



27 November 2014

New Zealand Productivity Commission
PO Box 8036
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Attention: Geoff Lewis
Inquiry Director

More Effective Social Services Issues Paper – Submission

1. This submission is made by Carers NZ on its own behalf, and on behalf of those national health and disability NGOs that are listed in the schedule and which are members of the New Zealand Carers Alliance.
2. This submission includes a brief outline of the activities of Carers NZ, and its relationship with the New Zealand Carers Alliance. We have only addressed the questions in the Issues Paper where we feel we have a particular perspective or knowledge to offer. The Issues Paper is very wide ranging, and we are not in a position to respond to all the questions.
3. As a preliminary point, we welcome and endorse the generous description by the Productivity Commission of the goals and values of social policy in New Zealand in Chapter 1 of the Issues Paper. We welcome the acknowledgement that there is a broad consensus on what government funded social services should be providing, and this is entirely consistent with what Carers NZ (and its New Zealand Carers Alliance partners) is trying to achieve.

Carers New Zealand

4. Carers NZ is a national non-profit organisation which delivers information, advice, learning, and support to family carers. Family carers support family members, whānau, aiga and friends with illnesses or disabilities in their own homes. Family carers are the largest element of the health, disability, and social services 'workforce' in New Zealand, and they are largely unpaid and often have poor formal support. Carers NZ has a website with information resources for family carers (carersair.net.nz), and it has worked with government agencies to produce *A Guide for Carers* and other resources for family carers. It also operates an 0800 Helpline.
5. Carers NZ also represents the interests of family carers through lobbying and advocacy, operating as the national peak body for carer-related NGOs in New Zealand. It is the Secretariat of the New Zealand Carers Alliance, a coalition of 45 national NGOs working together to achieve strategic objectives for carers.

6. Carers NZ and its Carers Alliance partners have recently worked with government in developing the second five-year Carers' Strategy Action Plan for 2014 – 2017; aspects of the Plan call for Carers NZ to further develop its information centre as a portal for a range of government and NGO services.
7. Carers NZ contracts with various government agencies to support its work (principally the Ministry of Social Development and the Ministry of Health).
8. Carers NZ therefore has hands on practical experience collaborating and contracting with government and government agencies in the health and disability sector. It also has a perspective on the experiences of other NGOs and individual carers dealing with government agencies and their policies and practices, and government funded service delivery in the community.

Q4 What contribution do social enterprises make to providing social services and improving social outcomes in New Zealand?

9. The Productivity Commission's discussion on social enterprises is interesting to Carers NZ because, under either of the definitions cited in the Issues Paper, we are a "social enterprise". More than half of Carers NZ's funding comes from government contracts for services we provide. But we are also recognised as being innovative and entrepreneurial in developing and promoting information services that would not otherwise be provided by government or other NGOs, and connecting deeply with the communities we support through use of the internet and social media.
10. There is an international network of family care organisations, which are particularly prominent in the Europe, North America, and Australia. However Carers NZ would not exist as a not-for-profit organisation if it was not for the initiative of its founders, and their sense of social enterprise. Carers NZ has consistently taken ideas about providing services for family carers to government and government agencies. It has often initiated or piloted ideas ahead of any government buy-in (or funding). Without Carers NZ the social services it provides would be unlikely to be provided in New Zealand.
11. The challenge for government is to recognise when social enterprises like Carers NZ are responding to community needs which government agencies might not have identified or necessarily understand, and to nurture and collaborate with that organisation if it is improving social outcomes in a worthwhile way. Carers NZ considers that it has been moderately successful in building ongoing partnerships with government agencies, and it is certainly grateful for the support it has had. However it has often been difficult to engage government with new ideas, and progress has often been frustratingly slow.

12. There have been some projects where it has simply been easier for Carers NZ to engage with non-government funders or commercial partners, or to simply 'go it alone', rather than engaging with government. Our experience has been that government agencies have been more comfortable to follow success than to lead success. This means the involvement of Carers NZ and other social enterprises is vital in providing social services and improving social outcomes.

Q5 What are the opportunities for, or barriers to, social services partnerships between private business, not-for-profit social service providers, and government?

13. Being able to stay in work is one of the key challenges for family carers. It is a common experience for a family carer responsible for a person facing illness or disability in their home to not be able to continue to work. Many family carers work below their qualifications and experience simply to earn an income whilst juggling support commitments for loved ones, or work part-time. This has an impact on family carers and their families, and also on employers and the economy. It also has a potential impact on the social welfare system, if the family carer is eligible to receive a benefit. There is a very small likelihood that family carers might be entitled to be paid for the care they provide.
14. Carers NZ has been raising this issue with government and government agencies for years. We have found employers themselves are more receptive to the implications of having potentially large numbers of family carers for whom work is likely to be unsustainable. Employers internationally tend to be receptive to the value in providing more flexible working conditions to support workers in caring situations. Carers NZ is working with Business NZ, the NZ Council of Trade Unions, PSA, and various employers to increase awareness of carer issues, and to provide information and support to employees who may also be family carers.
15. Government has only been peripheral to these initiatives. Even though much of the information provided to family carers in workplaces is government information, Carers NZ is not directly funded to provide that information.
16. Of course if government was more directly involved – either actively participating or in a funding capacity – then the partnerships could roll out more quickly and widely, and the social outcomes would improve accordingly. Our experience is that government is risk adverse and reluctant to engage in projects that are new, apart from those which have low financial value.
17. In early 2015 Carers NZ will launch the CareWise workplace accreditation programme, for which employers will pay an annual subscription fee; in return they will receive an independent audit to check whether their workplace is carer friendly, recommend ways to become more so, and access to Carers NZ's information, services, and support for the organisation's caring employees. CareWise was developed without involvement or input from government, an example of how innovative relationships for 'big picture' outcomes can sometimes happen more quickly with private organisations and partners such as unions and Business NZ.

Q9 How successful have recent government initiatives been in improving commissioning and purchasing of social services? What have been the drivers of success, or the barriers to success, of these initiatives?

18. The Issues Paper discusses various initiatives that have been designed to improve efficiency, and to provide a platform for innovation by government agencies and service providers. The initiative that Carers NZ is closest to is individualised funding for disability support services. We welcome the Productivity Commission's attention to this initiative, including its inclusion in the case studies it plans to undertake.
19. The Productivity Commission obviously thinks individualised funding is a philosophically attractive model. It is discussed (on page 41) as "perhaps the most far-reaching form of devolving decisions about social services." The Issues Paper refers to "individual empowerment, lifting client wellbeing," as well as stimulating competition between providers, fostering innovation, lowering costs and improving service quality.
20. The Issues Paper also refers to the fact that some clients may have medical conditions or disabilities that limit their ability to make informed choices. Our main reservation about individualised funding is that it works best for the "able-disabled" who are in a good position to benefit from the empowerment opportunities available. Where the person with a disability or illness is not in a good position to benefit from the empowerment opportunity (e.g. they are a child, or have an intellectual disability) the responsibility for spending the funding and arranging the care tends to fall on the family.
21. There are policy obstacles to family members being paid any of the funding that is available, even if they are providing equivalent care to non-family caregivers who may be paid. The funding comes with significant administrative and compliance obligations (e.g. employment obligations for paid carers, such as PAYE, ACC, Holidays Act and Health and Safety in Employment Act compliance).
22. The most challenging problem is that there is often a shortage of the services that are necessary for the person with the individualised funding, and shifting the funding also shifts the responsibility for finding and arranging the necessary care. In difficult cases, families find themselves in impossible situations, and individualised funding can be tantamount to an abdication of the responsibilities of the relevant government agencies.
23. Government's unwillingness to examine or improve the less appealing aspects of progressive policies like individualised funding, i.e. that family carers are often giving up their own income or life opportunities to provide unpaid coordination services to make individualised funding work for high needs disabled people, is a significant barrier to individualised funding achieving its full potential as an innovative support delivery model.

24. We think the Productivity Commission should consider and comment on the impacts of individualised funding in the difficult cases where it is not necessarily so successful, despite its philosophical attractiveness.

Q18 How could the views of clients and their families be better included in the design and delivery of social services?

25. The Productivity Commission observes that client feedback on the services they want and how they want to access them is an important starting point for improving services, but also that client participation in directly informing the design of services appears to be the exception rather than the rule (page 42).
26. Client advocacy organisations and service providers can provide a voice for clients, but the Productivity Commission is interested in more direct input from clients and their families. They seem to be suggesting that a mediated view through advocacy organisations or service providers may not be as reliable as direct 'client' information (page 43).
27. This is relevant to Carers NZ because its functions include acting as an advocacy organisation representing the collective interests of family carers. Carers NZ is recognised as a reliable source of direct 'client' feedback from among family carers and those they care for. The fact that Carers NZ is a specialist information and community support organisation is a strength because it does not have the "dual role" (or the implicit conflict of interest, in terms of the Productivity Commission discussion) of a more typical provider of clinical or operational services to individuals.
28. It is interesting that, when it comes to actually paying money, government agencies tend to undervalue Carers NZ's ability to provide direct client feedback. Despite the Productivity Commission saying client feedback is important, our experience is that government agencies are reluctant to fund consultation beyond minimum cost recovery. They certainly do not pay to maintain the capacity to provide direct client feedback. The Productivity Commission analysis suggests government agencies should value the role of Carers NZ (and similar organisations) more highly than they currently do, and we agree with that.
29. We note that Carers NZ has invested nearly \$100,000 to enhance its customer database management systems, so we can better monitor and maintain contact information for our growing network of more than 50,000 people and organisations. There is little recognition when engaging with government agencies that access to this targeted network for consultation activity, surveying, or promotion of information about policies, services, etc, is of economic value. Only rarely do agencies, when seeking access to this network, offer a financial contribution, and typically such contributions are modest – well below what they would pay a commercial organisation for access to similar numbers of consumers, reflecting the undervaluing of social enterprises by government.

30. Design and delivery of social services still focuses on 'real world' conventional models even though carers and families prefer to 'self navigate' to find/access social services online, or via social media. Government, while encouraging innovation and 'knowledge economy' progress in the private sector, has yet to fully understand, invest in, and encourage such practices among its own agencies and the social enterprises it works with.

Q22 What is the experience of providers and purchasing agencies with high-trust contracts? Under what circumstances are more relational contracts most likely to be successful or unsuccessful? Why?

31. There is an emphasis in the Issue Paper on contract models. There seems to be an inference that contracts with input-based or process-based obligations are less sophisticated, and that 'more effective' contract models look to results or outcomes.¹
32. Carers NZ is not sure the spectrum is so clearly delineated, or that the favourable judgement about the outcomes-based model is necessarily correct. In Carers NZ's case, the qualitative dimension of the resources we develop and our contribution to government processes tends to be more important than the quantity of what we provide. However the quality of these sorts of contributions is obviously difficult to measure and our experience has been that government contract managers tend to default to input-based obligations.
33. In particular, the pricing under our contracts tends to be input-based – usually calibrated on amounts of time to be spent or boxes to be ticked. The costs of measuring results or outcomes would likely exceed the amount of funding being provided. One of the key problems with family carer policy and government interactions is that government agencies do not know much about family carers.
34. Apart from the measurement problem, the other difficulty with results-based or outcome-based contracts is that they shift the risk for performance on to the service provider, when the result or outcome will probably be beyond their control. It is also inconsistent with the objective of NGOs and government agencies being in a partnership or collaborative relationship if the responsibility and risk associated with the desired outcomes is shifted on to the service provider.
35. Carers NZ has not been part of any formal high-trust contract scheme, but there are high-trust elements to some of our relationships. Carers NZ's experience is that government contract managers have been reasonably flexible in defining inputs and outputs. However we would see pressure to move towards results or outcome-based contracts as undermining our good working relationships with government agencies, especially if the pricing remains input-based.

¹ E.g. see the continuum of contract obligations on page 8 of the Issues Paper.

36. For several years Carers NZ explored amalgamating its then contracts with ACC, MoH, and MSD into an 'integrated contract' with funding used to achieve agreed outcomes. After considerable engagement this did not proceed because one agency said it was uneconomic to implement and manage such contracts unless they were for high values.

Q24 Are there examples of where government agencies are too dependent on particular providers? Are there examples of providers being too dependent on government funding? Does this dependency cause problems? What measures could reduce dependency?

37. There is a contradiction in the Issues Paper between the government influencing and shaping the long-term sustainability of the market for social services (page 6) and the comment that "mutual dependency" between government agencies and service providers is a problem (page 48). The argument is that "mutual dependency" reduces the incentive to improve service delivery and innovate.
38. Carers NZ's point of view is that the "mutual dependency" analysis relies on an unrealistic view of the "market" for the provision of social services in New Zealand. There is no well-supplied market in New Zealand that ensures there are readily substitutable specialist service providers with niche knowledge, community contacts, and capacity. To assume there is runs directly counter to the government's role of maintaining the long-term sustainability of the market for social services.
39. An alternative way to look at this issue is to cast "mutual dependency" as the essence of partnership. There may be risks for government agencies and service providers in monopsony/monopoly situations, but this is an inherent feature of New Zealand being a small market. Attempting to introduce competition among service providers where there is not sufficient capacity or capability tends to damage the limited capacity or capability that is available, with a corresponding decrease and disruption to the quantity or quality of the services available. There are real examples where this has happened in the last few years.

Q28 What are the characteristics of social services where contestability is most beneficial or detrimental to service provision?

40. See Q30 below.

Q30 Is there evidence that contestability is leading to worse outcomes by working against cooperation?

41. The Productivity Commission sets out the arguments in favour of contestability (essentially market benefits – page 51), and it also identifies potential problems (page 52). The disadvantages cited relate to interruptions to service provision, and damaging the capability and sustainability of providers and coordination and cooperation in the sector.

42. Another problem Carers NZ has seen with contestability is that it undermines the opportunities and incentives for “social enterprises” to innovate. Carers NZ has faced situations where it has presented innovative ideas to government agencies, only to have them share the ideas with potential competitors through a contestable procurement process. Carers NZ has had to compete to implement its own ideas.
43. This is a disincentive to sharing innovative ideas with government agencies, and has in fact created an incentive to attempt to commercialise innovations independently of government agencies. This may not in itself be a bad thing, but it stops government from innovating alongside social enterprises or being seen as a trustworthy partner for innovative projects. The public interest that government agencies should be promoting is naturally of a lesser priority in commercial projects where the government is not participating.

Q48 Would an investment approach to social services spending lead to a better allocation of resources and better social outcomes? What are the current data gaps in taking such an approach? How might these be addressed?

44. The government has adopted an “investment approach” to managing the welfare system. There are problems with some of the underlying assumptions in this approach. For example there needs to be an implicit ‘rate of return’ to calculate the net present value of the liability of the government represented by beneficiaries, and arguably there is no place for this kind of financial markets-based measure in the welfare system. These controversies are alluded to in the Issues Paper (page 61).
45. As far as extending the investment approach to social service spending is concerned, Carers NZ has always promoted the view that there is a strong economic argument for better supporting family carers to make their situations more sustainable. The cost of institutional care (or full-time paid care at home) will inevitably be more expensive than family care. Most family carers neither want nor expect to be paid, but the economic arguments in favour of spending money to support family carers to help them be more sustainable are under-recognised in New Zealand. Carers NZ commissioned research from Infometrics to measure the economic value of family care on a simple hourly cost basis.² Infometrics estimates that the value of unpaid family care was \$10.8 billion in 2013 (based on estimates of the number of hours spent by informal carers).
46. An investment approach to measuring the true cost of caring for people with illnesses or disabilities would presumably generate very high up-front ‘net present values’ of care over people’s lifetimes. This has certainly been the case for ACC and welfare generally.

² Infometrics (Dave Grimmond) “The economic value and impacts of informal care in New Zealand” (June 2014) - attached.

47. We could be concerned if the analysis failed to measure the value of family care, and strengthened the incentive for the system to free-ride on unpaid family carers. If family care is regarded as a free service under an investment approach, it would be easy to imagine the level of paid care for people with illnesses or disabilities being reduced when the long-term cost is crystallised. That could be a very negative outcome.
48. There is a more constructive possibility that an investment approach analysis leads to the overall cost savings from caring by family members being recognised, and there would presumably be a compelling case for the government to meet more of the relatively modest costs of supporting family carers to ensure family care is more sustainable. However, taking into account the true cost of family care would be a new dimension to the investment approach in the general welfare context.

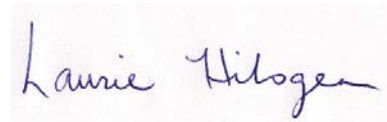
Q55 Are there important issues for the effective commissioning and contracting of social services that will be missed as a result of the Commission's selection of case studies?

49. The case studies and the lessons the Productivity Commission says it hopes to learn are very relevant as far as Carers NZ is concerned. The individualised funding model is one which could readily be rolled out in other areas relevant to carers and the health and disability sector generally. For example, the Ministry of Health recently consulted on proposed changes to the arrangements for making "Carer Support Subsidy" payments to carers, and the proposal the Ministry has decided to promote involves making the payments to at least some carers on a 'grossed-up' basis which is similar to individualised funding.
50. We think it is important that the pros and cons of the model be thoroughly investigated, and we welcome the engagement of the Productivity Commission.
51. We are also interested in the issues concerning home-based care for older people. The aging population is a critical issue for the health system and the country as a whole, and family care provided by spouses and other family members will be vital for people 'aging in place'. How services will be provided in these situations is a strategically important issue, as almost 90% of New Zealand's carers are of workforce age (15 to 64).
52. For each of these case study areas, the only important issue Carers NZ is concerned might be missed by the Productivity Commission is the critical, but often unrecognised, role of informal family carers. Supporting family carers so their role is sustainable has the potential to make a strategic difference for the wellbeing of a large proportion of New Zealanders. This support will also bolster the national economy as more New Zealanders face the choice of giving up paid work to provide intensive care for ill, elderly, and disabled loved ones who could not otherwise continue living at home.

Q56 Are you willing to meet with the Commission? Can you suggest other interested parties with whom the Commission should consult?

53. Carers NZ is keen to meet with the Productivity Commission. We can see both opportunities and risks in the project the Commission is undertaking, and we think it is important that the Commission should be as well informed as possible.
54. We could also arrange for the Commission to meet other members of the New Zealand Carers Alliance if you are interested in discussing these issues with a wider range of national health and disability NGOs.

Sincerely,



Laurie Hilsgen
CEO, Carers NZ
Secretariat, NZ Carers Alliance

SCHEDULE
New Zealand Carers Alliance Members

@ Heart
Access to Medicines Coalition
Age Concern NZ
Allergy NZ,
Alzheimers NZ,
ANZMES (Associated NZ ME Society)
Aotearoa Maori Whanau Carers Network
Arthritis NZ
Autism NZ
BALANCE NZ
Cancer Society of NZ
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Cystic Fibrosis Association of NZ
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Grandparents Raising Grandchildren
Hospice NZ
IHC
Integrated Neurological Rehabilitation Foundation (iNRF)
Kidney Kids
Lysosomal Diseases NZ



MS Society
Muscular Dystrophy Association of NZ
Neurological Alliance
NZ Continence Association
Down syndrome Association
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