concerned that, when placed in a competitive funding environment, providers will be reluctant to share information with their competitors.

Funding models

22. **We support the full-funding model suggested in Finding 6.9 with the condition that providers have input to the 'way' they deliver services and the 'standard' specified in the contract.** Community providers are experts in their field: they are on the front line and have insight to the most appropriate models and realistic expectations of success that contract managers (many of whom are situated in offices distanced from the community) may lack.
23. We agree that client-centred funding has a place in the suite of options available to funding services but point to the issues that can arise when clients becoming employers of staff. **We encourage further consultation with the sector to determine which social services are best placed to utilise client-centred funding.**

24. **We are concerned that individualised funding models may alter the way that providers view the people they work with, ultimately changing them from being seen as ‘people’ to being viewed as ‘customers’ with a dollar value attached to them.**

25. **We are concerned that there are always some people who are not well placed to make informed decisions about what is best for their own welfare and that individualised funding models do not suit such people.** The risk is that these people may not make the best decisions and may be susceptible to manipulation by people competing for their ‘custom’. This situation risks undermining the culture of trust that is fundamental to the social service sector.

26. **We warn that individualised funding and service for outcomes may result in ‘cherry picking’ of ‘easy’ results and a narrowing of services as providers limit their service to include only those services for which they are funded to provide.** This risks undermining holistic support for clients and may similarly negatively impact inter-agency collaboration and the referral of clients to more appropriate services.

27. **Individualised funding may result in providers’ being unwilling to share information as other providers are seen as direct competitors for funding.**

28. **We vehemently oppose the introduction of Social Impact Bonds to the social services sector.**

Thank you for considering our submission on this important work.

Yours sincerely,

On behalf of Community Networks Wellington
Charlie Devenish, Policy Advisor and Special Projects Coordinator, Community Networks Wellington
Mary O’Regan, Chair of Community Networks Wellington

References

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