



Productivity Commission Issues Paper Boosting Productivity in the Services Sector Response from the New Zealand Home Health Association

The New Zealand Home Health Association is the peak body representing organizations that provide home support across New Zealand. Our members (50) are employers of around 21,000 home support workers, nurses and coordinators. Our members' staff support around 100,000 people nationwide who live with disabilities or health challenges, in their own homes. The majority (98%) of funding comes from government¹.

This response has been prepared by Julie Haggie, CEO of the Association.

Q1 Will the Commission's proposed approach to this inquiry deliver the best outcomes for New Zealand? How could it be improved?

If the Commission recognizes that language and concepts used to describe markets, productivity, competition, value, outcomes are viewed differently by different sectors.

Key elements in thinking about health/ social sector service markets include:

- *The interconnectedness and indispensability of both the service consumer and the service provider*
- *the extent of ownership of the services purchased, the purchasing of services*
- *the impact of labour, rather than process as the key element of service, which means that the human factor and the service provider/client relationship is often the key success factor.*

Q2 What relevant publications and data sources should the Commission explore for this inquiry.

- *The New Zealand Non-profit Sector in Comparative Perspective*
<http://www.ocvs.govt.nz/documents/publications/papers-and-reports/the-new-zealand-non-profit-sector-in-comparative-perspective.pdf>
- *European Union, commission Staff working document, 'Biennial Report on social services of general interest' Commission of the European communities, Brussels 2.7.2008, SEC(2008) 2179*
- *[Non-Profit Institutions Satellite Account: 2004](#) (Statistics NZ)*

Q3 Which activities within the following industries are provided in a market (non-government environment):

- education and training;
- health care and social assistance; and
- public administration and safety?

Using the definition above ("market = non-government"), our sector provides education and training and health care and social assistance in a market environment. But we query the assumptions behind the definition. Our sector is funded 98% by government but is not government. We are unable to seek co-payments and the broader 'market' is largely limited to government contracts and a very small (less than 5% private market).

¹ through DHB (Health of Older people funding over 65 and under 65 chronic conditions), Ministry of Health Disability Support (under 65 living with disabilities), and ACC (injury related)

To what degree should the market-provided parts of these industries be included within the scope of this inquiry?

Again, it depends on your definition of 'market', but considering, for example that 67% of health services are provided by agencies outside of government (including private and not for profit agencies), to not include them would exclude a significant, and growing proportion of service delivery.

Q4 In your experience, do weaknesses and gaps in service industries handicap the performance of other industries? If so, how?

Our particular experience in home support is that:

- a. *gaps in service provision, either insufficient or lack of, increases time and energy commitments from informal carers (family members, other volunteer agencies) who are then less productive in their industries.*
- b. *weaknesses and gaps in our service results in an elevation of the need to a different service area, which tends to have higher cost inputs (hospital care, ACC, primary care, residential aged care). A specific example is the lack of integration (either through lack of expectation or silo'd funding) with clinical nursing care or doctors. Clients in rural or isolated areas who lack mobility and are unable to get to their doctor too often have to resort to using ambulance and emergency hospital services.*

Q5 What are the causes of the productivity gaps between firms in the same service industry or sub-industry? What can be done to reduce such gaps?

In relation to our sector (home support) there are two comments, the second of which is probably relevant to many other health and social services, but the first which hampers productivity for our providers.

- *Our particular service is fragmented in terms of quality and outcomes because our providers have different contracts with multiple funders. Common costing, and service specification frameworks, along with nationally consistent needs assessment and auditing would dramatically reduce productivity gaps. Bulk funding rather than fee for service has been shown to date to promote increased productivity.*
- *The reality of social and health services are that each service interaction is unique. It is generated, provided and consumed once for each situation. Both Inputs and outputs are variable, making it difficult to maintain consistent service quality and to evaluate or compare services.*

Q6 What is the potential for improved productivity and growth in service industries that you are familiar with? What are the impediments to improved productivity and growth in those industries?

It depends what is meant by 'growth'. We know there is very likely to be a growth demand with an older population. Managing and servicing the growth is the challenge. That demands higher levels of productivity to reduce the drag on taxation. There is great potential to improve productivity, through:

- *Increased training of staff to deal with more complex client situations, financial support for training through training pools.*
- *Flexible funding structures that enable providers to fully utilize their workforce*
- *Integration of district/community nursing and home care, and the enabling of community nurse prescribing to allow care to really happen in the home.*
- *Alliance contracting arrangements that promote a focus on outcomes, and on a shared vision.*
- *Capacity building to enable organizations to stretch and grow.*

Barriers: in our sector

- ☐ *Fee for service funding model*
- ☐ *Contracting that is inflexible and one sided*
- ☐ *Multiple contracts and rates for the similar service*
- ☐ *Lack of national service specification*
- ☐ *Inability to offer wages and conditions that ensure retention*

Q7 To what extent is there insufficient competition in New Zealand's service industries? In which industries? What are the impediments to competition in these industries?

- ☐ *In our sector there is robust competition. Competitive tendering seeking economies of scale has been applied in major urban areas and by one national funder (ACC). Some regional DHBs are looking at cross regional tendering, and we have seen a reduction in provider numbers.*
- ☐ *Larger agencies have been able to show efficiency in terms of ICT investment, quality improvement structures and administration.*
- ☐ *However regional/local providers often combine funded services with other non funded or part funded community services, resulting in cross subsidization and stronger community support systems. The danger in isolating individual services is the weakening of broader community services.*

Q.8 What are the opportunities for productivity growth in service industries where production and consumption of the service happens in the same location, and the demand is geographically spread out?

Our sector is a good example of this, i.e. production and consumption happens in the same location, and demand is geographically spread. Opportunities for productivity growth in rural areas is a challenge, but enablers include:

- ☐ *Sufficient incentive for travel costs*
- ☐ *The use of remote monitoring and other integrative technologies to support people to remain safely in their homes*
- ☐ *Complementary support for family carers (training, respite, funding, access to clinical advice)*
- ☐ *Better internet coverage to allow for connectivity for assessments, monitoring, communication.*

Q.9 Are there service industries that perform less well than they could due to problems such as low levels of skills; or lack of specialized inputs, scale, appropriate infrastructure or opportunities for agglomeration? What are the impediments to improving productivity and growth in these industries?

Our sector is an example of a workforce with low qualifications (60% have no formal qualifications). This does not mean a lack of skills. Our opinion is that our sector pitches above its weight, and could be used as an example of a lean, but very productive sector within the constraints it faces. We certainly see opportunities for much greater productivity in our sector, but the current value, expertise and depth of the sector should be recognized and built upon.

Q.10 What are the barriers to the export of services. What are the economic impacts of those barriers? What can be done to reduce them?

A handful of our providers are either arms of international providers, or are considering or undertaking international service projects, arranging and selling services overseas. Key barriers are the overseas local regulatory and business frameworks. For example, it

is extremely difficult to enter the Australian social service market from New Zealand (not so difficult the other way).

- Q.11 To what extent are there barriers to the efficient import of services? What are the economic impacts of those barriers? What can be done to reduce them?

There appear to be few barriers to the entry into our market of foreign service based providers, other than the fact that there is little financial incentive for them to do so. In the areas of the market that offer a higher return overseas owned providers have been successful in competitive tender bids.

- Q.12 What barriers exist to the cross-border movement of people that affect international trade in services? How do those barriers affect New Zealand service industries and the economy more generally? Are there opportunities to remove or reduce those barriers?

No relevant comment.

- Q.14 How is trade in services affected by New Zealand's current international agreements? What features should negotiators seek or avoid in future agreements, and why?

No relevant comment.

- Q.15 To what extent do New Zealand services businesses invest in, and make effective use of, ICT? What are the barriers to them doing so?

Our sector is very reliant on ICT, because we need to connect people with people and because there is a considerable level of transaction each day. Rostering, invoicing, GPS, use of telephones and cellphones, field laptops for assessment. Increasingly we are using cloud technology. The main barriers are access to fast and reliable Internet, the quality of linking technology and electronic information routes. Less of a problem is the development/ changing protocols around access to client records. As an example of an ICT barrier, our providers had to 'dumb' down their technology in order for it to link to an aging government mainframe. This then causes problems for provider technology linking elsewhere.

- Q.16 What is the scope to raise productivity and wages in service industries that traditionally employ low-skill workers? How would this be best achieved?

Our sector is a good example, with a casualised and low paid workforce, over 60% of whom have no formal qualifications. Some have skills already and all have the ability to develop them.

Some suggestions:

- *Thought, policy and discussion with buyers (government) around the value of productivity. Many purchasers in government have a view dominated by procurement and risk management. They may not have the mandate to consider broader issues such as workforce sustainability, workforce planning and productivity. National health planners too often write reports on the workforce without direct reference to providers or workforce representatives. In our sector Health Workforce NZ should lead a collaborative discussion.*

- Q.17 Are there non-targeted regulations that have a disproportionately negative impact on service industries? How can this situation be improved?

We generally find that government is responsive to our submissions around non-targeted regulations. Work is still needed around certain legislation (eg Employment Law relating

to vulnerable workers), and the cost of having a low paid sector is that there is more likely to be legal challenge around definitions of work, equal pay etc.

- Q18 Which service industries are significantly affected by industry-specific regulation? Are there opportunities for improvement?

We are now affected by industry-specific regulation after a long period of having only voluntary regulation. We are confident that, if appropriately funded, this will lead to a greater focus on client and service outcomes, more skilled and trained staff, and greater productivity.

- Q19 Are there important issues relating to intangible assets in service industries that the Commission should investigate?

Intellectual property is one area that has caused some tension in relation to contract negotiation. This relates to the 'ownership' issue we highlighted in response to question 1. Who owns the ideas and thoughts that service providers develop during a service delivery that has been purchased? Is the purchaser effectively purchasing the use of service, rather than the service itself?

- Q20 What are the most important policy issues relating to management, organisational culture and employee skills in the services sector?

This is too big a question for us to respond to at short notice.

- Q21 What other policy issues have an important impact on productivity in the services sector? What process will the inquiry follow?

Again, too big to respond to at short notice.

- Q22 What topics should be considered for in-depth analysis in Part B of the inquiry? In what ways do they meet the criteria in the Terms of Reference?

We believe that the health and social services sector/s would be a good, though rather wieldy topic, just because of the market realities of those sectors.

- Q23 With whom should the Commission consult?

ANGOA could assist with that if funding were available. There is a cast of thousands in the broader sectors.