



RETIREMENT POLICY  
AND RESEARCH CENTRE

**Beyond social investment**



Retirement Policy and Research Centre | Child Poverty Action Group | Centre for Applied Research in Economics

# Proceedings

# Summit 2017: Beyond Social Investment

**8 September 2017**  
**The University of Auckland Business School**

This Summit was proudly supported by Child Poverty Action Group, and the University of Auckland's Centre for Applied Research in Economics and Retirement Policy and Research Centre.

Summit proceedings compiled and edited by M. Claire Dale.

**Video and audio files of the summit speakers can be found on the [CPAG website](#)**

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**Proceedings: Summit – Beyond Social Investment**

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Child Poverty Action Group Inc.

PO Box 5611 Wellesley St

Auckland 1141

New Zealand [www.cpag.org.nz](http://www.cpag.org.nz)

**Contents**

Summit Theme ..... 4

Summit Programme..... 4

Presenter abstracts and short bios..... 5

Peter Whiteford: Welfare Reform and Social Investment - Assessing the Australian Approach ..... 10

Simon Chapple: Corked Wine in a Cracked Bottle? ‘Social Investment’ and New Zealand’s welfare reform ..... 20

Peter Alsop: Investing in social investment ..... 25

David Kenkel: Social Work and Social Investment..... 31

Jess Berentson-Shaw: Bringing back trust into social policy (also a bit of the fairy tale)..... 37

Susan St John: Social investment: Target efficiency and incentives ..... 47

Bill Rosenberg: The Future of Work and Welfare: supporting people through change..... 52

Alan Johnson: God, good and self – a search for a new moral basis for our welfare state ..... 58

Len Cook: Looking back to look ahead –prospects for the next generation? ..... 73

Mike O’Brien: Social Investment Summit– a brief reflection ..... 89

Summit Resources ..... 90

## Summit Theme

Social investment is a buzzword that is guiding the current National Government’s social policy decisions. What does it mean? What are the implications of increased ‘target efficiency’?

Speakers at the 2017 Summit, “Beyond Social Investment”, will examine and critique this view of welfare provision, and discuss what a social welfare system that genuinely put ‘the well-being of children at the centre’ would look like. What changes to policies and budgets would make the difference required for all children to thrive?

## Summit Programme

Time	Topic	Presenter	Chair
9.00am	Registration		
9.30	Mihi whakatau	Alan Johnson	Janfrie Wakim
9.35	Welfare Reform and Social Investment: Assessing the Australian Approach	Peter Whiteford	
10.15	Social Investment in NZ: an overview	Simon Chapple	
10.45	Questions from the floor for speakers		
11.00	Investing in social investment	Peter Alsop	Jennifer Braithwaite
11.25	Social work and social investment	David Kenkel	
11.50	At the heart of it all. Building trust into social policy.	Jess Berentson-Shaw	
12.20pm	Questions from the floor for speakers		
12.30	Lunch		
1.15	Social investment: Target efficiency and incentives	Susan St John	George Makapatama
1.40	Future welfare and work	Bill Rosenberg	
2.05	Questions from the floor for speakers		
2.15	A new moral basis for welfare	Alan Johnson	Gerry Cotterell
2.40	Looking back to look ahead –prospects for the next generation?	Len Cook	
3.10	All Speakers’ Panel (3 minute summary): questions to government		
3.30	Questions from the floor for all speakers		
3.40	Closing remarks	Mike O’Brien	
4.00pm	Networking/Refreshments		

## Presenter abstracts and short bios



**Professor Peter Whiteford**, Crawford School of Public Policy, Australian National University, Canberra, was previously a Principal Administrator in the Social Policy Division of the OECD, where he worked on pension and welfare policies in OECD countries, China and Eastern Europe, as well as child poverty, family assistance policies, and welfare reform. He also worked at the Social Policy Research Unit at the University of York, UK. From 2008 to 2012 he worked at the Social Policy Research Centre at UNSW, Sydney.

He has published extensively on various aspects of the Australian and international systems of income support. In July 2008, he was appointed by the Australian government to the Reference Group for the Harmer Review of the Australian pension system. He was an invited keynote speaker at the Melbourne Institute-Australia's Future Tax and Transfer Policy Conference held in 2009 as part of the Henry Review of Australia's Future Tax System, and he participated in the Australian Government Tax Forum in Canberra in 2011. He is an Associate Investigator with the ARC Centre of Excellence in Population Ageing Research (CEPAR), an Adjunct Professor with the Social Policy Research Centre, UNSW, and an Honorary Professor in the School of Social and Behavioural Sciences, Nanjing University, China.

**Abstract:** *Welfare Reform and Social Investment: Assessing the Australian Approach*

- Trends in support for people of working age in Australia and New Zealand: Similarities and differences
- Welfare Reform in Australia and increasing conditionality
- The Australian Priority Investment Approach - how we get to \$4.8 trillion
- Identifying disadvantage - is the Priority Investment Approach helpful?
- Looking forward: what are the pressures on the Australian system?



**Dr Simon Chapple** is the Director of the Institute of Governance and Policy Studies in Victoria University's School of Government. He has worked in a research and policy advisory capacity in New Zealand for the Reserve Bank of New Zealand, the Department of the Prime Minister and Cabinet, the NZIER, the Ministry of Social Development and the Department of Labour. Internationally, he worked for UNCTAD in Geneva and for the OECD in Paris. His main areas of work have been in labour market and family and child policy. His current research focus is on social investment and welfare reform in New Zealand.

**Abstract:** *Social Investment in NZ: an overview*

- summarises the key welfare reforms in New Zealand, of which introduction of the investment approach or fiscal redistribution model is part
- critically examines explanations given by government regarding what the investment approach does and how the approach has been incorporated into government strategic planning and performance management
- concludes that reforms – which have gone much broader than simply adopting the investment approach – have reduced the stock of beneficiaries
- shows less evidence for better employment outcomes – a key outcome for disadvantaged people – or even a stronger focus on long-termers
- serious questions are raised about the appropriateness of fiscal redistribution as a proxy for better outcomes for disadvantaged welfare recipients, and whether it is even a proximately sound basis for making rational investment decisions



**Peter Alsop** recently joined Ministry of Social Development as Director, Insights & Investment Group, a role that includes work on the ongoing development of social investment within MSD. His career has spanned the public and private sectors, including establishing the Productivity Commission and two stints at PHARMAC, a government agency specialising in health and social investment. He is passionate about organisations making the best possible decisions; in MSD's context to achieve the best possible social outcomes for New Zealand.

This proud dad of four young kids has a sideline creating books on New Zealand art and culture.

**Abstract:** *Investing in social investment*

- Simplifying social investment to build common understanding
- Understanding social investment's component parts
- Achieving the best possible social outcomes



**David Kenkel** is a Lecturer in Social Practice at Unitec. Born, raised and still resident in West Auckland on the land of Te Kawerau-a-Maki – David is unreasonably passionate about the West's landscapes of ecology, culture and history. David and his partner are blessed with 2 children aged 19 and 27. His working background includes a wide range of social practice arenas including work with families facing struggle, family violence prevention, community development and political advocacy on behalf of children. He is partway through a Phd focused on time, sustainability and people in place. His previous research involved studying the impact of neo-liberal ideologies on children's sense of self and future. He is involved with a number of community organizations such as Community Waitakere and Eco-matters Trust.

**Abstract:** *Social work and social investment*

- As a political as well as practice tradition, social work is necessarily concerned with both the causes and consequences of social and economic systems that are iniquitous.
- The users of social work services are overwhelmingly the poor and the children of the poor.
- Social investment is one of the many guises of the neo-liberal push toward re-siting culpability for social ills from society to the individual.
- The social investment approach with its accompanying use of increased surveillance, big data and 'evidence based practice' risks a return to a Victorian era individualised child protection approach with a narrow focus on the consequences of poverty while ignoring the existence of poverty.
- Wholesale adoption of the social investment approach will attack the political heart of social work, risking it becoming solely a delivery module for individualised and de-contextualised trauma treatment approaches.
- As a profession, social work needs to resist the neo-liberal push toward a psychologised and de-politicised approach to the complexities of working with families and children facing challenges.



**Dr Jess Berentson-Shaw** is Head of Research at the Morgan Foundation Public Policy Think Tank and describes herself as a good science agitator. Jess has worked across government, academia and the not for profit sectors building an understanding of evidence and its use in policy and practice. Jess is particularly interested in how to tell powerful stories about evidence to improve its proper use. Her most recent book is *Pennies from heaven: Why cash works best to ensure all children thrive*.

**Abstract:** *At the heart of it all. Building trust into social policy.*

- Social policy that works can be implemented in New Zealand and trust lies at the heart of it
- Social investment is a policy inherently lacking in trust: trust in quality evidence and research process particularly, but also trust in communities and trust in families
- What might social policy look like if people in government trusted proper research process, experts, communities and individuals?
- How can we achieve this vision? Building a culture of experimentation



**Honorary Associate Professor Susan St John**, QSO, Economics Department, University of Auckland and director of the Retirement Policy and Research Centre. She is the CPAG founding member, economics spokesperson, and co-editor of CPAG's flagship publications *Our children, our choice: priorities for policy* (2014), *Left Further Behind: How policies fail the poorest children in New Zealand* (2011) and *Left Behind: How social and income inequalities damage New Zealand children* (2008). She is co-author of CPAG's *Cut Price Kids: Does the 2004 Working for Families' Budget work for children?* (2004) and *Our Children: The Priority for Policy* (2001, 2003). She was co-editor with Dalziel & Boston of *Redesigning the Welfare State in*

*New Zealand: Problems, Policies Prospects* (1999) OUP. Recent articles are: Reflections on the Child Hardship Bill, *Policy Quarterly*, 2015; Children at the Centre: Making policy as if children mattered, *Edu. Philosophy & Theory*, 2014.

**Abstract:** *Social investment: Target efficiency and incentives*

- Economists love technocratic solutions to complex problems
- We tried target efficiency in the early 1990s with disastrous consequences
- The aftermath of failure is not pretty- we suffer from it today
- Time to learn from our history
- The future calls for subtle and sophisticated thinking



**Dr Bill Rosenberg** is an economist and Director of Policy, Council of Trade Unions since 2009. He holds a B.Com in Economics, a BSc in Mathematics and a PhD in Mathematical Psychology. He was previously Deputy Director, University Centre for Teaching and Learning at the University of Canterbury, a Commissioner on TEC, and a member of the Regional Land Transport Committee of Environment Canterbury. Bill is widely published on labour issues, globalisation and trade and has been an active trade unionist for 35 years including the Tramways Union and Association of University Staff where he was National President for several years. His *Policy Quarterly* article, "The 'Investment Approach' is Not an Investment Approach" is available [here](#), and his presentation to Treasury on social investment can be found [here](#).

**Abstract:** *Future welfare and work: supporting people through change*

- Changes in work from globalisation, climate change and technology, on top of economic cycles and insecure work, mean working people will need more support through change rather than less
- But New Zealand's support for people who lose their jobs is very weak and MSD confirms that this will continue. Its "Investment Approach" is a barrier to improved support and is causing economic loss on individual and economy-wide scales
- What needs to change?



**Alan Johnson** is a social policy analyst for The Salvation Army's Social Policy & Parliamentary Unit. He is author of the Salvation Army's State of the Nation reports, including 'Off the Track' in 2017. In his spare time he is a community activist in South Auckland, an administrator in local sports clubs and a school trustee. He is also a trustee of the Auckland Community Housing Trust and an executive member CPAG. Alan has an academic background in town planning and economics and has been involved in Auckland local government for over 15 years both as politician and bureaucrat. He wrote the housing chapter in CPAG's *Our children, our choice: priorities for policy*, 2014.

**Abstract:** *A new moral basis for welfare*

- At the time of its conception, New Zealand's welfare state was based on ideas of Christian love although laced with patriarchal views of family and gender roles. The 1971 Royal Commission on Social Welfare repositioned welfare policy as being about ensuring all citizens could participate in the wider society. However since the 1991 benefit cuts the obsession of welfare policy has been work with little regard for the adequacy of incomes offered.
- If we are to re-imagine our welfare state for the 21st Century and particularly if we are to address the challenge of building a sufficient consensus around welfare in order to sustain it politically we need to re-discover a convincing and coherent moral basis for it.
- This paper considers where we might draw some starting ideas for such a moral basis. It will consider ideas drawn from cognitive learning theory, altruism and dualism and especially the dualism evident in Maori concepts and world views.



**Len Cook, Families Commissioner**, was New Zealand's Government Statistician from 1992 to 2000, and the UK's National Statistician from 2000 to 2005. He was a member of the Royal Commission on Social Policy in 1987-88. He is chair of the board of Superu, and a member of the Remuneration Authority. Len's prime interests include public administration, population change and public policy, official statistics and the place of science in policy. He regularly works with official statisticians in the Pacific. He was appointed Families Commissioner in July 2015.

**Abstract:** *Looking back to look ahead –prospects for the next generation?*

- a) Families have changed from the nuclear family that gave life to the baby boomer generation, as have the laws and conventions that both privileged the nuclear family and dismissed other forms. As family forms have widened, fewer forms of welfare have been provided for families.
- b) We need to manage the growing tension from giving children a high value at a household level, when at a national level the needs of children have more competition from those of older age groups who have not only multiplied in number, but live longer.
- c) The state fails to recognise that even where it appears to have primary responsibility, families usually dominate what happens in a child's life. Where the state's social services have become increasingly targeted and focused on those with demonstrable vulnerability, the remaining state services have become depersonalised.
- d) Social investment has evolved in part to challenge: *the balance between agency and citizen focus on performance; weaknesses in the gathering, accumulation and use of evidence; the unrealised potential of data resources; and concern about inability to have an effective contest for resourcing need, care and support that has the most long-term benefit.*
- e) The information in the Integrated Data Infrastructure (IDI) is about citizens through the lens of the state, with very little about observing the actions of the state through the lens of the citizen. But the IDI provides rich opportunities to see the historical transition pathways of targeted groups including children, and to learn about what happened in the past.
- f) Evidence plays a smaller part than political sentiment in policy choices, so ensuring the trustworthiness of social services programmes brings serious challenges to accountability processes.
- g) Can Social investment play a part in meeting some of these challenges?



**Associate Professor Mike O'Brien**, School of Counselling, Human Services and Social Work at the University of Auckland, is a member of the CPAG Management Committee and contributed to the two recent CPAG reports on children. He has written extensively in New Zealand and internationally on child poverty (including the recent CPAG publication 'Our Children. Our Choice'), social security and social service changes and social policy. He chaired the Alternative Welfare Working Group in 2011 and is currently working on social investment and its implications for social services.

**Abstract:** Summary of the Summit presentations and questions from the floor, and closing remarks

## Chairpersons



**Dr Gerry Cotterell** has been involved in CPAG for 5 years and oversees the CPAG research committee. He has a background in sociology with wide-ranging research interests including: understanding the process, periodisation and impacts of neoliberalisation in New Zealand, the political economy of the welfare state, welfare reform and its consequences, inequality, and comparative social policy. Prior to completing his PhD at the University of Auckland he worked at Statistics New Zealand and before that his early working life included stints as a freezing worker and a mechanic.





**Janfrie Wakim** co-director Child Poverty Action Group, was a founding member of CPAG in 1994 and has held numerous positions on the Management Committee. She is constantly motivated to keep fighting issues of inequality and social justice. Janfrie puts this down to her family background, her experience as a teacher in secondary and tertiary institutions and working in the family business. Being a mother and a grandmother is also an important factor in her work to highlight the effects and long term consequences of child poverty.



**Jennifer Braithwaite**, a member of the management committee of CPAG, is a lawyer and mediator specialising in Māori legal issues including acting for iwi and/or hapū in Treaty of Waitangi settlement negotiations, governance of Māori entities and public law. She also has a background in child protection, children's rights, refugee law and general litigation. Jennifer chairs the board of YouthLaw Aotearoa, a community law centre providing free legal information, advice, education and advocacy to children and young people, and she volunteers for The Kindness Institute, a social enterprise that provides yoga and mindfulness to marginalised youth.



**George Makapatama**, a proud New Zealander of Niuean descent, migrated to New Zealand in the 1980s with his grandparents and sisters in search of education and new opportunities. He now works in local government after previous work with the Ministry of Education and Child Youth and Family. Experience as a frontline social worker in South Auckland opened his eyes to the full impact of child poverty, and fuelled his determination and belief that systemic change must occur through child-focused and family-centred policies. A concerned husband and father of two, George is passionately committed to CPAG's crusade to end child poverty.

# Peter Whiteford: Welfare Reform and Social Investment - Assessing the Australian Approach

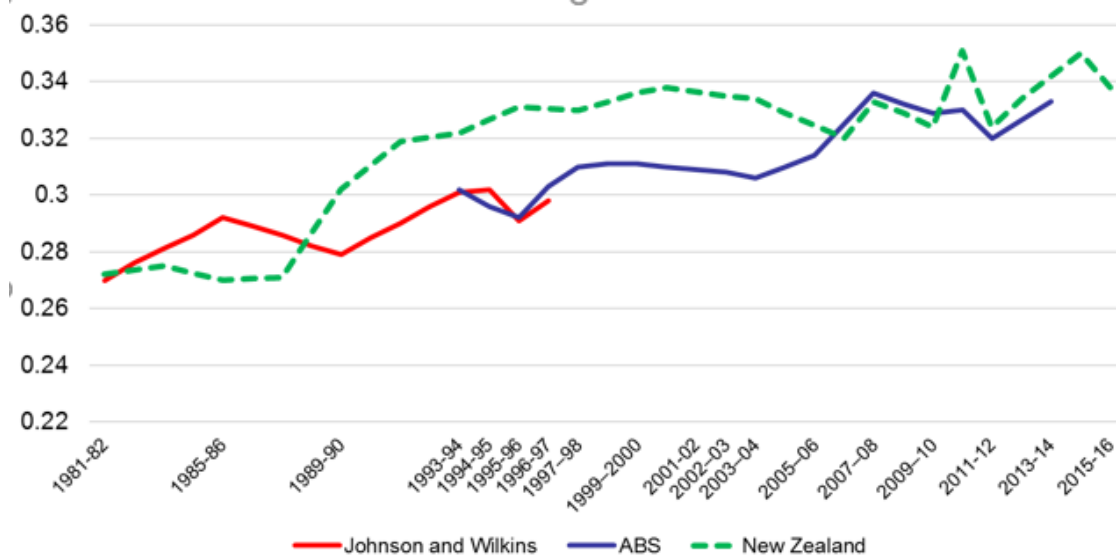
<https://socialpolicy.crawford.anu.edu.au/> ; [peter.whiteford@anu.edu.au](mailto:peter.whiteford@anu.edu.au) Twitter: [@WhitefordPeter](https://twitter.com/WhitefordPeter)

## Outline:

- Background – comparative trends in incomes and inequality
- Labour market change
- How our social security systems for working age households compare
- The investment approach – the Australian way
- Recent Budget proposals and prospects

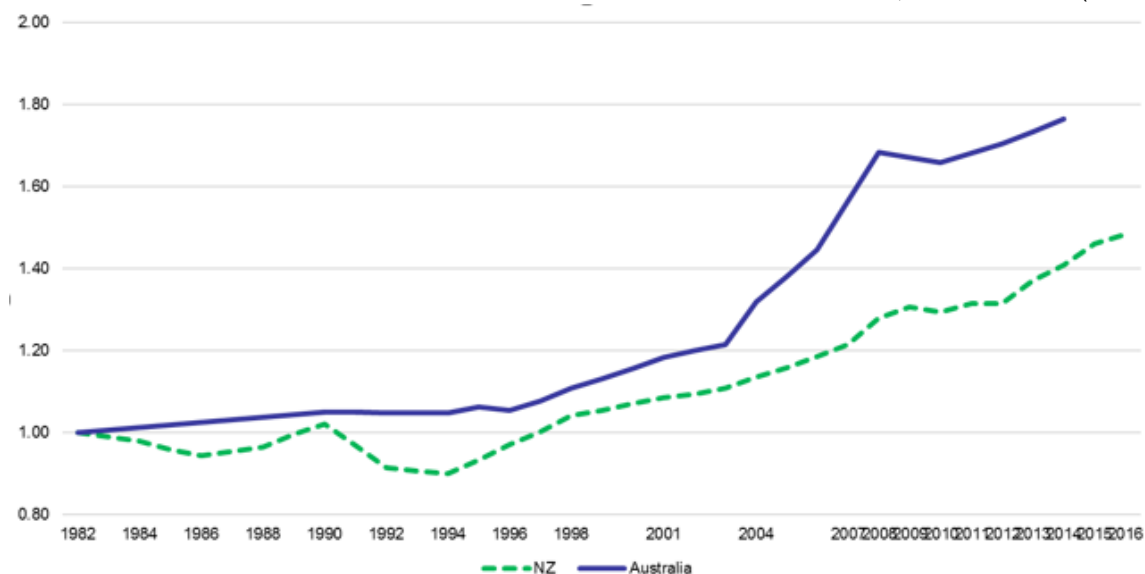
## Background:

**Trends in household income inequality in New Zealand and Australia, 1982 to 2016** Gini coefficient

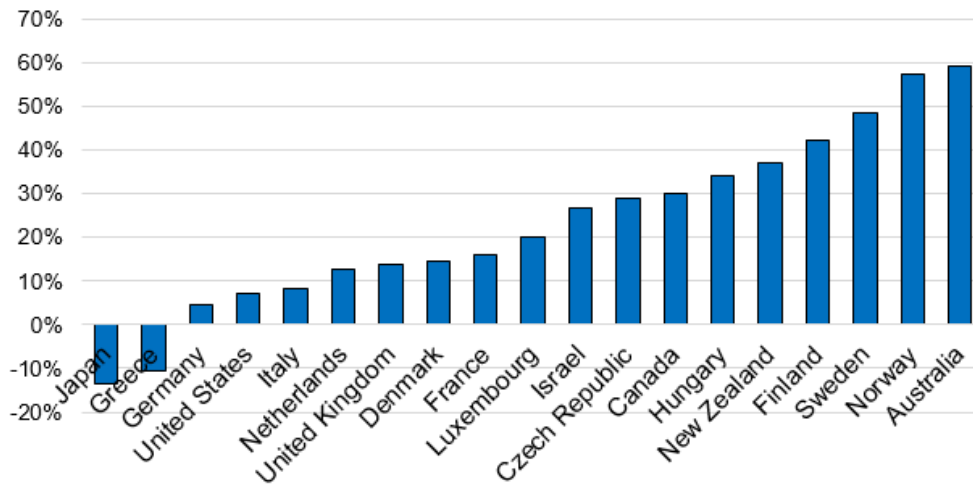


Australia has the 12<sup>th</sup> highest level of inequality in the OECD and has been above the OECD average, except immediately prior to the start of the mining boom.

**Trends in real mean household incomes in New Zealand and Australia, 1982 to 2016** (1982 = 1.00)

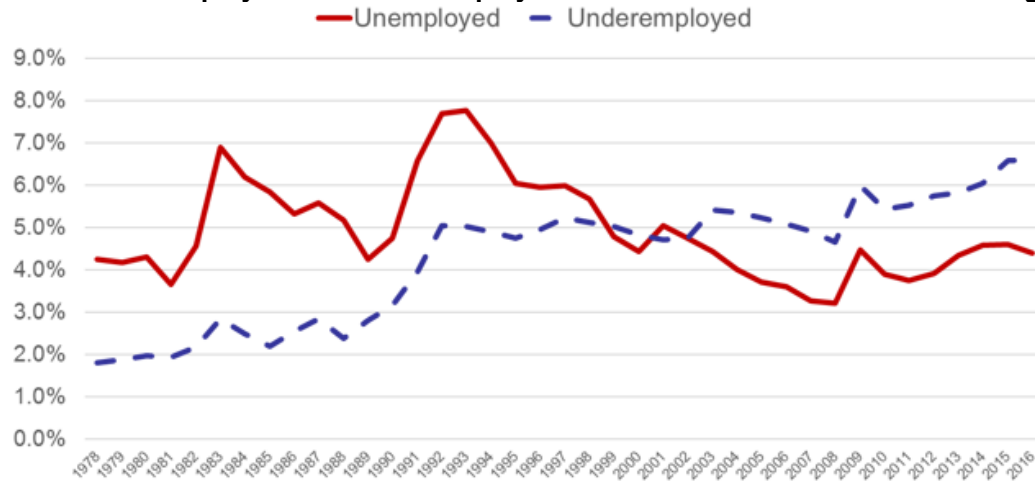


**Change (%) in real median equivalised household disposable income, 1995 to 2012 (or nearest year)** Source: Estimated from OECD Income Distribution database, <http://stats.oecd.org/index.aspx?queryid=46022>

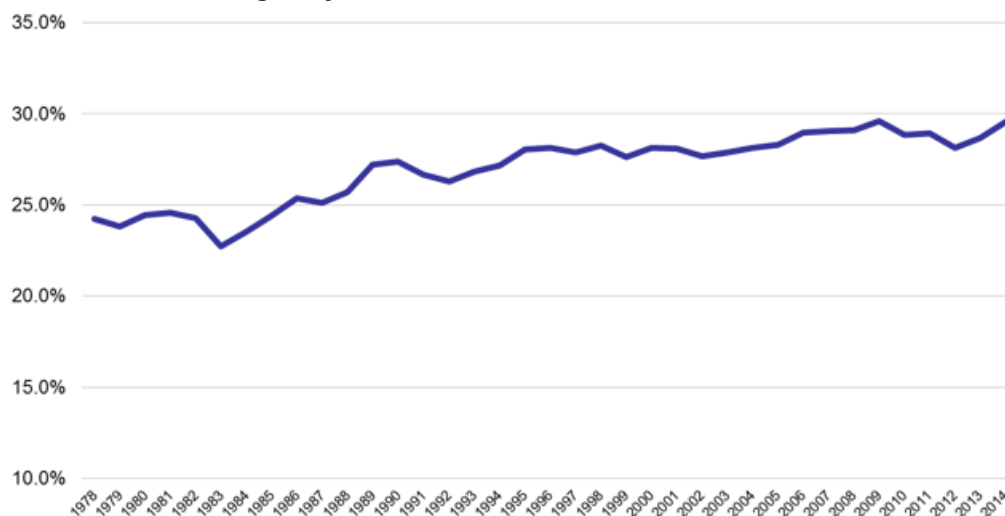


**Labour market change**

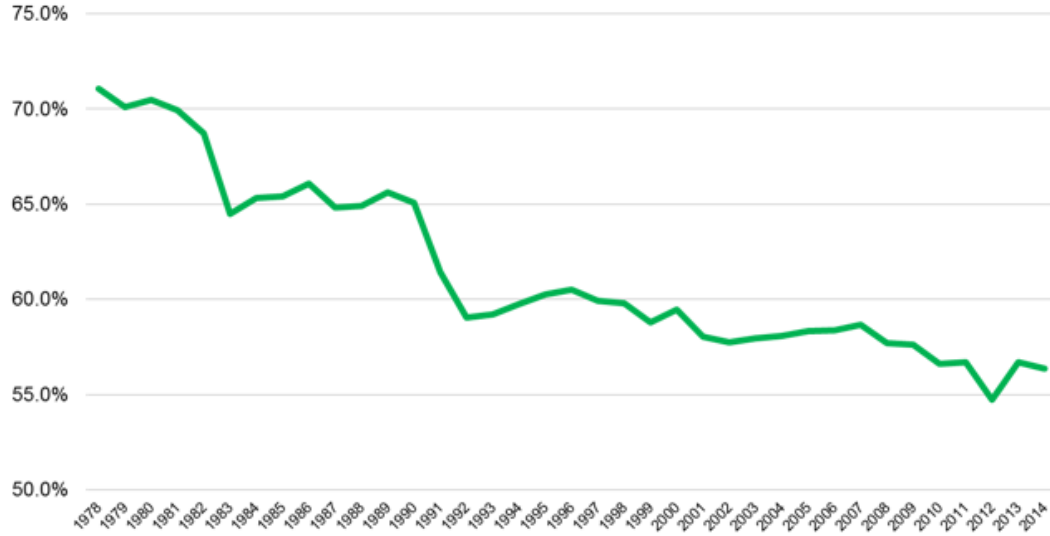
**Trends in unemployment & under-employment Australia 1978- 2016: % of working-age population**



**Trends in share of “good jobs” for women, Australia 1978 to 2014**



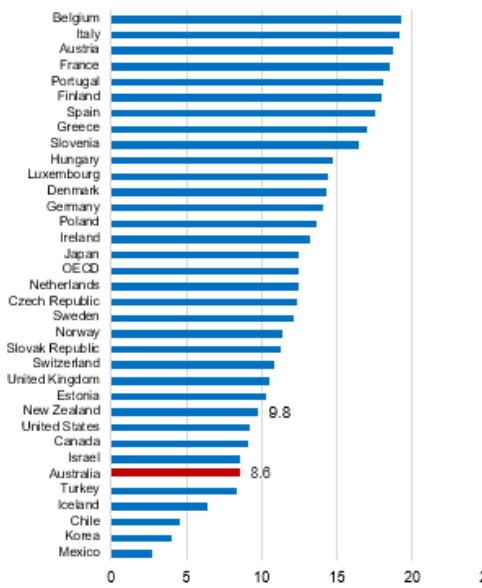
### Trends in share of “good jobs” for men, Australia, 1978 to 2014



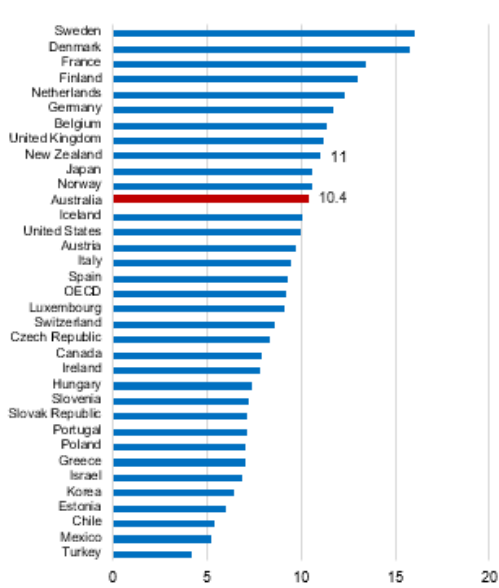
### How our social security systems compare

#### Social spending, OECD, 2014 or nearest year (% of GDP)

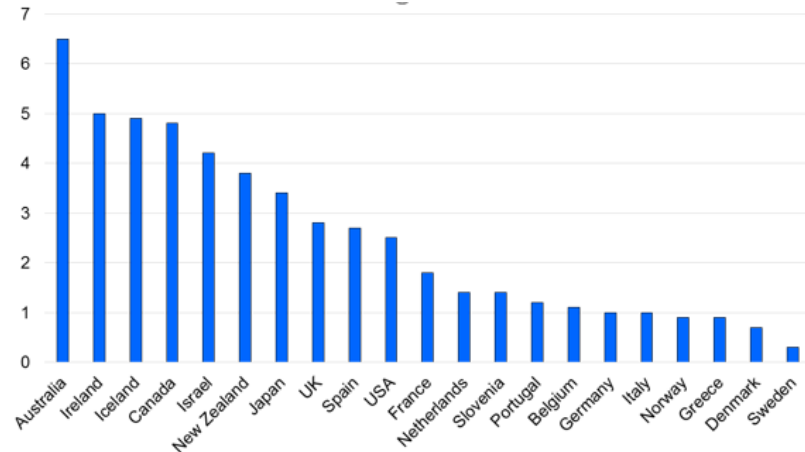
##### Spending on cash benefits



##### Spending on Health and Services

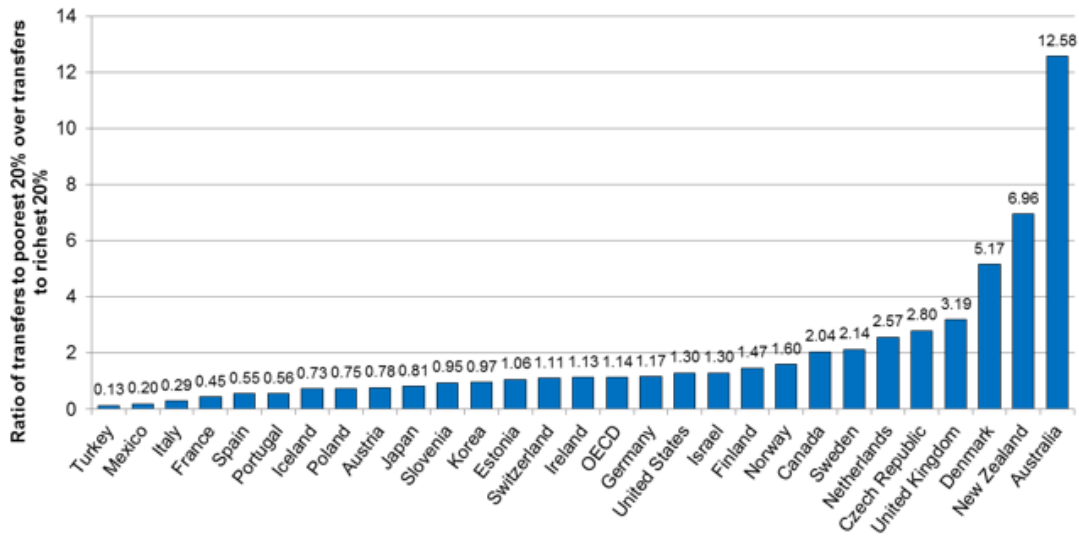


#### Public spending on income-tested benefits, % of GDP, OECD countries 2012

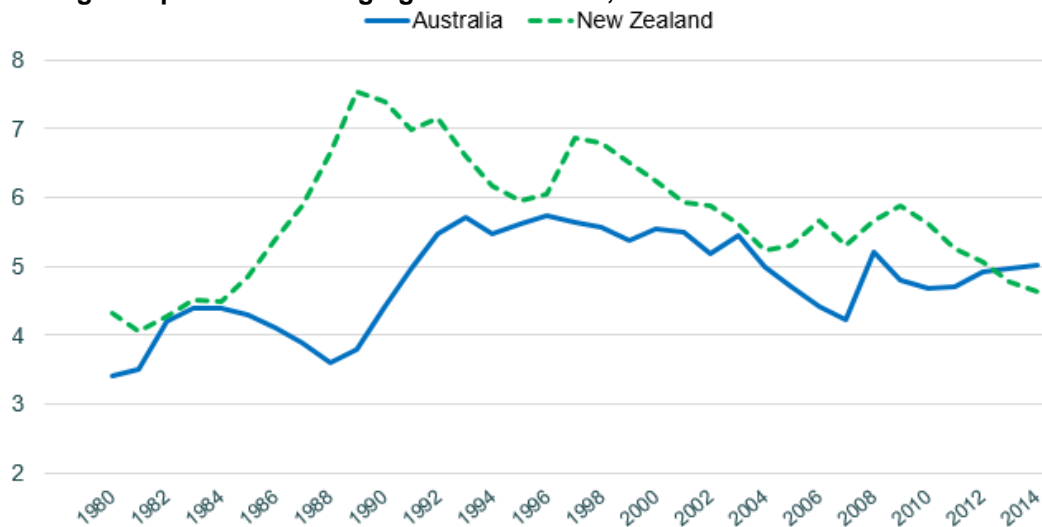


Australia's social security system is more targeted to the poor than any other OECD country.

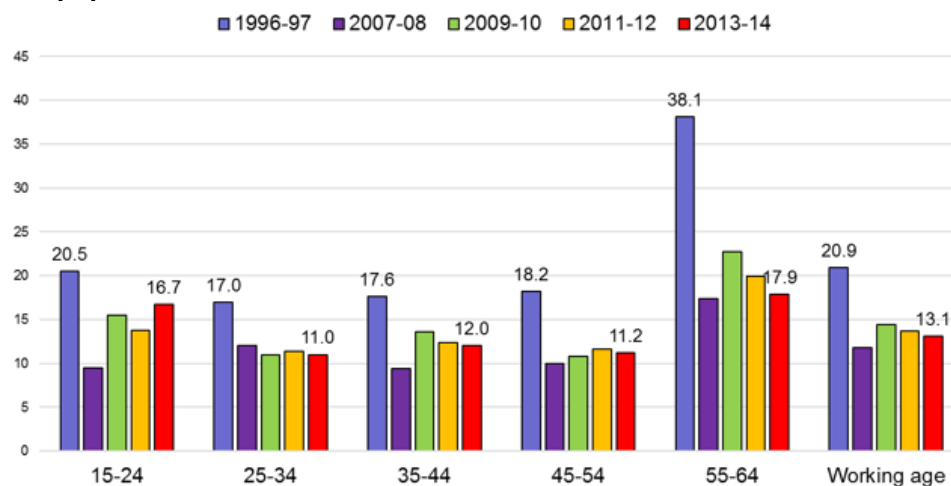
**Ratio of transfers received by poorest 20% to those received by richest 20%** (Source: Calculated from Table s 3 and 5, OECD, 2014, [http://www.oecd-ilibrary.org/economics/economic-growth-from-the-household-perspective\\_5jz5m89dh0nt-en](http://www.oecd-ilibrary.org/economics/economic-growth-from-the-household-perspective_5jz5m89dh0nt-en))



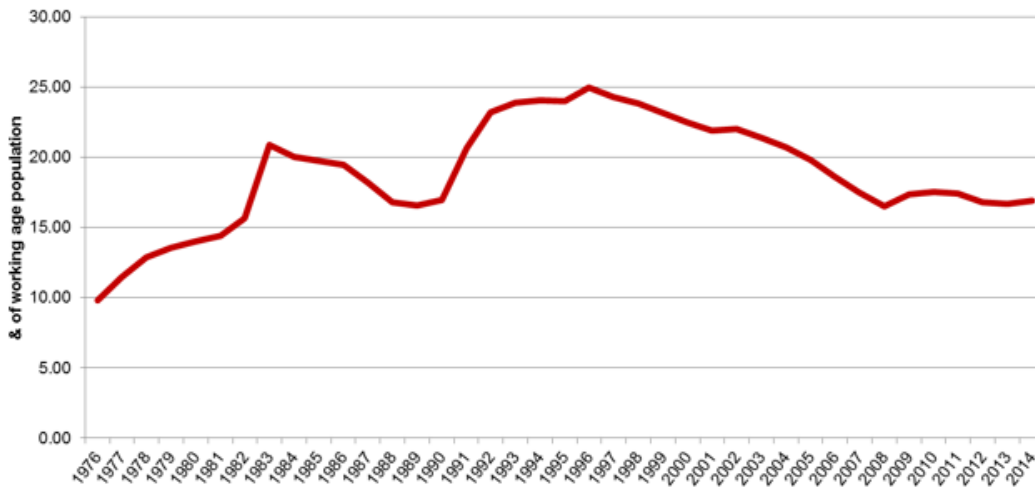
**Change in spend on working-age cash benefits, New Zealand & Australia 1980 to 2014: % of GDP**



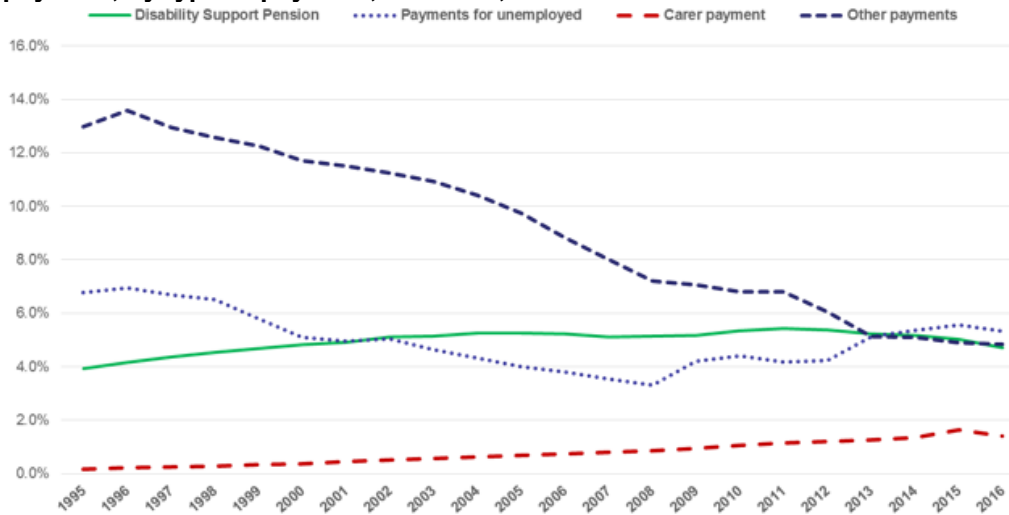
**Household social security receipt has fallen most at older ages – but they are a growing share of the population**



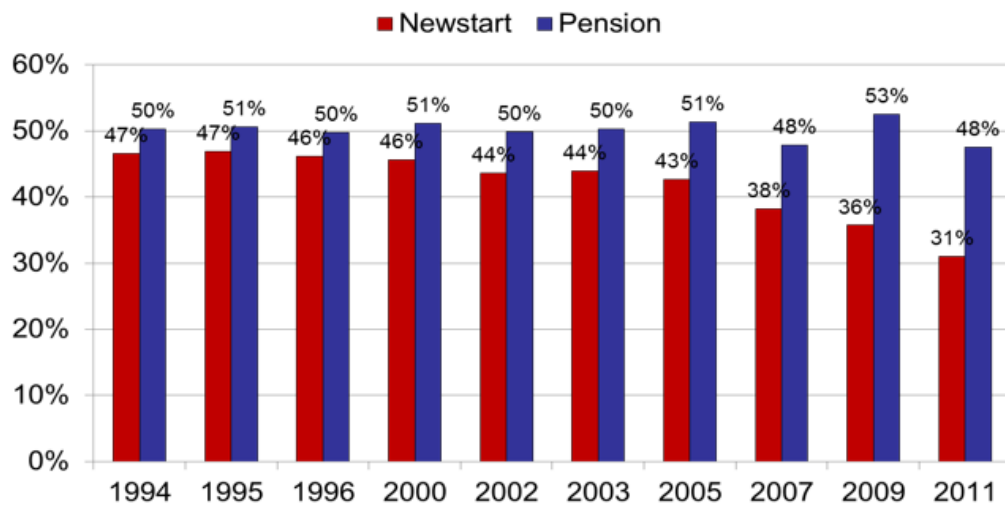
**Per cent of working age population receiving social security benefits, Australia 1976 to 2014**



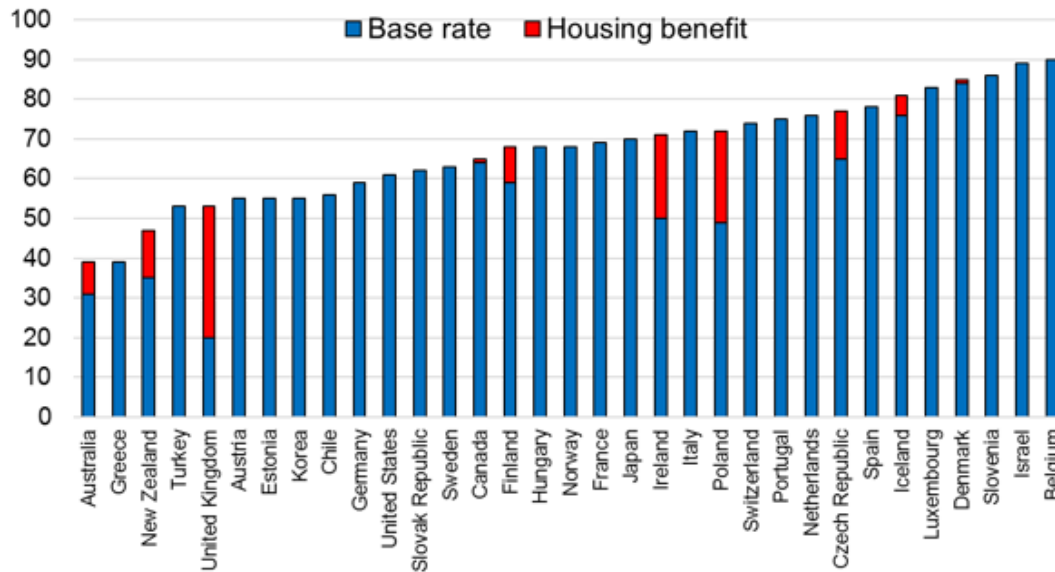
**Trends in the proportion (%) of the population of working age receiving an income support payment, by type of payment, Australia, 1995 to 2016**



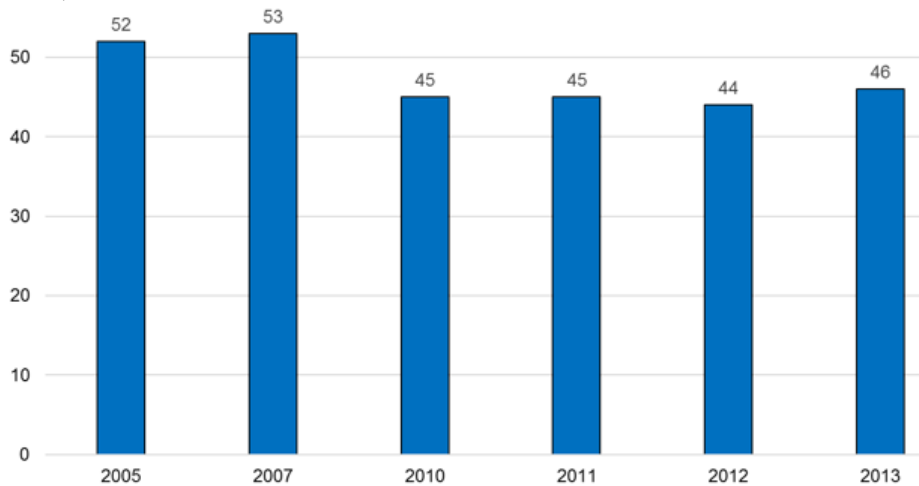
**Growing divergence between benefits and pensions:  
Payments for single person as % of median equivalent income**



**Net (after tax) replacement rates (% of previous net wage) for low paid workers in first six months of unemployment, OECD countries, 2013** (Source: OECD, <http://www.oecd.org/els/soc/benefits-and-wages-country-specific-information.htm>)



**Benefit entitlements for lone parents with two children as % of median equivalised income, 2005-2013, Australia**



### The investment approach – the Australian way

- The development of an investment approach was one of the recommendations of the [McClure review](#) of Australia’s welfare system.
- The Australian Baseline Evaluation report released in September 2016 was an initiative of the 2015-16 budget, when the government allocated A\$33.7 million to establish an Australian Priority Investment Approach to Welfare based on actuarial analysis of social security data.
- Groups identified by the approach will receive support from current programs and from new and innovative policy responses to be developed through the A\$96.1 million Try, Test and Learn Fund, which was announced in the 2016-17 budget.

The [Baseline Valuation Report, 2016](#), estimates the “lifetime” costs of the social security system as close to \$4.8 trillion.

The report takes the population of Australia in 2015. Then, on the basis of past patterns of receipt of payments, it projects the amount of money the population will be paid over the rest of their lives and converts this into the present value of this lifetime spending, with a discount rate of 6%.

The population modelled in the report includes:

- around 5.7 million people currently receiving various income support payments (of whom 2.5 million are age pensioners);
- 2.3 million people not receiving income support payments but who receive other payments (mainly families receiving the Family Tax Benefit);
- around 3.9 million who were previously receiving payments; and
- just under 12 million people who are not receiving any payments currently or have not in the past.

The lifetime valuation is about 44 times the total amount of payments in 2014-15 (A\$109 billion). But it also includes people's future age pension entitlements. Given the average age of the total population is 39 and that on average Australians can expect to live into their 80s, it is not surprising the estimated lifetime cost is more than 40 times the current level of spending on cash benefits.

### **What does \$4.8 trillion mean?**

More than half the total estimated lifetime spending will be on age pensions. The average lifetime cost per current client is made up of A\$150,000 in age pensions and A\$115,000 in all other benefits.

For previous clients, the corresponding figures are A\$114,000 in age pensions and A\$60,000 in other payments. For the balance of the Australian population it is A\$88,000 in age pensions and A\$77,000 in all other benefits.

For people of working age who are currently receiving benefits it is these other payments that figure larger than age pensions. This is particularly the case for people receiving parenting payments, where the age pension is only around one-quarter of their total lifetime costs.

New Zealand's actuarial model does not include family payments. And nor does it include national superannuation as it is provided free of any income test to people aged 65 and over.

By including both age pensions and family payments, the Australian report produces significantly higher lifetime costs relative to the size of the economy.

### **Groups with poor outcomes and high costs**

The report highlights three groups of people who are expected to have very-high average lifetime costs and poor lifetime outcomes:

- For 11,000 young carers, it is expected, on average, they will access income support in 43 years over their future lifetime;
- For 4,370 young parents it is expected, on average, they will access income support in 45 years over their future lifetime; and
- For 6,600 young students it is expected, on average, they will access income support in 37 years over their future lifetime.

These projected future histories will involve lifetime costs for these three groups of between A\$2 billion and A\$4 billion. In all of these cases, however, a substantial part of their estimated costs relates to years to be spent on the age pension.

### **Assessing the investment approach**

- Very early days!
- The principle of early intervention is admirable
- Focus should be on sustainable improvements in outcomes
- Rigorous evaluation is essential and government seems to have committed to this, but there are complexities ...
- Who has responsibility to intervene – possible cost shifting and blame
- Explains receipt of payments as associated with individual characteristics not structural factors.

## **The politics of Budget repair: Australia 2014 to ...**

### **The Age of Entitlement**

- "We have moved beyond the days of big government and big welfare, to opportunity through education and inclusion through participation", [Julia Gillard, April 2011](#)
- *"The Age of Entitlement is over. ... The entitlements bestowed on tens of millions of people by successive governments, fuelled by short-term electoral cycles and the politics of outbidding your*



*opponents is, in essence, undermining our ability to ensure democracy, fair representation and economic sustainability for future generations. ... The age of unlimited and unfunded entitlement to government services and income support is over. It's as over in Greece as it is in Italy, in Spain, and in the USA."* Joe Hockey, April 2012.

- "We must reward the lifters and discourage the leaners." Joe Hockey [Speech to the Sydney Institute, 11 June 2014](#)

### **What the 2014 Budget would have done – if it had passed**

Most people would have been negatively effected to differing extents.

Working-age people on social security payments would have been affected most:

- An unemployed 23-year-old loses \$47 per week or 18% of their disposable income.
- An unemployed lone parent with one 8-year-old child loses \$54 per week or 12%.
- Lone parents earning around two-thirds of the average wage lose between 5.6 to 7% of their disposable income.
- A single-income couple with two school-age children and average earnings loses \$82 per week or 6% of their disposable income.
- An individual on three times the average wage – close to \$250,000 by 2016–17 – would lose \$24 pw, or less than 1% of disposable income paid through the Deficit Levy.

These calculations were conservative. They did not take into account increased costs of health care and fuel or changes to higher education.

Two pieces of quantitative analysis attempted to identify winners and losers from the policy changes proposed. One was [a fairly simple analysis](#) of the impact of selected Budget changes undertaken by myself and Daniel Nethery, a colleague at the [Crawford School of Public Policy](#) at the ANU. Our analysis involved calculating the impact of changes in income taxes and social security benefits on the disposable incomes of a small range of family types at different income levels – an approach usually described as the "cameo" or "hypothetical family" method.

Since 2005, [the Budget Overview](#) has each year contained an Appendix showing calculations of this sort of how much different types of households have gained from policy changes announced in the Budget or over the course of the period of government. This year, the table was absent from the Budget papers. Using the projections set out in the Budget, we essentially replicated the methodology used in earlier Budget papers, comparing the impact on disposable incomes in 2016–17, when all of the measures we assessed would have come into effect.

### **Achieving Budget Balance – spending cuts & revenue measures & where they would have fallen**

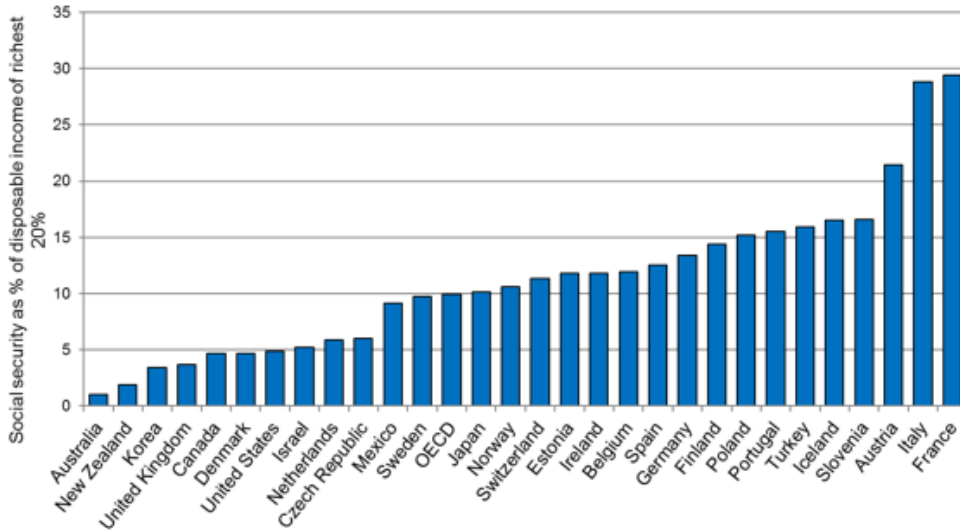
- 35% of total Federal Budget to be spent on [Social Security and Welfare](#) (i.e. \$146b) in 2014/15
  - 52% (\$15.4b) of total projected expenditure cuts (\$29.4b) to come from DSS programmes between 2014-15 & 2017-18 (see [Budget Paper No. 2](#))
- [Family payments](#) are 5% (\$20b) of the Federal Budget.
  - Family payments' changes contribute 34% of Budget savings (\$7.3b) between 2014-15 & 2017-18
- [Newstart and Youth Allowance \(Other\)](#) for the unemployed cost under 2.5% (\$10b) pa of the Federal Budget – for under 30s (conservatively) they cost 0.9% of the Federal Budget annually.
  - Newstart and Youth Allowance (Other) changes contribute about 9.5% ([\\$2.8b](#)) of total Budget spending cuts between 2014-15 & 2017-18
- So unemployed people under 30 receive less than 1% of total Budget spending, but would have been the source of close to 10% of total spending cuts.

FTBB costs around \$4.6 billion or 1.1% of Federal Budget. Savings to FTBB (net) are about \$2.95 billion over 4 years or around 10% of Budget savings.

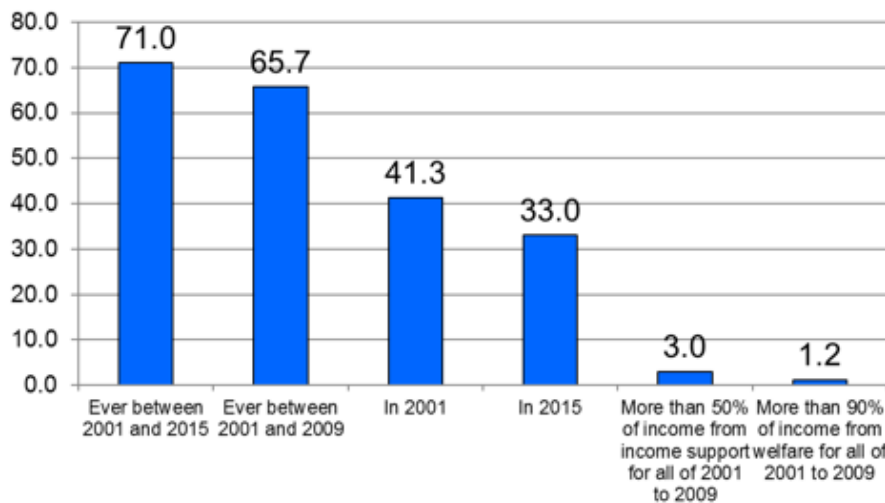
Of people receiving Newstart and YA (other) around 37% are under the age of 30 years.

Two proposed changes will have a significant effect on this group. From next year, unemployed people under 25 will get Youth Allowance, not Newstart and people under 30 will wait up to six months before getting unemployment benefits, and then will have to participate in Work for the Dole, to be eligible for income support.

**Why cutting social security in Australia (and New Zealand) doesn't hurt the rich: Social security benefits as % of household disposable income of richest quintile, 2010 or nearest year** (Source: Calculated from Table 5, OECD, 2014, [http://www.oecd-ilibrary.org/economics/economic-growth-from-the-household-perspective\\_5jz5m89dh0nt-en](http://www.oecd-ilibrary.org/economics/economic-growth-from-the-household-perspective_5jz5m89dh0nt-en))



**Income support receipt in Australia: % of working age households receiving income support payments by period**

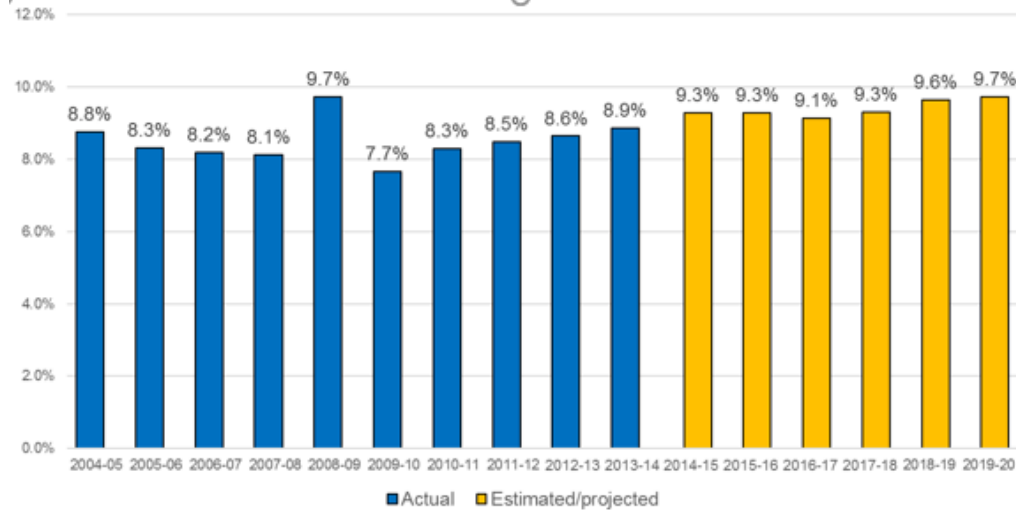


The proportion of working age people receiving income support at some time in the year fell from 37.1% in 2001 to 29.5% in 2008, rising to 32.8% in 2009.

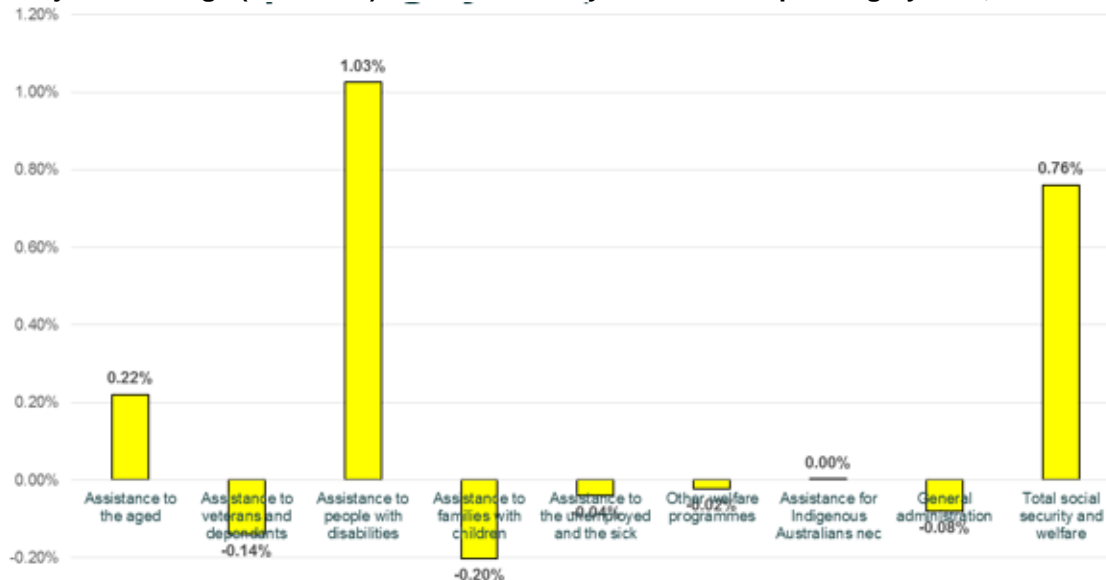
Of all working age people, 65.7% lived in a household where someone received welfare at some time between 2001 and 2009, with 11.4% receiving welfare payments for all 9 years.

Those receiving 50% or more of their income from welfare fell from 12.4 to 10.5% between 2001 and 2009. Around 23% received more than half their income from welfare at some stage, but 6.8% for 5 to 8 years and 3% for all 9 years. For those receiving more than 90% of their income from welfare, annual receipt fell from 7.2 to 5.2%, with 15% of the population being welfare reliant at some stage in the period and 1.2% reliant for all 9 years.

### Commonwealth spending on social security and welfare, 2004-05 to 2019-20 (% of GDP)



### Projected change (% of GDP) in social security and welfare spending by field, 2013-14 to 2019-20



### Future challenges

Older Australians have an unusual combination of economic resources in retirement, with relatively low spending on public pensions and high reliance on private resources and high levels of housing wealth. Proposals to adjust the Age Pension either through a higher age of eligibility, changes in indexation of payments or tighter income and assets testing inevitably raise concerns about impacts on equity.

- A significant proportion of the working age population continue to rely mainly on benefits for their incomes – it is desirable for equity reasons and sustainability to reduce this, but we should also be concerned that further reforms really do improve outcomes.
- Indexation provisions for unemployment payments are inadequate as are benefit levels. Similar risks to future family payments.
- Increasing conditionality – income management, cashless welfare cards, drug-testing, sanctions and breaches.
- Are we residualising the poor?
- Because the Australian system is the most targeted to the poor of any rich country, cutting social security benefits would increase inequality more than any other OECD country.
- Population ageing will soon start to have a much more significant impact on the costs of the system. The Grattan Institute (2013) estimates that on current trends there would be a deficit of 4% of GDP by 2023 (2.5% at the Federal level).

- There are significant needs – with reforms to introduce greater support for disability services, for aged care and nursing homes, for dental care and to improve equity in the education system. These reforms need to be properly funded.
- All proposals involve complex trade-offs and genuinely difficult choices, which will require detailed public discussions and consultation and (hopefully) consensus.

## Thank you

## Simon Chapple: Corked Wine in a Cracked Bottle? 'Social Investment' and New Zealand's welfare reform



### What's good and what's not about "social investment" in NZ

1. Tomorrow matters, as well as today 😊
2. Joined-up policy making across agencies 😊
3. Use of "Big Data" to help inform decisions 😊
4. No focus on measuring people's outcomes in making investments, despite rhetoric of their importance 😞
5. Welfare transfers and real resource costs are treated the same 😞
6. All win-wins. Trade-offs between equity and efficiency hidden 😞
7. Flows off a welfare benefit are a good proxy for flows into jobs 😞
8. All jobs are equally valued - at zero! 😞
9. Spending resources on expensive actuaries rather than measuring people's outcomes 😞



### Political architect of social investment in New Zealand



Bill English, former Minister of Finance, current PM, Annual John Howard Lecture to Menzies Research Centre, 2015: *"When government does its job well and intervenes effectively it enables vulnerable people to increase their resilience and social mobility, and it helps them make positive changes to their lives. It also reduces demand for public services over the medium to long term, and therefore saves taxpayers money. What works for the community works for the government's books."*

Paula Bennett, former Minister of Social Development, now Deputy PM, 2011: *"The purpose of an investment approach is to make the long-term costs transparent and to guide investments to improving employment outcomes and reducing long-term benefit dependency...It is the accompanying social costs that we see alongside the financial costs that are the real concern."*



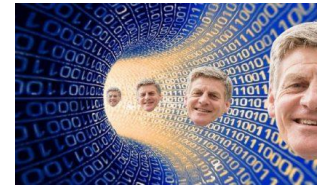
### The politics of social investment

- Bill English entered Parliament in 1990
- National Party, elected in 1990 under the first past the post uni-cameral system (48% popular vote, 69% seats)
- Cut welfare benefits and other government spending significantly in 1991

- Standard centre-right “smaller government”
- Burnt political capital in hope of rapid return
- Public rebellion, in part due to this budget, led to the introduction of proportional representation
- Since, no majority government in New Zealand

**Centre-right problem:**

How to achieve goals of reducing the state in an environment of proportional representation and coalition politics? (2014 election, National Party 47% of popular vote)



**Answer:**

The win-win of social investment, with headline rhetorical appeal across the political spectrum.

**So what’s wrong with social investment win-wins?**

Look at what is being done, not the headline rhetoric from Ministers.

When the nuts and bolts of NZ social investment are examined, only one win is measured and incentivised: It is the fiscal win. Fiscal wins are considered a good proxy for social and economic wins.

**Key unifying feature of the New Zealand social investment approach so far:**

- Managing and incentivising the working age welfare system providers in terms of the future fiscal liability
- At the same time tightening the rules of eligibility and increasing the amount of surveillance of beneficiaries.

**What is future fiscal liability?**

- The predicted and discounted future costs in the welfare system of those who have been on a benefit over the reference year
- 80% of liability is welfare benefit payments.

**Where does the notion of future fiscal liability come from?**

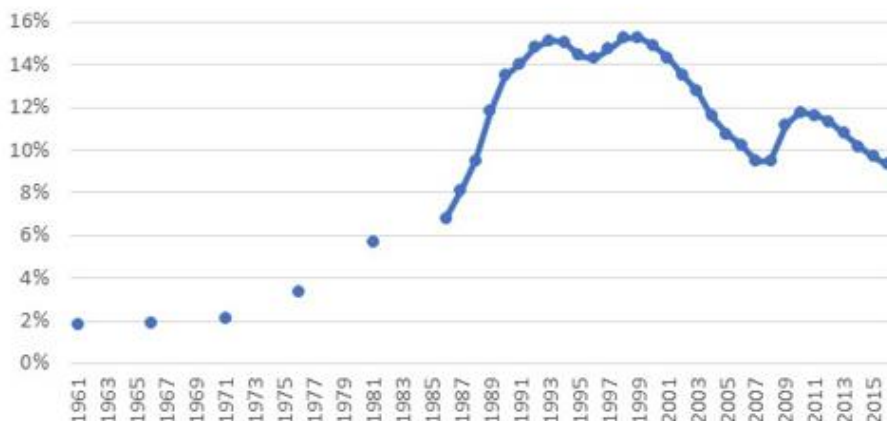
2011 Welfare Working Group: Lessons from insurance industry

- Insure against adverse events
- Now and future premiums from clients (asset), now and future pay-outs to clients (liability), maximise the difference (net worth)

**How good is the analogy?**

- No asset, only liability
- Reduce liability by running down the unobserved assets
- Describing people on welfare as a “liability”

Working age welfare beneficiaries as a share of the NZ population aged 15-64 years



### Fiscal focus: Look where the money is going

- Amount of money spent on actuaries measuring fiscal liability, 2010 to 2017, exceeds \$10 million 2017 NZD
- Amount of money spent on measuring outcomes of people subject to social investment policy changes, virtually zero

### Fiscal focus: Look at the government’s strategic objectives

Better Public Services Goal 1: “Reducing long-term welfare dependence”, via two measurable targets:

- Reducing working age client numbers by 25% to 220,000 in 2018
- An accumulated actuarial release of \$13 billion in 2018
- Note neither target is about long-term benefit dependence

(Actuarial release=estimate of change in fiscal liability from changes in the number of beneficiaries and their likelihood of long-term benefit receipt: “isolate[s] the impact of collective Government activity on beneficiary numbers”)

### Fiscal focus: Failure to evaluate welfare reforms, 201-2015

- No evaluation plan, no evaluation, despite being the biggest welfare reform for a generation
- Argument offered: it is all in the residual fiscal liability change, attributed to reforms and management influence
- So nothing more need be examined

### Fiscal focus: Look at the Social Investment Unit (SIU)

“Social investment is about improving the lives of New Zealanders by applying rigorous and evidence-based investment practices”

“The SIU has the potential to provide Government with the ability to look across the social sector, and examine particular population groups from a life-course perspective. This will enable a greater focus on the longer-term drivers of fiscal costs, by identifying the connection between some of those cost pressures and particular at-risk groups.”

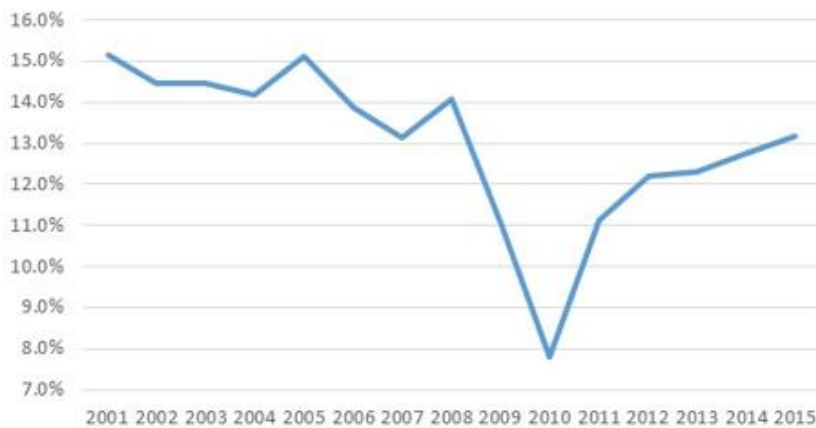
### Fiscal focus means perverse systemic incentives

- Discouraging benefit take-up is a liability win
- Good jobs, bad jobs, all the same as long as they get a person off a benefit for the same duration
- Not everyone leaves benefit to work, so non-work exits are just as good

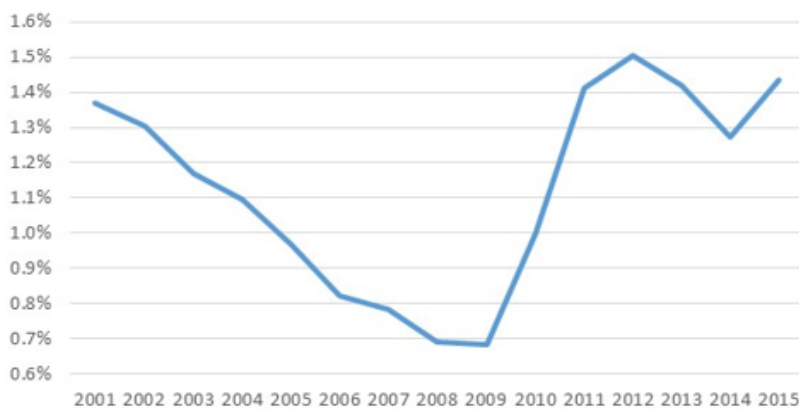
**Table 2: Most working age beneficiaries do not leave the benefit for work, 2004-2016 data on reasons for benefit cancellations**

Benefit duration	More	
	Less than or equal to one year	than one year
Obtained work	38.6%	27.2%
Transferred to another benefit	19.6%	33.3%
52-week reapplication/annual review	1.5%	4.9%
Full-time student	10.2%	3.5%
No further medical coverage provided	5.6%	3.4%
Left New Zealand	2.9%	3.2%
Failed obligations/to re-comply	3.1%	2.6%
Imprisonment	1.5%	1.9%
Excess Income	1.5%	1.3%
Other	15.6%	18.7%
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>

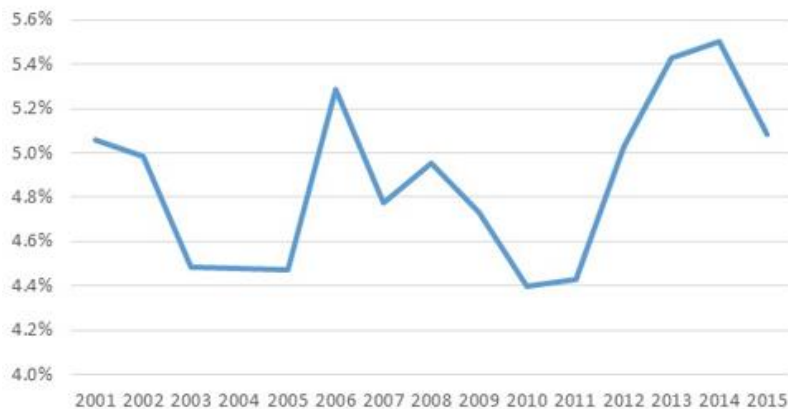
Percentage Leaving Benefit to Employment



Percentage Leaving Benefit to Student Allowance



Percentage Leaving Benefit to Absent



**Fiscal liability crosses the Tasman**

**Priority Investment Approach**

*“Actuarial valuations...will be used to track the effectiveness of policy interventions”* Christian Porter, 2016 Budget.

**Department of Social Services ‘Try, Test, Learn Fund’ (TTL) at \$100 million AUD over four years, aims variously to:**

*“help people live independently from welfare”*

*“improve life-time well-being” and achieve “better outcomes”.*

TTL: *“evaluation at the centre of design”* but it is unclear what outcomes are sought from the interventions and how they are to be valued. No mention of social cost benefit analysis.



## Social cost-benefit analysis vs NZ fiscal redistribution model ie social investment

Social cost-benefit analysis and the fiscal redistribution model in the welfare system as competing investment models		
	Social cost-benefit analysis	The fiscal redistribution model
Intellectual origins	Neoclassical public economics	Fiscal accountability
Outcome to optimise	Efficiency in the use of scarce societal resources at the margin	Intertemporal income redistribution to net taxpayers from net beneficiaries within current tax/benefit rules
Treatment of positive employment outcomes	Valued at gross dollar earnings	Not valued
Treatment of economic efficiency	Explicitly efficiency focussed	Income redistribution from net beneficiaries to net tax payers results in significant trickle down efficiency gains
Treatment of marginal utility of income	Values income gains to poorer people above those to richer people reflecting declining marginal utility of income	Income payments to beneficiaries valued at zero, income losses to net taxpayers are valued dollar for dollar
Treatment of distribution	Explicit information provided on winners and losers, or explicit distributional weights	Income accruing to net tax payers is valued, that accruing to net beneficiaries is not. No additional distributional issues
Treatment of welfare benefits	Re-distributional. Costed at tax deadweight	A dollar-for-dollar cost. No tax deadweight
Treatment of costs	At opportunity cost, including tax deadweight	At accounting cost. No tax deadweight
Treatment of flows over time	Inter-temporal discounting to PV	Inter-temporal discounting to PV

### Role of long-term liability in the private insurance sector

- Clients generate a predicted flow of income through time to the firm from their premiums
- Clients generate a predicted flow of costs, or long-term liability, through time from their claims
- Actuarial question: What product price maximises the excess of summed discounted income over summed discounted costs (long-term liability)?

*Note:* product pricing decisions will directly influence discounted income to the firm, but also possibly the client mix via changing amounts of moral hazard and adverse selection and hence discounted costs.

### Role of long-term liability in ACC (OCL – Outstanding Claims Liability)

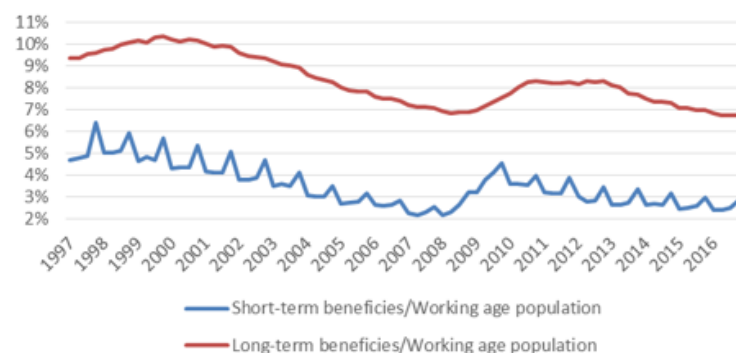
- Current ACC beneficiaries generate a predicted flow of costs to ACC through time from their claims
- Actuarial question: What should the ACC levy rate be in order to cover the predicted discounted costs of current claimants?

*Note:* This is not a product pricing decision. It is a taxation decision. It is in the first instance about redistribution within the current generation from who are paying levies to those who are in receipt of ACC

### Role of long-term liability in Work and Income

- This year's working age beneficiaries generate a predicted flow of fiscal welfare costs through time. The present value of those flows is the long-term liability
- Size & change of liability shows how well the welfare system in aggregate is performing (BPS goal)
- Size of liability by sub-groups (age, gender, ethnicity, benefit type) gives an indication of who resources should be focussed on
- Net change in liability can be used to evaluate employment interventions and then directed to where net liability changes are largest.

### Working-age benefit receipt rates by short- and long-term duration: New Zealand





### The share of long-term beneficiaries in total working age benefits: New Zealand



### Share of long-term beneficiaries in WINZ cancellations due to jobs



### Rate of long-term benefit cancellations for jobs and Household Labour Force Survey employment growth



**Thank you!**

## Peter Alsop: Investing in social investment



*‘Mahia i runga i te rangimārie me te ngākau māhaki’*  
*‘With a peaceful mind and respectful heart, we will always get the best results’*

### MSD: one of NZ’s largest agencies



Work with about 1.1 million New Zealanders  
 In contact with nearly all New Zealanders at some point in their lives



More than 6,000 staff  
 140 sites across New Zealand



Almost \$24 billion

## Central theme today:

A careful and explicit focus on what **‘taking an investment approach’** means will generate even better results.

### A simple concept at heart:

Type of investment	Investing in pursuit of ...
Capital investment	Returns from capital
Commercial investment	Commercial value
Health investment	Health outcomes
Education investment	Education outcomes
<b>Social investment</b>	<b>Social outcomes</b>

“Investment in the best collection of interventions, efficiently targeted for particular groups of people, to achieve the best possible social outcomes.”

### ‘Investment-type thinking’:

- What investment returns are we seeking?
- What sorts of things are we interested in investing in?
- What choices are available to us?
- What are the best of all choices we should make?

### Some partial versions of Social Investment:

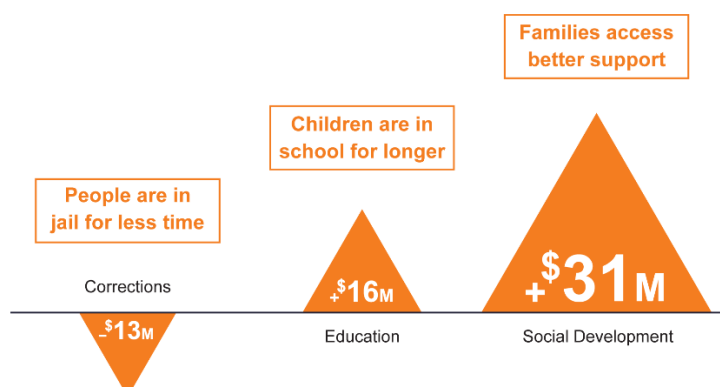
- *“It’s about doing more of what’s effective”*
- *“Interrogate the data until it confesses”*
- *“It’s about investing early/earlier in the life-course”*
- *“It’s about reducing future fiscal costs”*
- *“It’s about investing in priority client groups”*
- *“It’s about prevention”*

## What investment returns are we seeking?

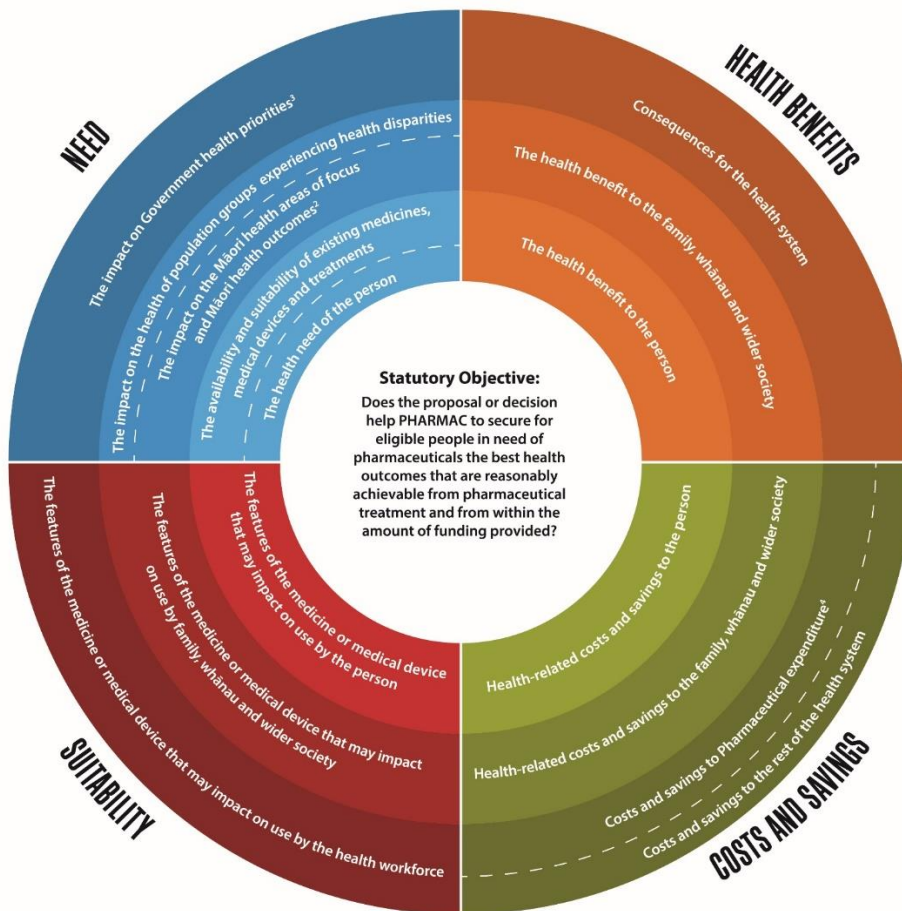
### “The best possible social outcomes”

- Income adequacy & material wellbeing
- Appropriate levels of client experience
- Increased and better quality employment
- Improved health outcomes
- More and better education results
- Lower rates of crime and recidivism
- Lower or higher government expenditure when desirable
- Inclusive communities ... .. and other things

**A broad perspective is required** (Source: *Understanding wider benefits and costs of social housing - Preliminary findings*: <https://www.sia.govt.nz/our-work/social-housing-test-case-2/>)



## PHARMAC's Investment Test 'Factors for Consideration'



## What sorts of things are we interested in investing in?

### Investment plays out at many levels

- Design of specific services and interventions
- Collections of activities (a budget/portfolio level)
- Policy choices
  - Should the level of a support payment be increased?
  - Should eligibility criteria for a support service be changed?
- System design

### ... and for different categories

(An example: one idea of an investment breakdown)

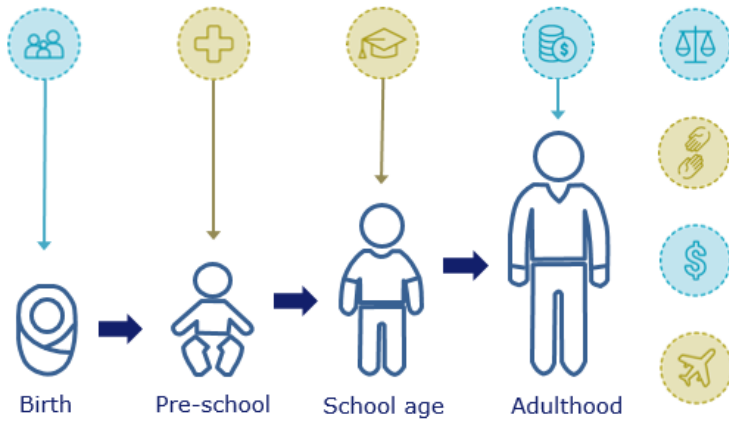
- Generating more value from existing investments
- New investments offering good value (social outcomes)
- Prospecting – trying new things
- Optimising use of what we have
  - Avoiding under-use (eg ensuring full-and-correct entitlements)
  - Avoiding over-use (eg encouraging meaningful fulfilment of obligations)
  - Avoiding misuse (eg reducing fraud)

## What choices are available to us?

### Generating investment choices

- Role of person-based data and analytics
- Role of forecasting of future costs and outcomes
- Designing services and interventions

### Use of life-course data (person-based data and analytics)

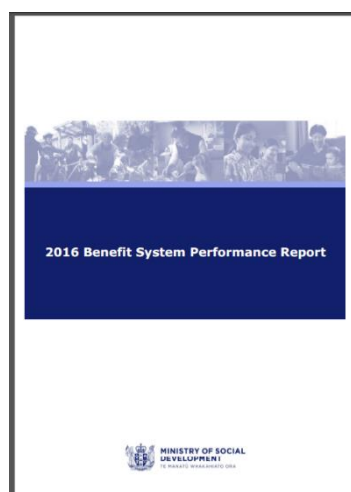


### Integrated Data Infrastructure (IDI)



### Future forecasting (the 'valuation')

- Detect increases and decreases in costs & trends
- Understand the picture for different client groups
- Māori, for example:
- Are 15% of the population but 31% of welfare recipients
- Have \$55K higher (~50%) future support cost than non-Māori
- A navigation tool to guide choices about where to look and where value from acting may lie.



## Designing services & interventions (Generating investment proposals)

- We want a flow of investment ideas
  - Things we're confident work
  - Improving value in what we already do
  - Things we should try and evaluate
- Future potential to get more ideas from external parties

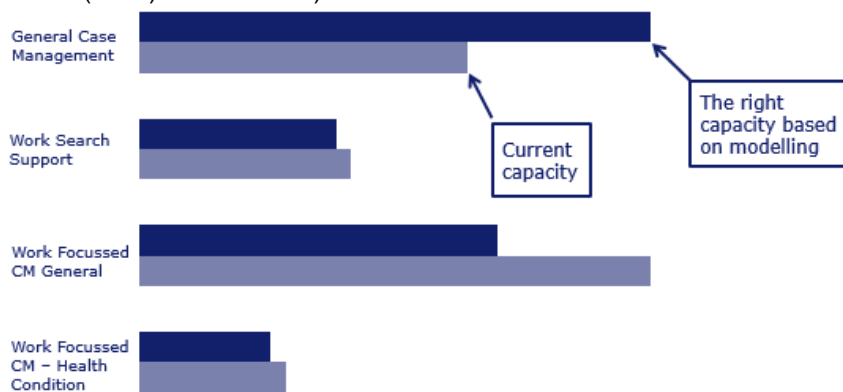
## What are the best of all choices we should make?

### Assessing relative value

- How much better is it than what we have?
- How confident are we it will work?
- How does it compare to other choices?
- What does it mean for our mix of investment?



## Improving services we already have: Getting service capacity right (Source: Service Effectiveness Model (SEM) – MSD 2017)



### Previous service allocation



### New service allocation





### Balancing investments overall

- Fiscal costs v social outcomes
- Short-term v long-term
- Speculation v certainty
- Across client groups
- Prevention v treatment



### Importance of prospecting

- Paucity of evidence = need to create/bolster it
- High potential of insights from client-level data
- Importance of ongoing effort to find valuable support options
- Use of trials and pilots (RCTs and other forms)
- How much funding do we use for prospecting?
- At whatever level, what are the best of all prospecting options?



### Putting it together: Great choices for our communities, thinking long term

#### Looking ahead

- Talk more about value (not just valuations)
- Greater use of person-centred data
- Greater cross-agency & stakeholder collaboration
- Greater involvement with
- Ongoing improvement in prioritisation
- Importance of public trust and confidence

#### 'Investment-type thinking': A Summary

- **Generating proposals** – Being clear on investment proposals/choices
- **A long-term view** – Buying future outcomes
- **Value focus** – Being firmly focussed on best possible social outcomes
- **Understanding *expected* value** – Understanding investment risk & returns
- **Prioritisation** – Assessing relative value of investments to inform choices
- **Implementation** – Executing well to achieve what we wanted to
- **Evaluation** – Learning from investments to improve the next ones

#### A possible recipe for Social Investment capability (Source: Alsop & Crausaz, 2017 (forthcoming), in Boston & Gill (Editors) Social Investment)

1. Have a clear, accessible understanding of existing investments
2. Develop a pipeline of new investment proposals
3. Identify ways to free up resources from existing investments
4. Adopt and apply a clear investment test that represents social outcomes

5. Maintain a strong, integrated focus on value (social outcomes)
6. Understand evidence and integrate various types of knowledge
7. Have a relentless focus on 'relative value'
8. Know where and how prioritisation and decision-making occurs
9. Have an efficient mechanism to give effect to investment decisions
10. Use a commonly agreed framing, nomenclature and terminology
11. Maintain public support
12. Develop the right organisational culture

### Some results to date

 **\$13.7 billion** ... future lifetime cost of welfare system

 **24%** ... sole parent support benefit recipients

 **17%** ... children in benefit-dependent homes

 **3 years** ... benefit for youth clients (17 down to 14)

**Thank you**

## David Kenkel: Social Work and Social Investment

### Social Investment - cutting the connection between cause and consequence

As a profession, social work has always been concerned with both the features of society that cause social deprivation and the consequences of that deprivation; particularly in light of what is known about the impact of poverty and iniquity on measures of well-being that include the capacity to easily do right by one's children.

The art of effective social work is relational; combining skilled intervention at an individual level with acute awareness of, and willingness to challenge, inequitable social forces that can push families to the kinds of dangerous margins that threaten children's well-being. The International Federation of Social Workers (IFSW), 2016, has this to say about what social work is:

*Structural barriers contribute to the perpetuation of inequalities, discrimination, exploitation and oppression. The development of critical consciousness through reflecting on structural sources of oppression and/or privilege, on the basis of criteria such as race, class, language, religion, gender, disability, culture and sexual orientation, and developing action strategies towards addressing structural and personal barriers are central to emancipatory practice where the goals are the empowerment and liberation of people. In solidarity with those who are disadvantaged, the profession strives to alleviate poverty, liberate the vulnerable and oppressed, and promote social inclusion and social cohesion.*

As can be seen – an awareness of the impacts of structural inequity and willingness to act on both the impacts and the causes of structural inequity are central to the social work identity.

### Loci of control - the individual

Social Investment as it is proposed in New Zealand reflects a neoliberal ideology that has no room for the sort of nuanced and critical balance of analysis and approach shown in the IFSW statement. Instead, the

social investment approach sites the loci of control of individual destiny within individual hands irrespective of circumstance, context, and history. This hyper-responsibilising of the individual aligns with neoliberal thinking more generally. Within a neoliberal worldview social positioning and social inequities role in determining the parameters of the possible are obscured by a fervent belief in the capacity of the individual to take charge of its own future irrespective of the insults of history. Life outcomes for adults, and their children, are understood to be a consequence of choice not circumstance (Kenkel, 2005).

### **Revealed truths – not contestable logics**

Neo-liberalism has been described as operating like a revealed truth rather than a contestable logic (Myers 2004). The implication is that neoliberal policies are determined not by the logics of evidence but rather a set of universal truths of human function to be adhered to despite local evidence to the contrary.

A central neo-liberal trope is that individuals are, or should be, in charge of their own lives, and the failure to live a successful life reflects not social context, but a failure of individual will or determination (Kenkel, 2005; Rose, 1998). Following this notion that neoliberalism privileges its own 'truths' even if evidence contests that 'truth', then social policy promoted by neo-liberally informed policy makers will tend to elevate evidence supporting approaches promoting individual responsibility for life outcomes. And - just as consistently, silence or simply ignore evidence that life outcomes are more a factor of social forces than individual choice. This seems very much the case in New Zealand's approach to social investment and the evidence base upon which it is built.

### **Science in service to ideology**

I would argue that social investment New Zealand approach is an outre example of the scientific method being used in the service of ideological ends. In terms of parenting capacity, detailed scientific attention is paid to the consequences of poverty and deprivation without ever naming them as consequences. Both data mining and psychological research are used to paint a veneer of respectability over the narrow targeting of the sorts of parenting deficits that are so often created by policies causing poverty, marginalisation, and deprivation. What is not paid attention to with equivalent fervour is the equally well researched scientific evidence that makes it clear that poverty and marginalisation impact hugely on the capacity of adults to parent their children (Duva, Metzger, 2010; Wynd, 2013; Sedlak, Mettenburg, Basena, Petta, McPherson, Greene, & Li, 2010).

I believe that to ignore the data that supports the link between social positioning and social outcome is an act of deliberate ideological 'see-no-evil behaviour' that is both audacious and must require determination to maintain.

### **Where the audacity lives**

At a practical level this means New Zealand's management of social ills through social investment systematically ignores social cause in favour of treating individual consequences while consistently denying the causal link. This skewing of approach is hinted at in in the 2016 Modernising CYFS expert panel report using the word poverty once, trauma 50 times, love 36 times, and investment an extraordinary 240 times (Kenkel, 2016).

### **Social work threatened and a threat**

A neoliberal understanding of the self valorises the role of individual responsibility in determining life outcome (Kenkel, 2005, Rose, 1999). The narratives that are consistently subjugated by this hyper-responsibilisation of the individual self are those of the power of social context, and, the understanding that the genesis of individual outcomes is usually social rather than a matter of individual choice and responsibility.

The values of social work, with their recognition of the linkage between social conditions and life outcomes for individuals and children, are a threat to the neoliberal individualising and responsabilising values that underpin New Zealand's social investment approach.



Equally social work is threatened by the introduction of social investment as the primary mechanism for diagnosis of problems and delivery of services as the wholesale adoption of this approach would mean to lose the social lens through which social work make sense of individual ills.

### **From Social Security to assemblages of damage**

How people in New Zealand are made sense of and acted upon has changed greatly in the last 100 years. Going back some 8 decades to the NZ 1938 Social Security Act one can see clearly articulated the notion of a decent society as one that cares for those whom circumstance has disadvantaged.

Amongst the policy balance of equality of opportunity versus equality of outcome in 1938 equality of outcome was evidently ascendant as a policy driver.

I have argued (2017) we could perhaps be described as a society that over 70 years moved from the 1938 vision of society as a network of care, to Papadoulos's 2004 vision of citizens being understood as assemblages of capacity flexibly forming (and reforming) themselves to fit the neo-liberal market.

Papadoulos argued that unlike the Keynesian state, people under neoliberalism are understood not primarily as separate individuals that society has a responsibility for but rather as assemblages of capacity. One important capacity (and responsibility) being the ability and willingness to reform the self so as to best survive in the marketplace.

Under such a vision of the self the role of social work was perhaps not to deliver good outcomes directly but rather to encourage the capacity of nonperformers in the market to become more flexible, and better able to accommodate to the changing needs of the market place. Care for the other became not direct care but rather a disciplining procedure to encourage greater capacity for the self to care for itself within a market regime.

### **Divided societies and logics of action**

Things have moved on since 2004, and with authors such as Waquant (2009), I argue that Western societies are moving beyond 'disciplining to reform' as a way of managing the supposedly aberrant to more brutal policies designed to simply exclude and control. In considering this ugly notion alongside recent changes to child welfare, the image that forms for me is of a New Zealand social space divided between effective market players offering loving homes - and proven individual assemblages of damage who are perhaps no longer worthy of efforts to reconstitute them as flexible players in the marketplace.

### **Dangerous damage control**

This putative shift to a New Zealand divided between the loving middle classes and those so damaged as to perhaps be irredeemable dictates logics of action that are, speculatively, no longer so focused on rehabilitation but more on the safe exclusion of the damaged and dangerous other. For Child Welfare practice this would mean excluding the risk of damage being passed from dangerous adult to innocent child. Under this sort of conceptual regime an almost Victorian approach of child rescue from evil moral influences becomes simply common-sense.

These Quasi-Victorian logics might (speculatively) in part explain the new eagerness evident in government policy and legislative change to remove at risk children early. I have wondered if this new eagerness is driven as much by an - 'assess parents with a view to discard because they are too damaged' - policy approach as it is new understandings of the impact on children of harmful home circumstances.

### **A new brutality with a New Zealand twist and a policy fantasy**

Waquant (2009) argues that neoliberally informed social policy and practice is no longer so interested in disciplining to reform, but instead newly interested in simple removal from the social equation those citizens self-demonstrating a persistent inability to perform well in the market. A New Zealand twist on this social deletion (clothed in words of loving homes and child-centric practice) might be to make possible the swift removal of children from damaged and harmful homes and their insertion into the purportedly loving homes of the middle classes. Perhaps the driving policy fantasy being that the damaged and inadequate parents would quietly fade away allowing their children to thrive in their new loving homes and within a generation

a society would arise solely populated by successful entrepreneurs all raised within loving families and guaranteed trauma free.

### **A challenge for social workers**

One of the challenges for the social work profession when faced with these sorts of potential shifts in policy and their accompanying demands of practice is that without extreme care at this juncture, we risk becoming the arm of the state that uncritically performs these brutal tasks of population dividing, othering, and removal.

### **Dangerous conceptual shifts**

For the social work industry to enthusiastically support and perform these kinds of brutal functions would require a conceptual shift in how social work understands itself. The social work concern with causes of social ills would need to be replaced with a more narrow focus on treating consequences without ever naming them as consequences. The popularity of trauma based practice seen in recent policy documents might arguably be a step along the way to a re-conceptualisation of social work. Trauma-based practice while undoubtedly useful for working with traumatised individuals and families is not concerned with the broader social conditions that traumatise whole communities. In a sense, the adoption of approaches that accentuate the skills of working with individuals over the skills of perceiving the social drivers of individual problems can potentially operate to abrade the causal link between social ills and individual outcomes. Understanding and articulating these causal links is vital if social work as a profession is to maintain its integrity.

### **Data mining and evidence**

Data collection producing apparent evidence of vulnerability and dependence to determine targets for investment is central to the proposed social investment approaches. However as Shamubeel Eaqub, (2016) argues; the complexity of people's lived experience does not translate easily into data. He is concerned that narrowly focused quantitative data mining can all too easily lead to a situation where the symptoms of vulnerability become the target rather than the target being social factors that cause vulnerability.

### **Evidence based practice**

The recent tranche of proposed changes in policy and practice approaches advocate the social work adoption of a more evidence-based approach to service delivery. This fits with Parton's (2008) argument that social work as a profession is in general moving away from a relational and narratively informed practice approach toward one informed by the logics of the algorithm.

### **Risking decontextualized practice**

Evidence-based practice is concerned with the effectiveness of intervention. Such a concern can be very much to clients' benefit as social work clients deserve to have workers whose practice is based on what's best known to work well.

If social work is considered to have two arms: one being skills of effective intervention at an individual and family level the other being the capacity to perceive social injustice and act on it; then clearly evidence-based practice is a good thing in that it strengthens one arm of social work. However, a potential problem exists - evidence-based social work practice tends, in my experience to be de-contextualised practice that is not so much concerned with the broader social picture but instead focused on tasks to be performed upon and with individuals and families. Evidence-based practice is also vulnerable to capture by professions that do not share social works central commitment to social justice.

### **Risk of capture by the Psy-discourses**

Often the so-called evidence for what makes effective practice is drawn from the knowledge forms and perspectives of other professions, such as psychology, this is particularly the case with the new focus on trauma. Some authors criticise psychology as being a profession rather prone to seeing the pathology of individuals without noticing the pathologies of societies (Parker 1999). In terms of this insidious slide of

prioritising 'consequences not causes' it is perhaps telling that recent legislative changes make it possible for non-social workers, (such as psychologists) to make critical decisions about children at risk.

### **Reading between the lines**

Reading between the lines, one could speculate that, intended or not, this new empowerment of the psychological in child protection decision-making can operate as an ideologically useful device to de-emphasise the 'social' voice of social work and allow more space for the 'individualising' voice of psychology. Parker (1999) links the rising social authority of the psy-discourses to neo-liberalism's 30 year dominance of western political and social life, with other authors writing to psychology's role in disseminating and validating the norms of neoliberalism in western societies over the last 30 years. (Cushman, 1995; Parker, 1999; Rose, 1998 & 1999).

### **Loving Homes**

Following the trend of attention to consequences not causes there is currently also much policy call for purportedly insufficiently loved children identified as 'at major risk' to be placed into loving families. As described at length in the 'Investing in New Zealand's Children and their Families - Expert Panel Final Report (2015)', this follows a great deal of unsurprising evidence that children do better in loving homes. However, such reports that have driven the recent changes are almost completely silent on what creates an absence of love in a home.

Data that is conspicuously absent in driving recent New Zealand child welfare policy is the equally large amount of evidence that despair, poverty, hopelessness and marginalisation significantly erode the capacity to parent lovingly (Duva, Metzger, 2010; Wynd, 2013; Sedlak, Mettenburg, Basena, Petta, McPherson, Greene, & Li, 2010). To belabour the point - such findings on the correlation between social conditions and the parental capacity to easily express love to one's children do not appear to be part of the suite of evidence our government is currently paying attention to in planning where and how to invest.

There is also somewhat of a policy call for social workers to be better trained in psychological techniques for diagnosing and treating trauma (Ballantyne, 2016). The inference perhaps being that if social workers could cure individual trauma (perhaps under the guidance of psychologists), then child abuse would melt away. The rather obvious unconsidered fact is that a society that places a large proportion of its parents and children in poverty, and then blames them for their situation, reproduces trauma on a grand scale that is not in the least amenable to individual trauma-fixing therapy.

### **Depoliticising Social Work - social work as a threat and social work threatened**

The nature of social work is to engage with the lived experience of people in struggle. It is a rare social worker whose daily practice with overwhelmingly poor clients does not operate as somewhat a process of conscientization. As Hyslop (2013) explores each new generation of practitioners tends to rediscover the truth that individual problems only make sense when viewed through the prism of society.

### **Niggling contradictions**

Social workers then tend to express a niggling voice of contradiction to the neoliberal vision of society as so hyper individualised and responsabilised that social explanations for individual problems become incomprehensible because they are outside of the common sense. As a voice that keeps rediscovering the truth that individual ills have social origins, social work is a threat to a neoliberal worldview. The common sense that social workers continually rediscover is not one that any neoliberal government would like to have popularised.

### **Threatening the rationale for the reforms**

In addition - one of the primary drivers of the reforms to child protection social work of the last few years has been the claim that current social work approaches do not work to stop or slow rates of child abuse in New Zealand. The rather obvious answer that neoliberal government policies have created a social climate sufficiently hostile to good parenting that new clients are produced in abundance every year is not an answer easily able to be heard by the neoliberal ear. It is an answer that threatens the individualising

narrative of neoliberalism. It is an answer that neo-liberal policy makers do not wish to hear, and that the politicians responsible for current policies would not wish to see become common public discourse.

## Silencing responses

Responses to the potential critical voice of social work have been predictable and perhaps we need to look no further than the recent comments of MP Alfred Ngaro to understand that a tamed and de-voiced social work profession solely focused on service delivery is the preferred gold standard. The work of Grey and Sedgwick (2013) also reveals the chilling and silencing effect of gag clauses.

## Two Kinds of risk

Clearly as it is currently constituted, social work offers somewhat of a threat to a neoliberal vision of society and as a threat is in constant risk of being silenced. The risks in my opinion come in two forms. Firstly: a simple increase in the power and type of gag clauses. Secondly: and, in my opinion a much greater risk, are attempts to reconfigure the beating heart of social work so that it becomes primarily orientated on service delivery and loses its focus on social justice.

## What to do? Being loud and having friends

It is the second risk that social work desperately needs to manage as a profession. We need to continually reclaim and articulate our identity as an active and loud 'on the ground situated social conscience for society'. The question of how to do this amongst the stress and business of practice comes up in almost any discussion with social workers. The answers are of course complex and deserving of detailed attention in other forums. That said, I believe the first part of the answer are the first basic lessons of social activists and change agents everywhere: find and name solidarity, never work alone, seek allies always.

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**Thank you**

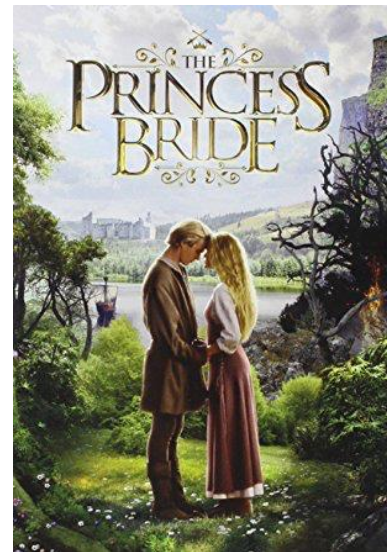
## Jess Berentson-Shaw: Bringing back trust into social policy (also a bit of the fairy tale)

*"All the world is made of faith, and trust, and pixie dust."* J.M. Barrie



**Jess Berentson-Shaw**  
@DrJessBerentson

I might be taking this Princess Bride/Social Investment Allegory too seriously, but come on



### What Is Social Investment In Aotearoa New Zealand?

*"You keep using that word. I do not think it means what you think it means."* Inigo Montoya, *The Princess Bride*

#### Scandinavian Style Social Investment:

*"Involves increasing human capital, income redistribution and addressing chronic unemployment."*  
Destraun & Wilson, 2016



## 'Kiwi Style' Social Investment: an idiosyncratic collection of tools, with 3 main components:

1. Integrated Data Infrastructure,
2. Actuarial liability approach to government social spending (Return On Investment) and,
3. Targeting of Services.

Toby Morris: Pencils the word



### 1. The integrated data infrastructure - a good guy used inappropriately?

*Fezzik - a gentle giant co-opted into the scheming plans of Vizzini the Sicilian*

Bill English, 2016 Third Data Hui: "By analogy, what we have at the moment is a warehouse stocked full of food. But what we really want is a supermarket."

But that supermarket still only sells bananas. 🍌

### 2. Actuarial Release Approach To Government Social Spending

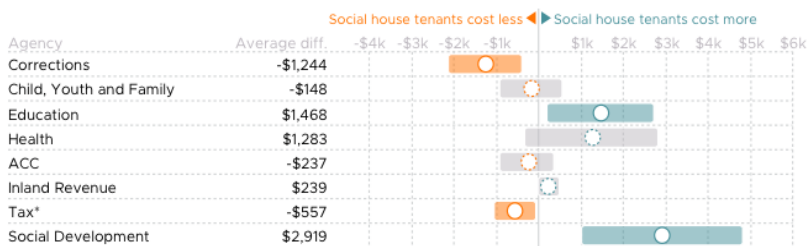
Return on investment (ROI) analysis is currently being used to try and calculate potential areas for cost savings, by the social investment unit.



Results of first ROI test from the Social Investment Unit (Source: Social Investment Unit):

#### Chart 1: Average difference in costs per household over six years, by agency

Compares the average difference in costs (by agency), i.e., the average saving or extra cost per household receiving social housing – compared to the control group.



\* The negative value reported for tax revenue means social house tenants have, on average, paid less taxes from their W&S.

Key: Lower costs Higher costs Lower confidence [Remove highlighting](#)

Too many political values on the dance floor (of effectiveness analysis)?

SOMETIMES DENIAL IS CONVENIENT.

**IDENTITY PROTECTIVE COGNITION**  
IS HOW OUR BRAINS ARE WIRED TO SELECTIVELY ACCEPT OR DISMISS INFORMATION IN ORDER TO PRESERVE SOCIO-ECONOMIC STRUCTURES THAT ARE BENEFICIAL TO US. THAT'S WHY WEALTHY CONSERVATIVES DENY CLIMATE CHANGE, MEN WON'T SEE THE PAY GAP AND RACISM IS SO HARD TO DISCUSS.

### 3. Targeting In Social Investment (3 types)

- a) targeting of individuals 'at risk' e.g children w risk factors for 'future liability'
- b) targeting of areas of concern- e.g. mental health
- c) targeting of service type e.g. family interventions

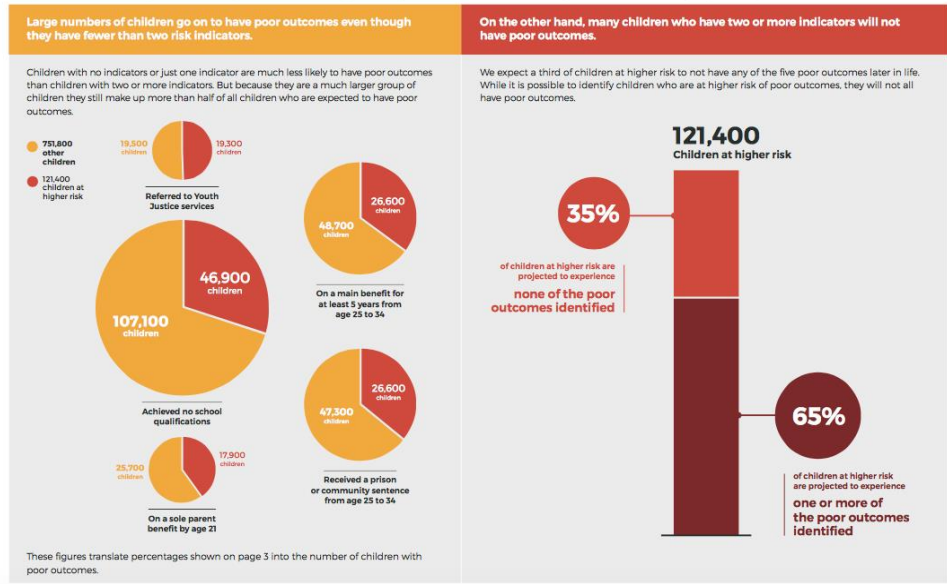


## a) Future Risk Prediction Is An Imprecise Art

### Risk indicators don't always lead to poor outcomes

CHARACTERISTICS OF CHILDREN AT RISK  
The Treasury 2016

Risk indicators are predictive of poor outcomes. This provides information for agencies and service providers to help develop and deliver more effective services. But many children can overcome disadvantaged backgrounds, and others have poor outcomes despite their relative advantage. Measuring risk is inexact, and services will always need to be flexible enough to provide support based on individual need.



### Treasury Warns Against Singular Use of Risk Modeling:

Treasury paper, 2015, Using integrated administrative data to understand children at risk of poor outcomes as young adults:

*“The potential for misclassification and linkage error cautions against using linked administrative data as the sole means of determining access to services.”*

*“They are not forecasts of the outcomes and costs that will be incurred in future and should not be interpreted as such.”*

### Misunderstanding about social investment spreads

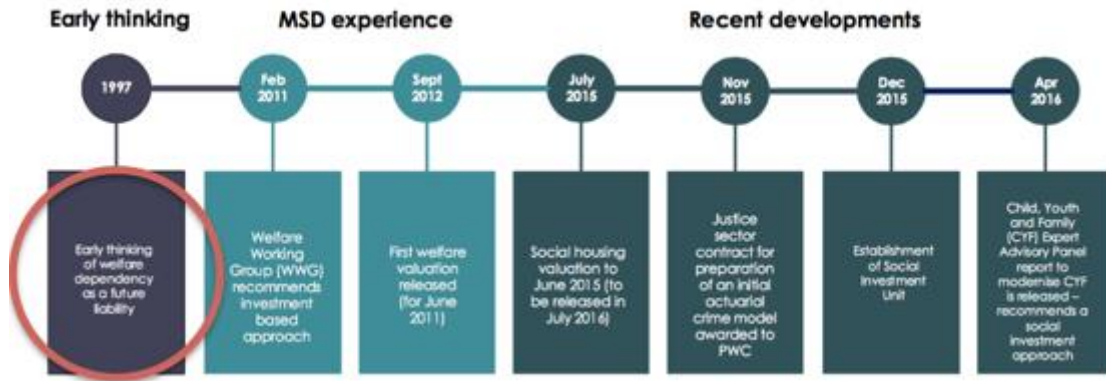
Duncan Grieve, in interview with the Prime Minister Bill English on the Spinoff, 2017:

don't tend to be well correlated with happiness. The idea is that we use that knowledge, *Minority Report*-style, to prevent future bad life choices by providing wraparound social services to change that path.

Data cannot locate or know individual children: “Measuring risk is inexact” – *Treasury 2016*

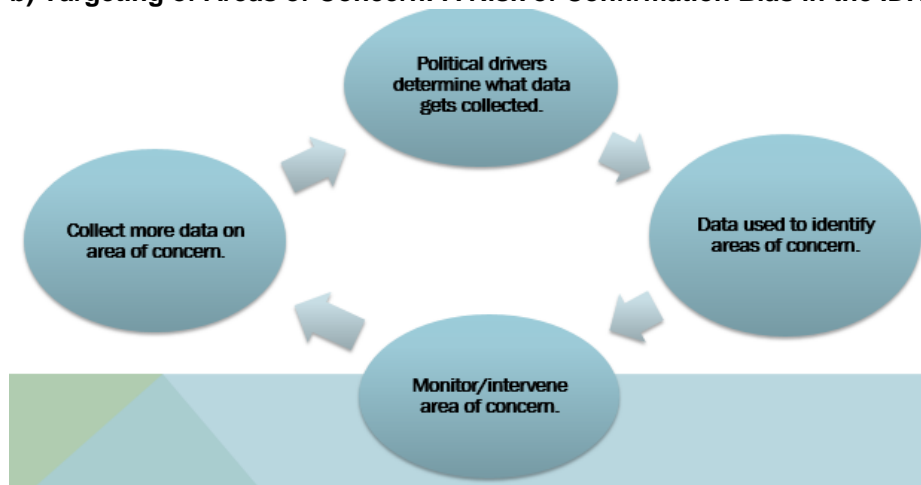


**Words & language matter in policy: they signal values** (Source: The Social Investment Agency)



Ministry of Social Development Better Public Service Target Report:  
 “The social investment approach identified that the previous Result 1 target only incorporated a small part of the future liability, because it only referred to the number of clients dependent on welfare. The target for Better Public Services Result 1 now combines both a 25% reduction in working-age client numbers on benefit and an accumulated actuarial release of \$13 billion by June 2018.”

**b) Targeting of Areas of Concern: A Risk of Confirmation Bias in the IDI?**



**c) Targeting Troubled Families Is More Popular Than it is Powerful.....**



BMJ 2016;355:i5879 doi: 10.1136/bmj.i5879 (Published 4 November 2016)

Page 1 of 2

**EDITORIALS**



**Troubled families, troubled policy making**

Families were let down by government’s ignorance of evidence based policy making

Chris Bonell *professor of public health sociology*<sup>1</sup>, Martin McKee *professor of European public health*<sup>1</sup>, Adam Fletcher *academic director*<sup>2</sup>



**Universal Support Lowers Risk**

Bonell & Fletcher (2016) BMJ:

“...*Troubled Families Programme reported no discernible benefits for participating families ...predictable and predicted*”  
 “... *It is well established within public health science that the most effective way to alleviate the overall burden of illness in a population is to ensure interventions include the large numbers of people at low or medium risk rather than focus solely on the small numbers at high risk.*”



**Targeting: Mostly Dead or All Dead Idea?**

Miracle Max, The Princess Bride:

“*Mostly dead is slightly alive. With all dead, well, with all dead there's usually only one thing you can do. Go through his clothes and look for loose change*”

**WeAreBeneficiaries** @WeBeneficiaries · 59s  
 - Dionne #wearebeneficiaries

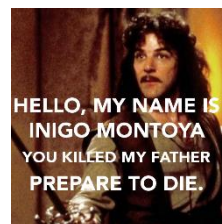
Every time I'm advised by family and friends to go to WINZ for help my heart drops and I feel absolutely anxious. I tell them I'd honestly rather struggle then be judged and looked down by those assholes. I don't know how many times I've walked out crying or making them cry out of anger for being judged and mistreated.

*Dionne*

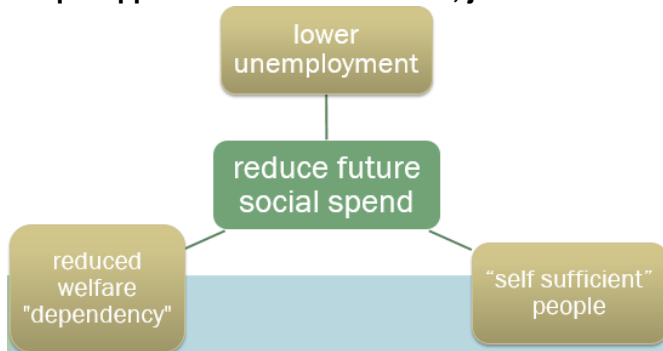
**Social Investment: where is the vision and values for people?**

Social welfare working group, 2011:

“The delivery agency needs to be accountable for reducing the forward liability and the associated reduction in long-term welfare dependency.”



People appear in social investment, just not at the centre, why not?



*“As a Government, we are guided by a simple and obvious principle. We’ll do what works.”*

-Bill English. Third Data Hui, 2016



Amartya Sen:

*“Human development... is concerned with ... advancing the richness of human life, rather than the richness of the economy in which human beings live, which is only A part of it.”*

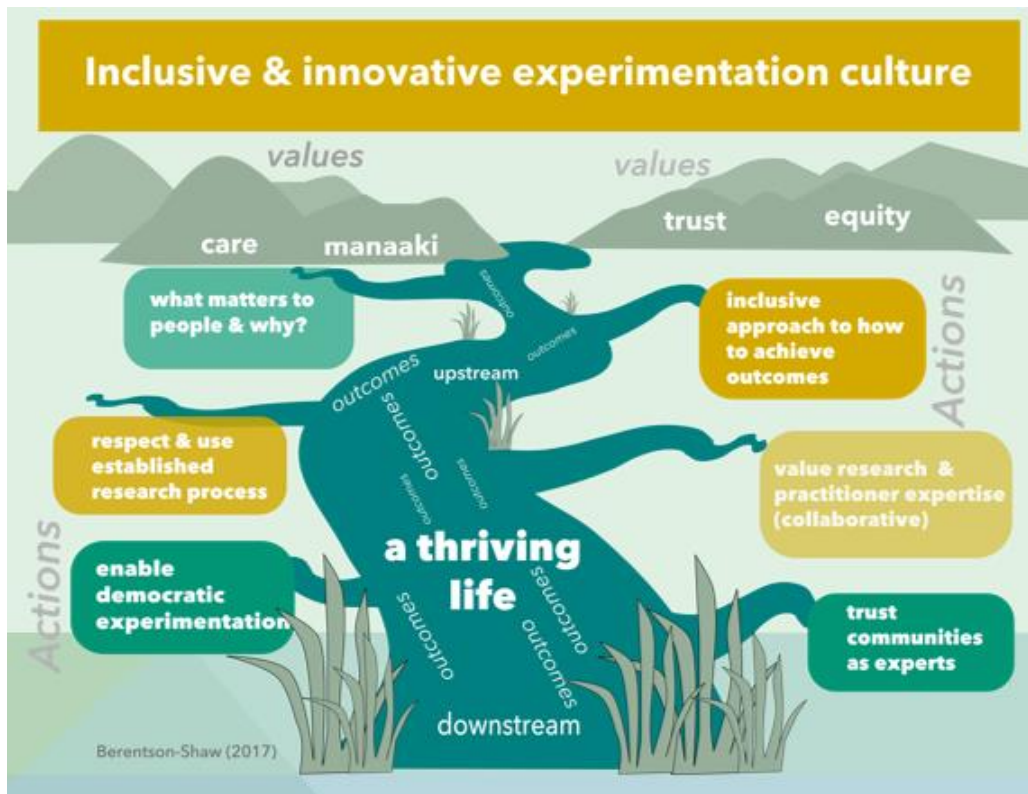
Vinzinni, The Princess Bride:

*“Inconceivable!”*

**Building an inclusive experimentation culture**

With people centred vision and values, “what works?” to achieve a cost target, becomes instead, what can we try, what can we support, what can we experiment with in an inclusive way, to enable a thriving life for all?

Evidence flows downstream from values and vision, without the right ones at the heart, things get very confusing in the evidence space.



**People Are Experts In What Matters To Them** (Source: Office of the Commissioner for Children, 2017: *What children tell us*)

<p>We regularly collect children's views on various issues to inform our work</p>	<p>We include children's voices and perspective in our work, and give them the chance to have a say on government policy and decisions</p>	
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This section includes views and voices of children from our engagement with them. We include children's voices and perspective in our work, and help them to have a say on government policy and decisions.

We invite you to use this information in your work. If you re-use quotes, please reference the Office of the Children's Commissioner.

**Current consultation with children**

So far in 2017 we have asked children and young people their perspectives on culture, having a say (especially to government), bullying, education and learning. We have sent feedback to participating schools for completed surveys, and will upload our full reports here soon.

We also engaged with young people at PolyFest in Auckland to ask, and share, their perspectives on their cultures. Those who signed up to our newsletter will receive a report on this engagement.

**HOW WE CONSULT WITH CHILDREN**

We engage with children and young people across Aotearoa through our Child and Youth Voices Project. We provide a platform for them to share their voice and have influence over national decision making.

We started this project in 2015 as a partnership with primary, intermediate and secondary schools and ropu from all over Aotearoa.

We typically use online surveys and focus groups to gather children and young people's opinions and expertise.

**Good Product Design Is Universal**



**The 'Customer' Journey Matters** (Source: McKinsey analysis, McKinsey & Company)

Six hallmarks of best-in-class customer-experience practitioners can guide improvement efforts.

**Hallmarks of great customer journeys**



**Be Inclusive About “How” We Achieve A Thriving Life**

Kingfisher (1999):

*“the welfare system in New Zealand is increasingly oriented around the need to restructure individuals, rather than systems.”*



**It is the conditions we live our lives in that have the biggest impact on families’ choices, and ultimately on children’s wellbeing** (Source: Pick-a-path story (The Morgan Foundation & Action Station))



to a lifetime of health problems which limits all their opportunities. Unconditional cash support, for those who need it most, will relieve the pressure on our many struggling families and give our children a real chance to thrive.

**We need to peel the layers of the onion to achieve thriving lives.....**



Dalgren & Whitehead: Main Determinants of Wellbeing & Health

**Trust Research and Practitioner Communities to Do What they Do Best**

Growing up in New Zealand: Auckland based longitudinal study (facing funding cuts)

## Quality cost-effectiveness data is already there

### Burden of Disease Epidemiology, Equity & Cost-Effectiveness Programme (BODE<sup>3</sup>)

The Burden of Disease Epidemiology, Equity and Cost-Effectiveness Programme (BODE<sup>3</sup>) has an aim to estimate health and wider societal gains, costs, cost-effectiveness and equity impacts of health sector interventions, and build capacity in modelling of health sector interventions. We do this from rich NZ data and a basis of epidemiological methods, intersected with simulation modelling, and with costs and economics layered over the top. We are focused on knowledge gains that also reduce inequalities, and building capacity. BODE<sup>3</sup> is a Health Research Council (HRC) funded programme, previously funded from 2010-2015 and renewed for 2015-2021.

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- Tweets by @BakerlyTony
- Public Health Expert Blog
- Public Health research at Otago



Evaluation Summaries

Tools

## In an experimentation culture proven research processes and ethical standards are clear

Privacy Commissioner has slammed Social Development data collection plans as too intrusive

STACEY KIRK  
Last updated 14:51, April 6 2017



Winston Peters has investigators working on who leaked info about his pension overpayment

JO MOIR  
Last updated 21:34, August 28 2017



Ben Goldacre: "Randomize all the people all the time."

We are experimenting (badly) on people right now, the right thing to do, is do it properly

## Bad Science

**Search**

Search

**Here's our Cabinet Office paper on randomised trials of government policies. Read it.**

June 20th, 2012 by Ben Goldacre in [evidence based policy](#) | 26 Comments

I've spent a lot of time arguing that government should be more evidence based, and that wherever possible, we should do randomised trials to find out which policy intervention works best. We often have no idea whether the things we do in government actually work or not, and achieve their stated goals. This is a disaster.

[www.badscience.net/category/evidence-based-policy/](http://www.badscience.net/category/evidence-based-policy/)

**TED Talk**

## Democratization Of Experimentation

Local Initiatives

**Inspiring communities is an organisation that catalyses locally-led change. Because this achieves sustainable, effective outcomes.**

We are a team of specialists in community-led development. We use our experience and expertise to mentor, broker, train and connect communities to become even better places to live, work and invest in.

**Events**

**Community-led action in Kaikōura**  
Come and activate Kaikōura with us! This workshop will help you engage local people and their dreams, generate new pathways and project ideas, map our community strengths and much more...

**Croissants and Community**

**News**

**Our August Update**  
There's lots happening! Catch up on what's going on in and around communities across Aotearoa, the latest we have to offer, a webinar, workshops, links to our very cool short videos, our CLD election manifesto and much more...

**Our CLD Election Manifesto**

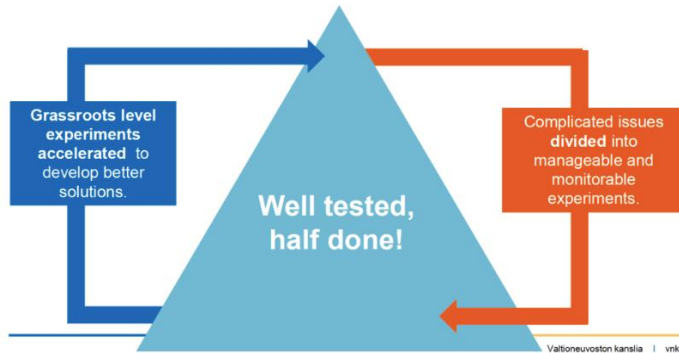
## Can it be done in New Zealand?

OECD 2017, Working with Change: Systems Approaches to Public Sector Challenges:

*“Without diversity, even the best co-creative processes can mirror standard engagement practices which tend to bias proximal or known stakeholders.”*

## Building An Inclusive Experimentation Culture in Finland

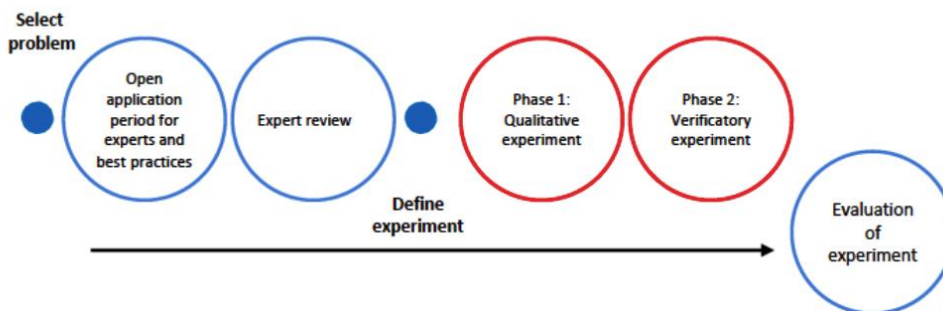
Figure 15. The top-down, bottom-up approach of experimental culture



Source: Alanko 2016.

**Experimentation in government is collaborative and open in Finland** (Source: Demos Helsinki 2015, Experimental Finland)

Figure 9. The process for experiment



**Development of an open funding platform to help develop replicable bottom up community led experiments** (Source: Demos Helsinki 2015, Experimental Finland)



Figure 1. Main features of the proposed funding platform.

## Sum up

What works means different things to different people depending on values and vision.

An inclusive 'what works' process can be innovative culture of experimentation that is driven by people centred values and vision.

## At The Heart Of It All....



## Thank you

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## Susan St John: Social investment: Target efficiency and incentives

### Time to learn from our history

While it is good that at last we are getting attention to the tax/benefit interface, we need as policy analysts to temper the technocratic analysis with a feel for the size of the problem for the people affected. For example, with Working for Families tax credits, the real issue is overlapping abatements and imposts on extra income earned, including things like child support and student loans and even KiwiSaver. What is missing is a feel for the enormity and tragedy of the truly diabolical situation faced daily by an increasing number of people. We need to understand why we have this mess.



Economists love technocratic solutions to complex problems. The future calls for subtle and sophisticated thinking- not robotic algorithms.

### History as tragedy:

#### The essential Rogernomics

- Replace progressive taxation with a low flat tax
- User pays social provision to make the tax rate really low
  - Roger wanted a flat 23% tax
- Compensate the poor with targeted assistance

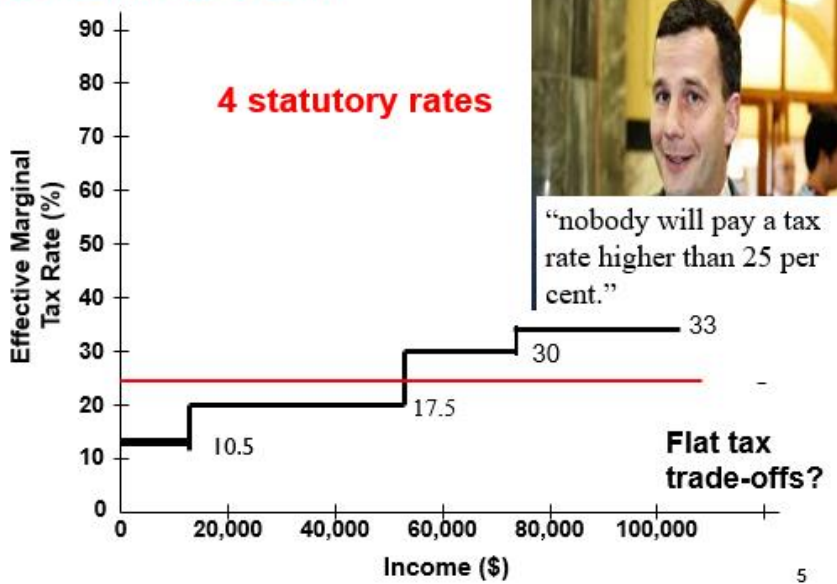
Bill English:

*"I joined Treasury and within 18 months or so I was working on Roger Douglas's flat tax package and had the unique opportunity at an early age to see radical ideas on tax debated, policies put together and then watch it all unravel. The one thing I learned from the flat tax package is that it doesn't work."*



What a flat tax does do is shift the high tax rate problem from high income people to low and middle incomes.

**NZ income tax system:**



The ACT party states:

*“A low flatter personal income tax rate rewards hard work. It is efficient and fair for all. Everyone gets to keep much more of their hard won earnings and this increases the incentive to earn more and take on more responsibility. ACT will immediately lower the top personal tax rate to 24% and then lower it to a flat tax of 17.5% by 2020.”*

**The first terrible lie of Rogernomics:**

“No one will pay more than the flat rate.”

**The truth:**

Low income people face the loss of all kinds of social assistance when they earn an extra dollar. Complex overlapping abatements equals high effective marginal tax rates (EMTRs). Social assistance is confined to the poor, so it has to be taken away as the poor get more income. Losses are over long income ranges and can be vicious.

**Terrible lie 2**

Welfare only for the poor is efficient. More targeting is better. Let’s aim for “target efficiency”!!

**The truth:**

Very high EMTRs over long income ranges have huge economic costs.



**1991 Treasury warned:**

A system to provide targeted support raises the inevitable difficulty that an increase in income leads to a drop in assistance. That acts as a disincentive to extra earnings. When there are several schemes all phasing out independently such as occurs now with benefits, state house rents, childcare subsidies, tertiary allowances and Family Support, there is a risk that the effect of these different schemes will accumulate, leading to a drop in real income if earnings increase. This is a poverty trap. There has been some difficulty with such unco-ordinated schemes in the past. If there are now to be extra schemes, including assistance with possible health premiums, the problems of poverty traps could be greatly increased.



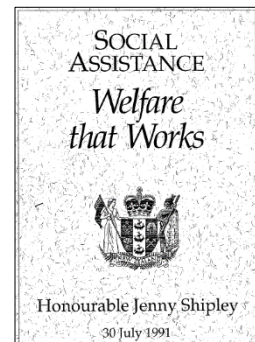
### Terrible lie 3

All problems have a technocratic solution.

Just leave it to the economists....

**Shipley, 1991, *Welfare that Works: An integrated approach***

It would be difficult to institute a system that is sensitive to family needs by merely looking at each service individually. For example, the ability to pay for health care depends on what the family must pay for other social services. It is impossible to gauge the impact each service has on a family's total circumstances without taking an integrated approach.



This section describes a new approach to determining entitlement for support. Its central feature is that it offers an integrated approach in which support for one social service is no longer worked out without reference to other services. Once that point is fully appreciated, the method involved in working it out is simply a matter of administration and detail.

### The promise of technocracy

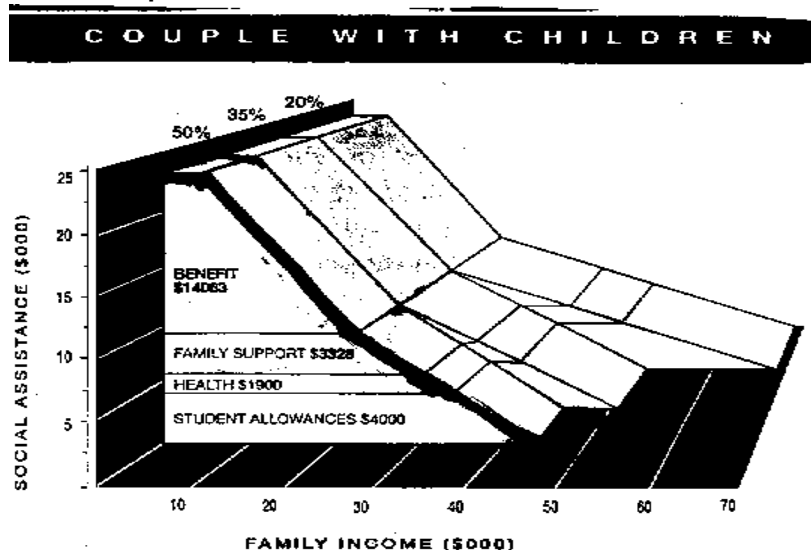
#### *Welfare that Works 1991*

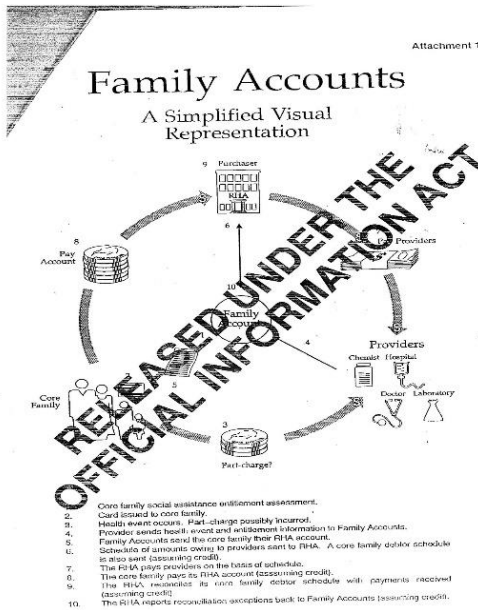
- the phasing out of one form of assistance to a social service to begin only after the previous assistance has been fully phased out;
- a single phase-out (or abatement) rate to apply across all forms of assistance to social services included in the scheme; and
- a single test of means to apply for all forms of assistance.

#### The integrated system of targeted assistance:

- All a family's details would be on a smart card
- Adjustments in real time
- All social assistance would be aggregated and bleed out at one rate
- Diagrams would prove it could be done

### The EMTR problem

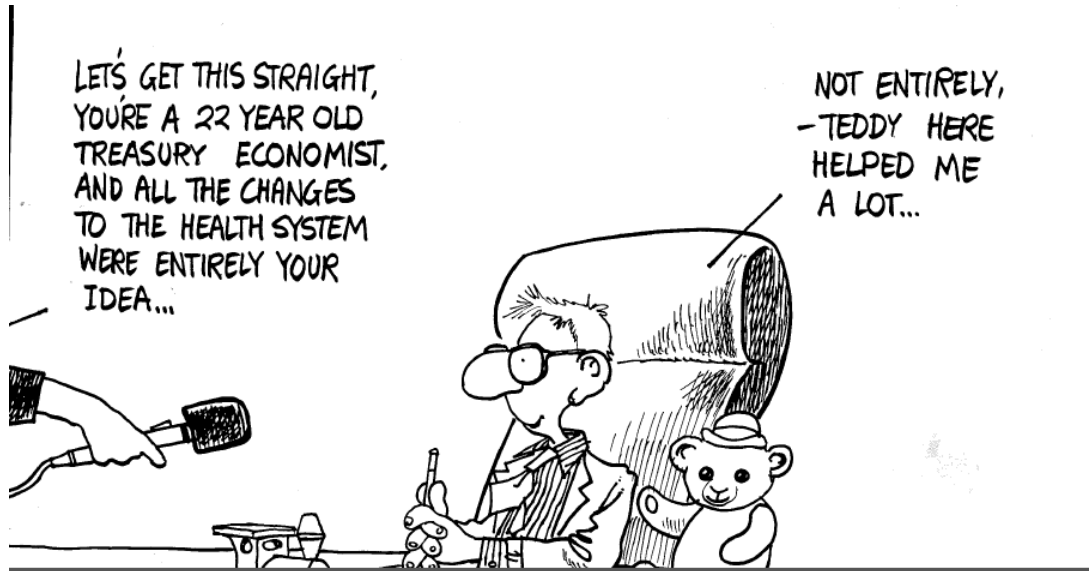




In the 'Family Accounts' document, 'core family' is presented as stable and predictable: father, mother, and 2 children. The representation bears little resemblance to the complex reality of families in New Zealand.



### Where did the 1991 reforms come from?



### Smart card was fanciful and they could not make it work

- The smart card was to 'overcome' the problems of overlapping abatements
- Its abandonment undermined the whole rationale for the user pays approach
- Left with the welfare mess/overlapping income tests including the bits for students and their parents.
- Cumulative effects on the distribution of wealth, income and advantage.

### We were left with the welfare mess, and....

Every family experiences the nose differently. See Daily Blog: *What would you do Prime Minister English?*  
<http://thedailyblog.co.nz/2017/03/19/what-would-you-do-prime-minister-english/>



No accountability for failed promise on which the whole edifice of welfare reform was built:  
*Maybe it is all too hard to ordinary folks– best kept to secret meetings in Wellington....*



## Modelling approach

- To illustrate ...

$$\begin{aligned}
 - Y_{AG} &= \text{Max} \left( 0, \text{BEV}_{AG} - \text{IF} \left[ \text{IF} \left( \frac{\text{IF} \left( \text{IF}_{\text{POLLAR}} + \text{V}_{\text{POLLAR}} + \text{V}_{\text{POLLAR}} + \text{BEV}_{\text{POLLAR}} \right) > \text{BEV}_{\text{POLLAR}}}{\text{IF}_{\text{POLLAR}} + \text{V}_{\text{POLLAR}} + \text{V}_{\text{POLLAR}} + \text{BEV}_{\text{POLLAR}}} \right) > \text{BEV}_{\text{POLLAR}} \right] \right. \\
 &\quad \left. \left. \left( \frac{\text{IF}_{\text{POLLAR}} + \text{V}_{\text{POLLAR}} + \text{V}_{\text{POLLAR}} + \text{BEV}_{\text{POLLAR}}}{\text{IF}_{\text{POLLAR}} + \text{V}_{\text{POLLAR}} + \text{V}_{\text{POLLAR}} + \text{BEV}_{\text{POLLAR}}} \right) \right] \right) \\
 - \text{WFF} &= \text{Max} \left( 0, \text{IF} \left[ \text{IF} \left( \text{IF} \left( \text{IF}_{\text{WFF}} + \text{V}_{\text{WFF}} + \text{V}_{\text{WFF}} + \text{BEV}_{\text{WFF}} \right) > \text{BEV}_{\text{WFF}} \right) \right. \right. \\
 &\quad \left. \left. \left( \frac{\text{IF}_{\text{WFF}} + \text{V}_{\text{WFF}} + \text{V}_{\text{WFF}} + \text{BEV}_{\text{WFF}}}{\text{IF}_{\text{WFF}} + \text{V}_{\text{WFF}} + \text{V}_{\text{WFF}} + \text{BEV}_{\text{WFF}}} \right) \right] \right) \\
 - T_p \text{ and } \text{ACC}_p &= \text{Max} \left( 0, \text{IF} \left[ \text{IF} \left( \text{IF} \left( \text{IF}_{\text{TP}} + \text{V}_{\text{TP}} + \text{V}_{\text{TP}} + \text{BEV}_{\text{TP}} \right) > \text{BEV}_{\text{TP}} \right) \right. \right. \\
 &\quad \left. \left. \left( \frac{\text{IF}_{\text{TP}} + \text{V}_{\text{TP}} + \text{V}_{\text{TP}} + \text{BEV}_{\text{TP}}}{\text{IF}_{\text{TP}} + \text{V}_{\text{TP}} + \text{V}_{\text{TP}} + \text{BEV}_{\text{TP}}} \right) \right] \right)
 \end{aligned}$$

## Suffocating effects for working poor

No time today to talk about the impact on beneficiaries – the forgotten group is the working poor.  
 Under National in 2018, 38.5 hours at minimum wage of \$15.75 = \$35,000 pa (84%- over 52,000 71.4%)  
 Gross income \$35,000

....An extra \$10,000 means

Tax	1750
acc	140
wff	2500
stud loan	1200
Kiwisaver	300
accommodation supplement	2500
<b>total effective tax</b>	<b>8,390</b>
disposable income	\$1,610

Possible loss of childcare subsidy up to \$60 a week

Payment of child support 18-30%

## Target efficiency: the holy grail The noose tightens

Latest news from Policy and Strategy, Inland Revenue, New Zealand.

23 August 2017

New information sharing agreement between IRD and MSD

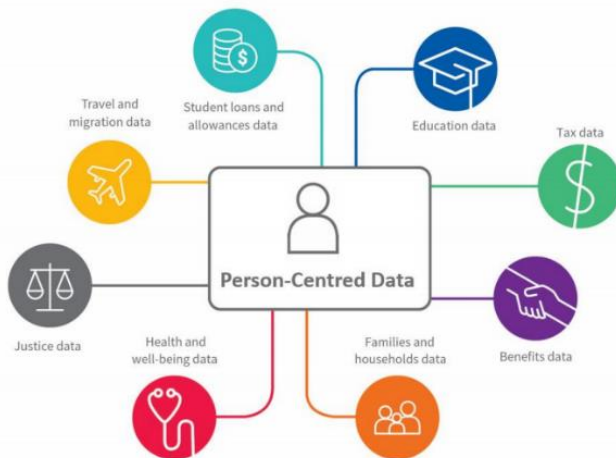
**...people should call on the resources that are available to them before turning to the state.”**  
**MSD ‘ in the matter of The Social Security Act 1964: against a decision by the Benefits Review Committee, Nov 2013**

Annual comparison – all sanctions (flow data)

	Jun-16 quarter	Jun-17 quarter	Annual change
Total number of sanctions	14,438	15,619	8.2 percent increase
Number of sanctions imposed on Jobseeker Support recipients	10,772	12,076	12.1 percent increase
Number of sanctions imposed on Sole Parent Support recipients	3,579	3,414	4.6 percent decrease
Number of graduated sanctions	11,728	12,865	9.7 percent increase
Number of suspended/cancelled sanctions	2,710	2,754	1.6 percent increase

## History repeats - the second time as farce?

# Integrated Data Infrastructure



10



## Social investment- intensifies target efficiency

Big data rhetoric: Bill English: "We will find 'those [deviant] families' one at a time"

## Way forward

Confront the ideology of tight targeting: reverse 25 years of conditioning.

## Thank you

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## Bill Rosenberg: The Future of Work and Welfare: supporting people through change

Bill Rosenberg ([billr@nzctu.org.nz](mailto:billr@nzctu.org.nz))

### Overview

Focus on the support given to workers who lose their jobs: "Active Labour Market Policies"

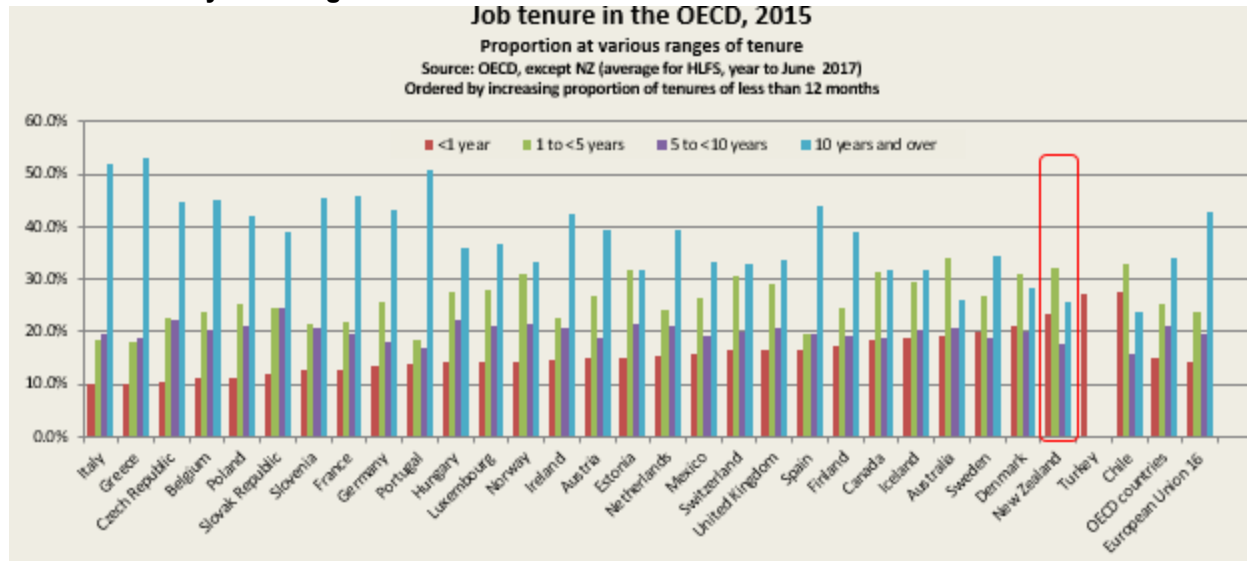
- Change is coming: "The Future of Work"
- How are we doing?
- How MSD's investment approach is a barrier
- A different approach

### Change is coming: "The Future of Work"

- Globalisation, Climate change, Technology, Demographics ... all mean changes in work
  - *Redundant skills, less job security, industries changing or disappearing*
- Hard to predict what it will look like but we have choices and we can prepare for it
  - *Industry policies to replace old with better jobs, not more baristas*
  - *Employment policies that ensure everyone shares in the benefits*
  - *A capable state to help people through change*

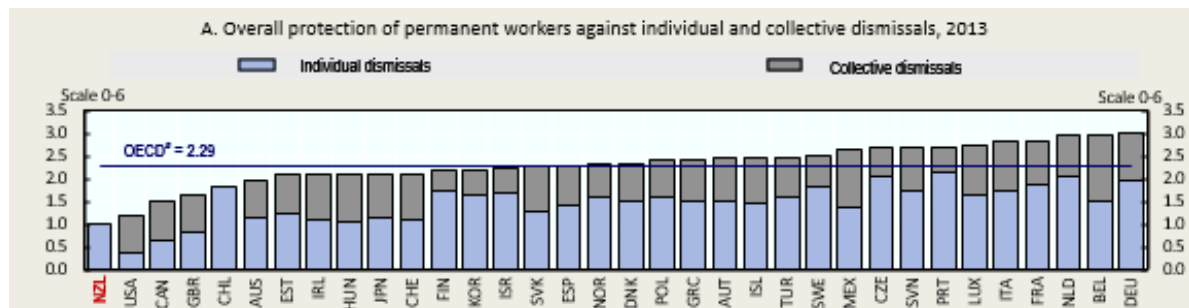


## Jobs are already churning...



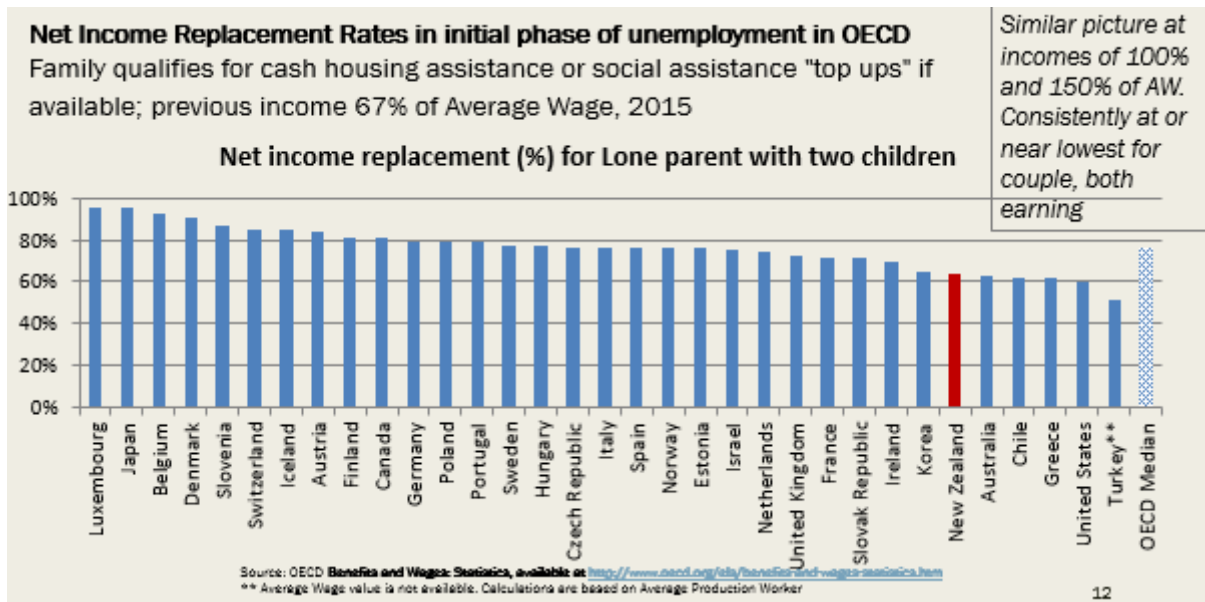
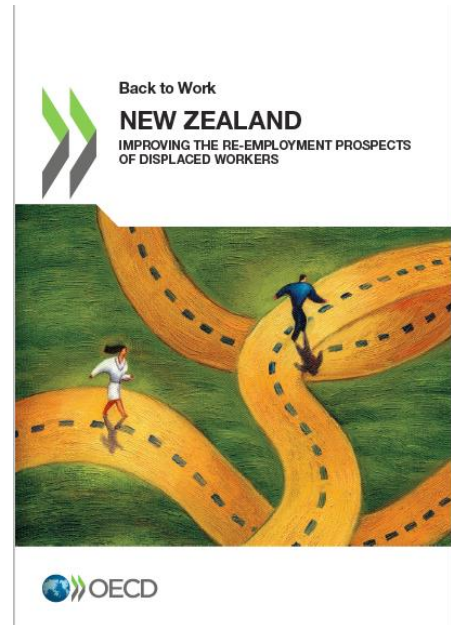
## How are we doing?

- Poor recovery from unemployment following the GFC – worse than 2000s
- “The legal protection against dismissal provided by the labour and case law in New Zealand is more flexible than in any other OECD country.” (OECD (2017), *Back to Work: New Zealand: Improving the Re-employment Prospects of Displaced Workers*, OECD Publishing, Paris. Available at <http://dx.doi.org/10.1787/9789264264434-en>)

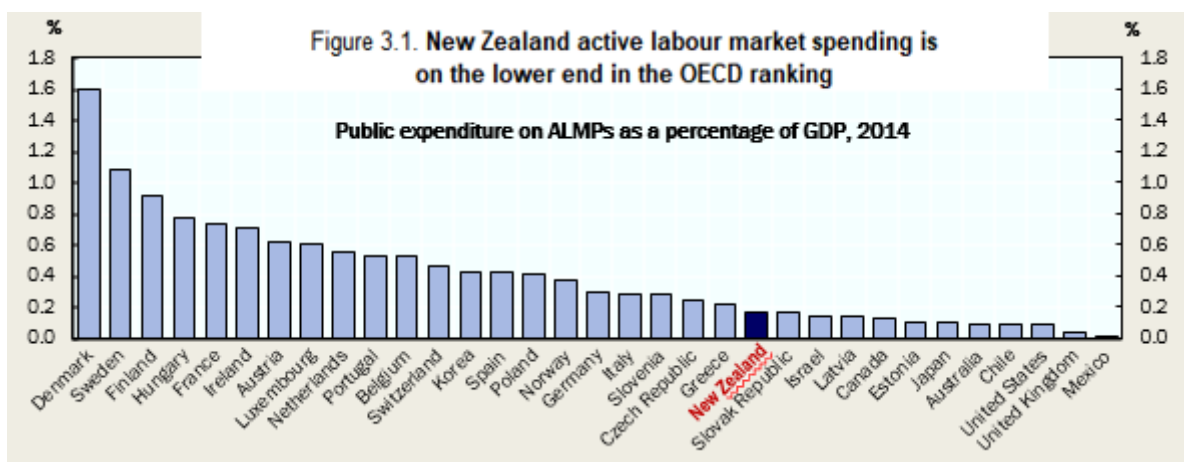


- “The downside of flexible labour market regulations is that the costs of economic restructuring largely fall onto individual workers.”
- “... wage losses for re-employed displaced workers reach 12% in the first year after displacement, compared with negligible wage effects in Germany and the United Kingdom and a loss of 6% in the United States and Portugal.”
- “Compared to workers who did not lose their jobs, we estimate their employment rate was 20-25% lower in the year following displacement and, although their employment gradually improved, was still 8-12% lower five years later. Similarly, we estimate displaced workers’ conditional earnings and total income were 25-30% lower in the first year and 13-22% lower five years after being displaced.”
- “Job loss hurts workers: low employment and earnings even with support.” (Source: Hyslop, D., & Townsend, W. (2017). *The Longer Term Impacts of Job Displacement on Labour Market Outcomes* (Working Paper No. 17–12). Wellington, New Zealand: Motu Economic and Public Policy Research. <http://motu.nz/our-work/population-and-labour/individual-and-group-outcomes/the-longer-term-impacts-of-job-displacement-on-labour-market-outcomes/> )

- “Displaced workers who do not contact Work and Income are very much left on their own to search for a new job or decide about a career change if they want or need it.”
- “The number of displaced workers who have no contact with the public employment service is high, and this high share cannot be fully explained by their ineligibility for income support.” (OECD (2017), Back to Work: New Zealand: Improving the Re-employment Prospects of Displaced Workers, OECD Publishing, Paris. Available at <http://dx.doi.org/10.1787/9789264264434-en>)
- “The New Zealand labour market and social support framework places significant strategic weight on the creation and maintenance of flexible labour markets combined with a reliance on the family and private providers as the main support systems for displaced workers. As a result, social assistance and public employment support are reduced to a minimum and act very much as systems of last resort for displaced workers who end up in the welfare system.”



- We are combining one of the highest turnover rates with the some of the poorest support for working people when they lose their jobs.



### ... Hampered by the “Investment Approach”:

- “The investment approach has significant implications for the treatment of job-seeking displaced workers. Given their recent work history, displaced workers who apply for welfare benefits are unlikely to be classified as those with a high risk for long-term benefit dependency. Gains from public investment in them would therefore be low, hereby reducing the probability that they will receive intensive support...” (Source: OECD (2017), *Back to Work: New Zealand: Improving the Re-employment Prospects of Displaced Workers*, OECD Publishing, Paris. Available at <http://dx.doi.org/10.1787/9789264264434-en>)

## How MSD’s investment approach is a barrier

### “Investment Approach”: Future fiscal liability

- Fundamental flaw: it looks only at costs to the government and at nothing else
  - No economic or social benefits (e.g. caring for children, stable families, better jobs, productivity)
  - No economic or social costs (e.g. greater poverty/inequality, poor skill matching, cost of training/time off work)
- Higher expenditure such as for job search or retraining may be more than justified by the benefits to welfare beneficiaries and society of the work that they find as a result
  - Higher income earned in the job found
  - Benefits to employer and society (and disbenefits/costs)
  - Non-quantifiable benefits such as citizenship, social cohesion
- Future fiscal liability measure looks only at fiscal costs, so appears that “effectiveness” has been reduced rather than increased by the cost of the job search or retraining
- MSD reduced spending on “short-term Jobseekers” because lowest average liability for main benefits (Edwards, D. and E. Judd (2014) ‘Measuring tomorrow’s outcomes today: adopting an investment approach within the Ministry of Social Development’, p. 10, presented at New Zealand Society of Actuaries biennial conference, Brave New World: data, longevity and ERM, Dunedin)
- Welfare exit rates are poor predictors of the quality of employment outcome: they neglect longer-term benefits of more time on a welfare benefit, raising skills and more effective job search (Card, Kluge and Weber (2010) meta-analysis of evaluations of active labour market policies)
- Consider a skilled tradesperson – a printer, made redundant because of changing technology.
  - Specific skills redundant but host of “soft skills” – highly employable
  - Left alone finds another job – may never go onto a benefit – but at lower income and productivity
  - Individualised support from MSD in income maintenance, career advice, retraining, job applications, relocation are beneficial for both worker and economy
  - But the Future Fiscal Liability says not a high priority

MSD agreed such a person would get little help (OECD. (2017). *Back to work, New Zealand: improving the re-employment prospects of displaced workers*. Paris, France: OECD Publishing. Available at <http://dx.doi.org/10.1787/9789264264434-en>)

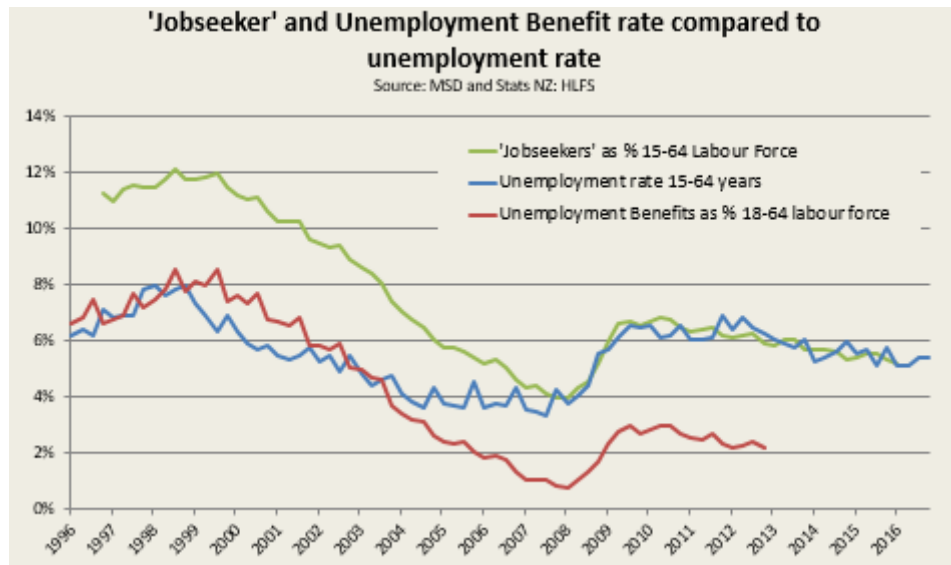
### A different approach: Why do people need support?

- Current benefit system is based on assumption that people are there because there is something ‘wrong’ with them
  - *Periodic epidemics of laziness?*
  - *‘Lifestyle choice’?*
- The ‘fix’ is therefore to find ways to get them off benefits as quickly as possible, including punitive action

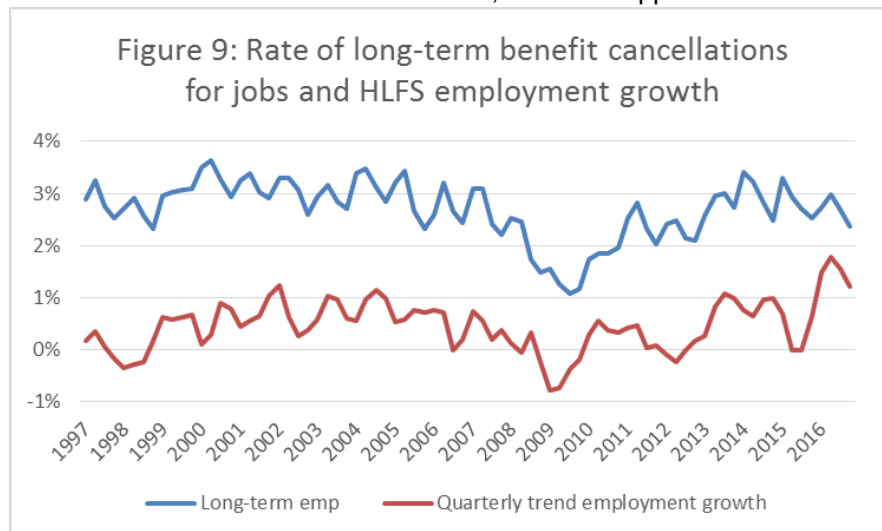
#### Effects of money-empathy gap (Robert Wade: *The Costs of Inequality*)

- To understand fallacies of conservative ideology, suppose that 100 dogs are ushered into a room in which 95 bones are hidden.
- 5 dogs come out without a bone.
- Compassionate conservatives say: these 5 dogs need to be sent to bone-hunting school, etc.
- Normal conservatives say: the 5 dogs are lazy, cut their income support, force them to hunt harder, “get on your bike”.

## Why do people need support?



From "Corked Wine in a Cracked Bottle ", Simon Chapple



### Alternative view: People need support:

- Predominantly because of structural factors in the economy and employment relations: levels of unemployment, precarious employment, restructuring of industries, recessions
- People needing support are predominantly no more personally at fault than someone needing hospital care or ACC
- These are best treated by
  1. *Removing causes (preventing accidents, healthy homes, good nutrition etc)*
  2. *Giving people the help they need to return to health*

### A different approach

#### 'Treatment' must be partly preventative

- Government objective of Full Employment
  - *Jobs for all those willing and able to work*
  - *Good jobs – ongoing, provide sufficient income for dignified existence*
  - *Replacement of industries with better ones as they wane*
- Use fiscal, monetary and economic/industry development policies to achieve this
- Support for retraining during working life – life long learning
- But recognise greater turnover still likely: *Employment security* rather than *Job security*



- Focus on providing support
  - *When change occurs (e.g. company lays off workers; industry wanes)*
  - *During recessions*
  - *To provide skills for growing industries*
- Tripartite design, governance and implementation of the programme
- Both collective and individual support

#### **Collective support could include:**

- Employers required to notify redundancy situations
- Rapid reaction teams when large scale redundancy occurs
- Involvement of local and central government services, unions
- Industry arrangements to find jobs elsewhere in industry

#### **Individual support could include:**

- Income replacement like ACC: 80-90% of previous income, funded from employer levies
- For up to 12 months
- Then normal unemployment benefit levels apply
- Includes recognising *mutual responsibility* of
  - *state to support and*
  - *people who accept that support to take action to prepare for and find a suitable job*
- Financial and practical support for acquiring new skills and qualifications: e.g.
  - *Careers advice*
  - *Placement in firms including job subsidies and training*
  - *Funding for substantive vocational courses to update or reskill*
  - *Support to find new jobs*
  - *Assistance in moving to another region if necessary*

## **Evaluation**

- Still valuable to evaluate programmes to ensure they are effective
- But the evaluation needs to reflect the approach:
  - *Objective is not primarily to get people off benefits*
- So evaluations should be focused on whether the programmes
  - *led to people getting jobs with equal or better incomes than before job loss*
  - *enhanced their future prospects*
  - *kept them in employment*
  - *led to skill needs being met*
- MSD's own evaluations of their forms of "employment assistance" only from 2014/15 looked beyond time on benefit, at employment and income outcomes.
  - - Find many forms of assistance have positive employment and income outcomes but don't get people off benefit any quicker categorised "mixed" effectiveness
  - - E.g. Vocational Services Employment has statistically significant improvement in employment and income, but also s.s. lengthened time on benefit – classified "mixed" effectiveness (Source: Boer, M. de, & Bryan Ku. (2017). *Effectiveness of MSD employment assistance: Summary report for 2014/2015 financial year*. Wellington, New Zealand: Ministry of Social Development, p.19-20. Retrieved from <https://www.msd.govt.nz/about-msd-and-our-work/publications-resources/research/employment-assistance-summary/index.html>)
- Cost, including time on benefit, is a factor but not the dominant one
- Needs a long term view:
  - *Some payoffs (like for any education and training) may be many years away*
  - *Some payoffs are not quantifiable, some accrue to industries and society.*

## Conclusion

- Current system combines among highest job turnover with poorest support for people who lose their jobs in OECD
- Possible impacts on productivity
  - *could be improved if workers move quickly between firms: rationale for “flexibility”*
  - *could be worsened by wasting experience and firm-specific skills and knowledge*
  - *could reflect poor management*
- New Zealand productivity is lower and rising more slowly than most of OECD
- Provides poor basis for the significant changes likely in the economy
- Invites opposition to change – or exit

## Thank you

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## Alan Johnson: God, good and self – a search for a new moral basis for our welfare state



**ARISTOTLE** 384-322 BC

The supreme good or **eudaimonia** – the state of human flourishing – of ‘living well and doing well’  
Nicomachean ethics - moral & intellectual virtues which are rooted in the irrational and rational soul (respectively)



**JESUS of NAZARETH** 0-33 AD

Christian love and a preference for the poor  
Subsequently Christian theology was heavily influenced by Augustine of Hippo (354-430) & Thomas Aquinas (1225-1274)



**JOHN STUART MILL** 1806-1873

Principal advocate for Utilitarianism and specially the Greatest Happiness Principle & the Harm Principle  
Preceded by Psychological Egoism or Thomas Hobbes (1588-1679) and followed by Ethical Egoism of Ayn Rand (1905-1982)

In New Zealand’s Parliament on 13<sup>th</sup> September 1938 during the Budget debate, Prime Minister Michael Joseph Savage rose to support both the Budget and the passage of the Social Security Act. This Act laid the foundation for the modern welfare state, and in his speech Savage was clear what this meant to him:

*‘I want to know why people should not have decent wages, why they should not have decent pensions in the evening of their years, or when they are invalided. What is there more valuable in Christianity than to be our brother’s keepers in reality?’*

*I want to see humanity secure against poverty, secure in illness or old age.’*

Savage and most of the Labour Party’s leadership were professed Christians, including Savage’s predecessor Harry Holland and his then Cabinet colleagues Peter Fraser, Arnold Nordmeyer and Walter Nash. The idea of the social welfare state as epitomised by the Social Security Act probably represented for them a tangible expression of Christian love and Jesus’ preference for the poor and marginalised.

That, of course, was almost 80 years ago when a much higher proportion of New Zealanders professed a religious faith. At the time of the 2013 Census, 42% of those answering this question reported they had no religious affiliation, while another 49% of respondents identified with a Christian denomination. While in 1936, just 7% of those responding did not identify with a religion, and almost all of those who did identified as being Christians of various sorts.<sup>1</sup>

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<sup>1</sup> See 1938 New Zealand Year Book at [https://www3.stats.govt.nz/New\\_Zealand\\_Official\\_Yearbooks/1938/NZOYB\\_1938.html#idsect2\\_1\\_318679](https://www3.stats.govt.nz/New_Zealand_Official_Yearbooks/1938/NZOYB_1938.html#idsect2_1_318679)

While the New Zealand state of 1938 was definitely secular, it was nonetheless influenced philosophically by Christian morality, as was New Zealand society overall. New Zealand in the early 21<sup>st</sup> Century is a great deal more pluralistic and agnostic and it would therefore be accurate to claim that Christian morality has little place in public policy and only limited importance in public life. But what then is the moral basis for important public policies such as those around our welfare state? Moreover, if we are interested in re-imagining and re-constructing the welfare state, what could we use as the moral basis for such an exercise? That is the challenge considered in this paper. This challenge is important because, for public policy to be broadly supported, it needs at its core a big organising idea. That is, something that is understood by citizens as the reason and purpose for the policy and that is sufficiently compelling for them to support it. This paper considers what this big organising idea might be for the a 21<sup>st</sup> Century welfare state here in Aotearoa New Zealand.

## OUR SEARCH FOR A MORAL COMPASS

In 2014, the British journalist Kenan Malik published a comprehensive history of global ethics titled *The Quest for a Moral Compass*. In this work he canvasses the development of moral philosophy, mainly from a Western perspective, from Socrates to Peter Singer in the present day. As should be expected, this is an intricate and inter-woven effort, so it is difficult to provide a singular and irrefutable account of his interpretation of this history.

From Malik's account it appears that a search for a moral compass can be seen as humanity's quest for what is right — the right sort of person to be or the right action to take. Malik's interpretation suggests (at least to this author) that this search has been referenced to three core ideas. These are that the essence of right is to be found in some metaphysical idea of 'good', or handed down through some sacred text from a deity or God, or is embedded somewhere in human nature. Hence the title: 'Good, God and Self'.

This distinction is, however, not absolute as some philosophers such as Thomas Aquinas and Emmanuel Kant have offered perspectives which connect these three reference points, although not necessarily unequivocally or at all completely.<sup>2</sup>

Ancient Greek philosophers developed the idea of the supreme good or *eudaimonia*. Usually this is interpreted as meaning 'happiness', although in Greek the concept is much richer. Aristotle, for example, explained the idea as 'living well and doing well',<sup>3</sup> and the concept of *eudaimonia* can broadly be interpreted as being about the state of human flourishing. Such flourishing, according to Aristotle, requires humans to apply their reason in virtuous ways and to act accordingly.<sup>4</sup>

Aristotle turned his considerable intellect to devising what such virtuous ways might look like and developed a set of virtues to direct a life spent 'living well and doing well'. For Aristotle there were two sets of virtues: moral ones and intellectual ones. Moral virtues can be seen as character traits 'of which Aristotle mentions twelve: courage, temperance, generosity, magnificence, magnanimity, pride, patience, honesty, wittiness, friendliness, modesty and righteous indignation'.<sup>5</sup> Aristotle suggested that intellectual virtues fell into two camps: *theoria* or the ability to think about the nature of the world or perhaps what we would call science, and *phronesis* or practical wisdom perhaps gained through personal experience.

For Aristotle these personal virtues — moral or intellectual — were nothing without the social setting, or *polis*, into which they were placed. For Aristotle and Plato the primary good was the good of the community, and so ethics was subordinate to politics. This was because humans are social beings and so it was assumed their happiness or flourishing was bound with their happiness in a social setting and with the overall happiness or flourishing of the society to which they belonged.

Essentially, then, Aristotle and other philosophers such as Plato, Confucius and Mencius were pioneers in what has become known as 'virtue ethics'. Virtue ethics is offered later in this paper as one of the foundations for a new moral basis for welfare. As an organising idea virtue fell out of philosophical favour with the rise of rationalism and utilitarianism in the late 18<sup>th</sup> Century, although it has seen something of a resurgence of intellectual popularity during the later 20<sup>th</sup> Century.

The ancient Greeks and Romans were pantheistic and tended to have a chaotic view of their gods, who on any account were somewhat chaotic figures that demonstrated many of the foibles and failings of humans. The rise of Judaism, and later Christianity and Islam —all with the same single God, Yahweh

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<sup>2</sup> See Malik, K (2014) *The Quest for a Moral Compass – A Global History of Ethics*; pp. 150-151 for a discussion on Aquinas and his claim that reason 'is a divine gift to enable humanity to understand God' and pp.203-208 on Kant's account of humans as rational beings who use reason to decide their moral duties.

<sup>3</sup> Aristotle *The Nicomachean Ethics* I.v

<sup>4</sup> Malik, K (2014) p.36.

<sup>5</sup> Ibid p.36

— meant amongst other things that there was a singular relationship between God and humanity. This relationship was to some extent facilitated through the divine insights of prophets such as Abraham, Moses and Isaiah in Judaism, Jesus Christ in the case of Christianity, and Muhammed in the case of Islam. These prophets facilitated this relationship with God partly by interpreting their God's messages. Many of these messages contained moral directives which were often associated with threats of punishment if ignored or promises of rewards in an after-life if they were followed.

Given that the moral directives offered by prophets were seen to be from God, they of course had a divine status which by faith and acceptance made them true. In other words, what was right and good was defined by the scriptures which contain these revealed messages or teachings of the prophets.

In Western philosophy, by far the most influential of these prophetic teachings were those attributed to Jesus Christ. These teachings are largely contained in the canonical gospels, the first four books of the New Testament. The Gospel of Matthew is widely seen as being the most instructive of these. In particular, Matthew chapters 5, 6 and 25 offer those who follow Christian teaching a clear moral compass on how they are expected to behave. Matthew chapter 5 contains the very poetic Beatitudes. These set out the preference which Jesus had for the poor, vulnerable and dispossessed. The remainder of Chapter 5 and all of Chapter 6 offer a number of moral instructions which in part distinguish between actions which were already prohibited by Jewish law — such as adultery and the sentiments behind such actions — such as lust. The holding of such sentiments in themselves were held by Jesus to be wrong or sinful.

In chapter 25 of Matthew's gospel, in verses 31 to 46, Jesus tells a story which not only indicates his preference for the poor and the dispossessed but shows that God identifies with these people. Such teachings, most likely, are those Michael Joseph Savage and his colleagues identified with as they supported the passage of the Social Security Act almost 80 years ago.

At least until the 18<sup>th</sup> Century, Christians followed the moral instructions offered in the gospels and other scripture, although their extreme violence toward each other and toward members of other faiths — all in the name of religious piety — is well recorded. The early 18<sup>th</sup> Century is marked as the beginning of the Enlightenment, a period of intellectual and philosophical progress which placed human reason at the centre of our search for moral truths.

It was perhaps inevitable, given its anthropocentrism, that this reference to human reason would focus on humanity as the site of truth and what is good. Two aspects of humanity in particular emerged as the basis for this moral truth: human nature as a source of moral behaviour and human happiness as a characteristic of good.

René Descartes (1596-1650), Thomas Hobbs (1588-1679) and Baruch Spinoza (1632-1677) were early Western philosophers developing theories around the nature of human nature. Their thinking influenced most of the important philosophers of the 18<sup>th</sup> Century, including Bentham, J.S. Mill, Rousseau and Kant. Hobbs in particular has also been influential on more modern philosophers for as Malik observes:

*'From Adam Smith to Francis Fukuyama, from Herbert Spencer to Friedrich Hayek, the appeal to 'human nature' as fixed and immutable has in the post-Hobbesian world become a means to rationalize a particular social order.'*<sup>6</sup>

Hobbs' view of human nature was not only immutable but grim. His best-known quote comes from his most famous work *Leviathan* which was published in 1651 and runs as follows:

*'Whatsoever therefore is consequent to a time of Warre, where every man is Enemy to every man; the same is consequent to the time, wherein men live without other security, than what their own strength, and their own invention shall furnish them withall. In such condition, there is no place for Industry; because the fruit thereof is uncertain: and consequently no Culture of the Earth; no Navigation, nor use of the commodities that may be imported by Sea; no commodious Building; no Instruments of moving, and removing things as require much force; no Knowledge of the face of the Earth; no account of Time; no Arts; no Letters; no Society; and which is worst of all, continuall feare, and danger of violent death; **And the life of man solitary, poore, nasty, brutish, and short.**'*<sup>7</sup>

Hobbs' solution to such a dreadful world was a **social contract** between individuals and some benign sovereign authority whereby individual autonomy is surrendered in exchange for order and peace.

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<sup>6</sup> Ibid p.185

<sup>7</sup> Hobbs, T (1651) *Leviathan*; Chapter XIII

But Hobbs' perspective on human nature is perhaps not as important as the background idea or premise which he used to advocate for a particular political arrangement. Hobbs has speculated that it is the nature of human nature which determines the nature of society. Thus, all we can do is to design political systems, and hence policy, which moderates the worse part of this nature or otherwise accept the outcomes. As the above quote from Malik suggests, this has been a premise advanced for a number of other ideologies from the social Darwinism of Spencer to the neoliberalism of Hayek. There are two elements to this premise which emerge in the work of Hobbs — that humans by nature are mainly driven by fear and greed, and that these drivers make us competitive and selfish. It is easy to see where the neoliberals' prescription for a society based on market forces and the self-interest of consumers comes from. The idea of human nature shaping society is picked up as an idea later in this paper.

But the 18<sup>th</sup> Century Swiss-French philosopher Jean-Jacques Rousseau (1712-1778) had a completely different take on human nature and of society. He claimed that it was in the creation of society and, in particular, through the invention of private property that people became selfish.<sup>8</sup> His prescription — like Hobbs — was for a social contract, although Rousseau's social contract relied on individuals coming together in the interests of the 'general will'.<sup>9</sup>

It was, however, Hobbs' perspective of human nature which appears to have held sway on the following development of moral philosophy — at least in the English speaking world. His obsession with desire as the main human motivation was picked up in more sophisticated ways by the first utilitarian philosophers Jeremy Bentham (1748-1832) and John Stuart Mill (1806-1873). **Utilitarianism** holds that an action is morally right if it increases overall human happiness or utility. Such a proposition has two implications in terms of setting our moral compass. The first is that good is defined in terms of human happiness however this is defined and measured. The second is that a moral action is determined by its consequences rather than the intentions behind the action; this concept is a form of **consequentialism** which in itself is a major group of ethical theories.

Mill developed Bentham's earlier thinking around utilitarianism and extended it in two important ways. The first was to consider the qualitative nature of happiness or utility and to suggest it has inferior and superior forms. The second was to extend Bentham's 'greatest happiness' theory into questions of liberty and the social limits to individual freedoms. This second effort is known as the **harm principle** which has formed the basis of liberalism and law in liberal societies. Mill stated the principle thus:

*'That the only purpose for which power can be rightfully exercised over any member of a civilised community, against his will, is to prevent harm to others'.<sup>10</sup>*

As far as Mill took utilitarianism if consisted on three main propositions:

1. That an action which increases overall happiness is morally right.
2. That individuals (or at those with agency) should be free to pursue their own happiness.
3. That the only legitimate limit to individuals' free pursuit of their happiness is where this causes harm to someone else.

These propositions are important to note for they form the basis of liberal democracies such as New Zealand. These were part of the moral underpinning for the *laissez faire* capitalism which preceded the First Labour Government of Michael Joseph Savage as well as the libertarianism of the Fourth Labour Government of David Lange and the various Governments which have followed. Lost from this prevailing and now pervasive moral position is any idea of good being defined by virtue or by God — the self and his or her wants are now the basis of what is good.

## **EVOLUTION AS THE SOURCE OF OUR MORAL SELF**

Probably the greatest event in 19<sup>th</sup> Century world of natural science was the publication in 1859 of *On the Origin of Species* by Charles Darwin. This work is the foundation of evolutionary biology, and it is in evolutionary biology that two strands of our search for a moral compass can be drawn.

Perhaps the most famous idea to come from *On the Origin of Species* is that all species struggle for existence and that their long-term survival depends on their ability to adapt to the circumstances of their environment and changes in that environment. This survival has been interpreted as a competitive

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<sup>8</sup> Rousseau, J.-J. (1754) *Discourse on the Origin and Basis of Inequality in Man*.

<sup>9</sup> In Book 1 Chapter 6 of *The Social Contract* Rousseau argued:

*'If then we discard from the social compact what is not of its essence, we shall find that it reduces itself to the following terms — Each of us puts his person and all his power in common under the supreme direction of the general will, and, in our corporate capacity, we receive each member as an indivisible part of the whole.'* Rousseau, J.-J. (1762) *The Social Contract*; Chapter IV

<sup>10</sup> Mill, J.S. (1863) *On Liberty*; Penguin Classics edition p.68.

process, with the phrase 'survival of the fittest' often used to describe this. The idea of 'survival of the fittest' was coined by Herbert Spencer (1820-1903), a leading Victorian social theorist who used the phrase after having read *On the Origin of Species*. Apparently Darwin liked it so much he incorporated it in the 5<sup>th</sup> edition of the book.

Spencer's use of 'the survival of the fittest' was in a social context and, in particular, appears to apply to the idea that society evolves into a more perfect form. While his ideas shifted over time and his intellectual interests were broad, towards the end of his life Spencer was a pioneering libertarian. His ideas of some sort of social evolution have derogatively been labelled social Darwinism, although Spencer never used this phrase. Spencer did, however, join together the ideas that evolution is about a competitive struggle, that those that are most successful in this struggle are morally better, and that this evolutionary competitive struggle can be applied to human societies with the struggle being between and within societies. Such ideas fit well into the libertarian narrative.

The story of evolution is not just about competition; it is also about cooperation and what can appear to be altruism. In *On the Origin of Species* Darwin identified the concept of kin selection whereby individuals forego reproducing themselves and instead assist a genetic relative to reproduce on the basis that the apparently altruistic individual's genes are passed forward in time as well. The classic case of this was studied by Darwin and is that of sterile worker bees.

Cooperation and altruism appear in evolutionary biology in at least five ways.<sup>11</sup> These are as follows:

1. **Kin selection** — '*natural selection can favour cooperation if the donor and the recipient of an altruistic act are genetic relatives*'.<sup>12</sup>
2. **Direct reciprocity** is the most successful strategy for two agents who are un-related generically. This form of cooperation requires repeated encounters between two individuals so that the behaviour by one (cooperation or selfishness) is able to be observed by the other agent.
3. **Indirect reciprocity** is the broadest form of reciprocity and involves a larger group of people where one individual is probably never going to be in the position to reciprocate a good or harm committed by another. '*The money that fuels the engine of indirect reciprocity is reputation*'.<sup>13</sup>
4. **Network reciprocity** is perhaps a more realistic version of indirect reciprocity, where the relationship between unrelated individuals is to a large extent determined by a social or spatial network. Such networks increase the probability that individuals will have repeated encounters with each other and increase the effect of reputation in terms of how other interact with you.
5. **Group selection** — natural selection operates both at the individual and group level and it is the case in nature that some groups are more cooperative than others but are these groups more successful in evolutionary terms?<sup>14</sup>

All of this is theoretical for at least two reasons. The first is that competition, reciprocity and altruism are strategies which in evolutionary terms play out over a large number of generations. This means that any strategy is, in effect, held within the genes, whereby some individuals or groups of related individuals are genetically inclined to reciprocity or altruism while some are not. In many animal societies it may be possible for an individual's genetic pre-disposition to competition, cooperation or kindness to be modified through social processes, but the basic idea here is that these pre-dispositions are carried genetically so are not conscious deliberate strategies adopted by individuals or groups. Furthermore, it is only possible over a large number of generations to establish if cooperative individuals and groups are more successful than the competitive ones.

The second reason is that this need to observe results over a large number of generations means it is only possible to test the relative values of cooperative or competitive strategies through repeated simulated games using game theory and computer modelling. This approach is known as 'evolutionary game theory' where game theoretic analysis is '*applied to settings in which individuals can exhibit different forms of behaviour (including those that may not be the result of conscious choices), and we will consider which forms of behaviour have the ability to persist in the population, and which forms of behaviour have a tendency to be driven out by others*'.<sup>15</sup>

Pioneering work in evolutionary game theory was conducted by American political scientist Robert Axelrod (1943-present) who undertook repeated rounds of the prisoners' dilemma game in order to test the most

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<sup>11</sup> Nowak, M. (2006) *Five Rules for the Evolution of Cooperation*; Science. Vol.314 pp.1560-1563

<sup>12</sup> Ibid p.1560.

<sup>13</sup> Ibid p.1561.

<sup>14</sup> See for example Maynard Smith J. 1964. *Group selection and kin selection*. Nature 201: pp.1145-1147.

<sup>15</sup> Easley, D. and Kleinberg, J. (2010) *Networks, Crowds and Markets: Reasoning about a Highly Connected World*; p.209.

beneficial strategy for two participants in a cooperate or defect game. Such a game is consistent with the direct reciprocity form of cooperation discussed above.

Axelrod concludes that strategies which derive the greatest benefits for both individuals in an iterated prisoners' dilemma game involve 'tit-for-tat' tactics with the following approaches:<sup>16</sup>

- **Being nice:** participants in a successful strategy should be optimistic and cooperate at least until the other participant chooses not to cooperate.
- **Retaliate but don't punish:** when the other participant defects (doesn't cooperate) retaliate immediately by not cooperating. As soon as the other participant chooses to cooperate again, start to cooperate as well.
- **Don't be envious:** don't look to gain more than the other participant, but rather look to maximise both participants' advantage by promoting mutual interests.
- **Don't be too clever:** complex or cynical responses such as defecting from time to time makes the game and its outcomes unstable and reduces the total benefits from the game.

Robert Trivers, in a seminal article, made some progress in explaining the evolutionary source of reciprocal altruism although not outright altruism.<sup>17</sup> Trivers more or less sticks to standard evolutionary theory by discussing the costs and benefits of altruism and selfishness.

Lehmann and Keller suggest that 'helping' responses like cooperation and altruism are driven by four types of cost-benefit calculations or behaviours which have been selected for their evolutionary fit.<sup>18</sup> These are:

- **Direct benefit:** an assurance that the individual helping will receive a direct benefit as a result.
- **Reciprocation:** an estimate that the other party will cooperate based on information about others behaviours – such as their reputation.
- **Kinship:** the sharing of genes and hence the sharing of prospects that these genes will be passed into future generations.
- **Greenbeard:** a recognition of genetic similarity with other parties to whom helping behaviours are directed through recognised phenotypes — such as appearance, (green beards, for example) behaviours or social structures.

For Trivers, Lehmann and Keller and from all accounts most other evolutionary theorists, psychological responses like compassion and empathy are innate responses made by individuals in order to extend their genes into future generations. They appear most often to dismiss ideas that such responses are perhaps socially and not genetically determined although there remains a question around the origins of social or behavioural altruistic responses if these are not ultimately rooted in evolutionary advantage.

In their investigation of the sources of eusocial behaviour,<sup>19</sup> Nowak, Tarnika and Wilson suggest such behaviours are not necessarily primarily driven by close genetic relatedness.<sup>20</sup> Eusocial behaviour is the willingness of an individual to forego producing offspring in order to care for others' offspring. They argue:

*'... [Inclusive] fitness theorists have pointed to resulting close pedigree relatedness as evidence for the key role of kin selection in the origin of eusociality, but as argued here and elsewhere, relatedness is better explained as the consequence rather than the cause of eusociality. ... Grouping by family can hasten the spread of eusocial alleles, but it is not a causative agent. The causative agent is the advantage of a defensible nest, especially one both expensive to make and within reach of adequate food.'*<sup>21</sup>

In other words, a key altruistic behaviour is a response to the fact that individuals are living in groups where these groups may have formed for reasons of defence, access to food resources or by coincidence. Once formed, these groups succeed for these reasons and individuals' behaviours select on the basis of some genetic predilection to cooperate or act altruistically.

The existence of cooperative and altruistic actions continues to be a focus of evolutionary theory, although it remains poorly explained. Such existence does, however, refute the proposition that humans are entirely

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<sup>16</sup> Axelrod, R. (1984) *The Evolution of Cooperation*; pp.110-120.

<sup>17</sup> Trivers, R. (1971) *The Evolution of Reciprocal Altruism*; *The Quarterly Review of Biology* 46:1 pp.35-57

<sup>18</sup> Lehmann, L and Keller, L. (2006) *The evolution of cooperation and altruism – a general framework and classification of models*; *Journal of Evolutionary Biology* ; 19 pp. 1365-1376.

<sup>19</sup> Eusocial behaviour is foregoing an opportunity to reproduce in order to promote the chances of survival of other who are genetically related to you. This is behaviour exhibited by sterile worker bees.

<sup>20</sup> Nowak, M. Tarnika, C. and Wilson, E. (2010) *The evolution of eusociality*; *Nature* 466; pp1057-1062.

<sup>21</sup> *Ibid* p.1060

or even mainly selfish and competitive. We are by nature cooperative and altruistic as well. But this cooperation and altruism – like our competitiveness, is conditional.

One of the central arguments presented in this paper is that the politics and policy need to align with human nature. Libertarian and neoliberalism's framing of human nature as being selfish and competitive is, of course, convenient for the ideologies they espouse, but is only partially true. Human nature — be this determined by evolution or socialisation — is also kind and collegial, so it is also possible to frame politics and policy along these lines. But any kindness is not unbounded and no collegiality is without limits, so it is important that any alternative politics and policy takes account of such boundaries and limitations.

### ACCEPTING HUMAN FRAILITY

Many moral philosophers have made use of reason to support their particular moral framework. Thomas Aquinas used human reason as the basis for understanding God's will. while Emanuel Kant suggested that it was our reason which would lead us to know and accept our moral duties. Similarly, neoliberals and other economic rationalists have a particular, and somewhat self-serving, notion of reason which supports their ideologies and attendant policy prescriptions.

This version of reason might best be described as 'homo-economicus', the hypothetical human being who is self-interested, calculating and all knowing.<sup>22</sup> As an idea, homo-economicus is useful for economic rationalists because it encapsulates many of the underlying assumptions they need to make their worldview feasible. This caricature of human nature perhaps meets its most absurd in the sub-branch of economics known as rational expectations.<sup>23</sup>

However, not all economists were distracted by assumptions of human rationality. As early as 1955, the American political scientist and economist Herbert Simon (1916-2001) developed the idea of bounded rationality, suggesting that because *'of the psychological limits of the organism (particularly with respect to computational and predictive ability), actual human rationality-striving can at best be an extremely crude and simplified approximation to the kind of global rationality that is implied, for example, by game-theoretical'*.<sup>24</sup> Herbert and others have argued that the boundaries to human rationality are defined by our ability to utilise the information we have available, as well as the availability of any information and the time and cost of obtaining and using this before a decision is made.

The acknowledged pioneers in behavioural economics, Daniel Kahneman (1934-present) and Amos Tversky (1937-1996), published a seminal paper in 1974 on judgement under uncertainty.<sup>25</sup> They argued that when we are dealing with uncertainty — perhaps over a future event or the real value of a purchase — we make use of only a small number of mental shortcuts or **heuristics**. However, these heuristics risk bias in the way we make decisions. For example, we tend to overestimate the probability of something occurring when it occurs frequently in our everyday lives, without necessarily understanding the causality or the size of the sample from which this occurrence emerges (which is called **availability heuristic**). Another heuristic is around how a risk-related question is posed — the so-called **anchoring effect**.

Perhaps behavioural economics can be criticised for the way it focuses on the market outcomes of human biases and mental shortcomings, rather than on the policy implications of these. Where it does focus on policy, behavioural economics has tended to promote psychological tricks to nudge people to do the 'right' thing.<sup>26</sup> A common example in New Zealand is the regular reporting of electricity consumption to ensure that households have no surprises when they receive their monthly power account — thus shifting their expectations and perhaps budget allocations. This is a form of **libertarian paternalism** which uses so-called **choice architecture** to fashion how choice is offered to people and so influence how they choose and the choices they make.

The ethics of nudge economics are complex. A supportive moral argument around such things as choice architecture claims that because such architecture or decision-making frameworks exist ubiquitously in the

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<sup>22</sup> The idea of homo economicus or economic man was perhaps first developed by Adam Smith in Wealth of Nations where he famously stated *'It is not from the benevolence of the butcher, the brewer, or the baker that we expect our dinner, but from their regard to their own interest'* Book 1 Chapter 2. Later theorists such as J.S. Mill, Jevons and Walras also developed the idea of economically rational humans. For a in depth discussion of rationality in economics see Blume, L. and Easley, D. (2008) *Rationality* in New Palgrave Dictionary of Economics

<sup>23</sup> Blume and Easley argue in their article on rationality in the New Palgrave Dictionary of Economics. *'There is no connection between the rationality principle, which claims that individuals act in their perceived best interest, and the rational expectations hypothesis, which claims that those perceptions meet some ex ante standard of correctness. But so labelling a theory is certainly a nice rhetorical move for how it structures subsequent debate.*

<sup>24</sup> Simon, H. (1955) *A Behavioral Model of Rational Choice*. Quarterly Journal of Economics; 69(1), pp.99-118, p.101

<sup>25</sup> Kahneman, D and Tversky, A. (1974) *Judgement under Uncertainty: Heuristics and Biases*. Science, 185:4157 pp.1124-1131.

<sup>26</sup> See for example Thaler R. and Sustein, C. (2008) *Nudge: Improving Decisions about Health, Wealth and Happiness*.



real world, it is therefore worthy to fashion these to encourage people to make 'good' choices. Such arguments are plausible when it comes to public policy which encourages genuinely beneficial choices such as promoting healthy lifestyles. However, nudge economics and choice architecture can also be used to encourage poor choices, especially around social hazards such as gambling, drug and alcohol use and predatory debt.

But a greater moral hazard is around the use of nudge economics in lieu of regulation. Here the argument from libertarian paternalists is that regulation to control economic and social behaviours is duress and it is important to allow individuals agency to make informed choices. A current example is the unwillingness of Government to regulate against predatory lending — such as by setting a maximum interest rate — but to instead focus on financial literacy with such responses as the Commission for Financial Literacy and Retirement Income, the sorted.org website and the associated social marketing to promote these. The moral argument which follows from such a guise is that if people 'choose' to take on pay-day loans at 100% interest rates it is entirely their business since we have given them access to information about this.

The moral hazard here is for people for whom the nudge and the choice architecture don't work. In the case of loan sharking and exploitative debt, the nudge is financial literacy and the choice architecture includes the sorted.org website and a host of financial literacy courses. But people for whom the nudge doesn't work are exposed to exploitative lending and intimidatory debt-recovery tactics by loan sharks and repossession agents whose behaviours are lightly regulated in theory and virtually not at all in practice.<sup>27</sup>

There are at least two reasons why nudging and choice architecture in lieu of regulation may not work in shifting behaviours. These are **self-efficacy** and **cognitive bias**.

Canadian social psychologist Albert Bandura (1925-present) developed a field of social psychology which he has called social cognitive theory. In developing this field Bandura successfully challenged the thesis of behaviourism: that human and some animal behaviour is based on learned responses to stimuli such as reward and punishment. As an alternative explanation for human behaviour Bandura suggested that people learn through social processes including by observing the behaviours and experiences of others.

*'Contrary to the common view that behaviour is controlled by its immediate consequences, behaviour is related to its outcomes at the level of aggregate consequences rather than momentary effects ... People process and synthesize feedback information from sequences of events over long intervals about the situational circumstances and the patterns and rates of actions that are necessary to produce given outcomes. Since consequences affect behaviour through the influence of thought, beliefs about schedules of reinforcement can exert greater influence on behaviour than the reinforcement itself.'*<sup>28</sup>

Such an insight has been revolutionary in education because it introduced such ideas as **modelling** and **cognitive learning**. A key part of his theory is the idea of self-efficacy which has become a widely used idea across psychology, social work and counselling.

Bandura distinguishes between two sorts of expectations. One is a response expectation — that a certain behaviour produces a certain outcome. The prior expectation however is *'an efficiency expectation that one can successfully execute the behaviour required to produce the outcomes'*.<sup>29</sup>

It is around these efficiency expectations that the nudging and choice architecture of behavioural economists fall short. As Bandura explains:

*'[o]utcome and efficacy expectations are differentiated, because individuals can believe that a particular course of action will produce certain outcomes, but if they entertain serious doubts about whether they can perform the necessary activities such information does not influence their behaviour.'*<sup>30</sup>

According to social cognitive theory, self-efficacy impacts on an individual's behaviour in a number of somewhat inter-dependent ways. For example, an individual with a strong sense of self-efficacy will not only believe they can behave as required to meet the outcome sought, but will tend to see such requirements as a challenge rather than a threat. In other words, they will act positively rather than

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<sup>27</sup> See for example the Stuff article of 2 November 2015 by Neil Ratley *'Loan sharks still circling despite tougher laws'* at <http://www.stuff.co.nz/business/money/73139837/loan-sharks-still-circling-despite-tougher-laws>

<sup>28</sup> Bandura, A. (1977) *Self-efficacy: Toward a Unified Theory of Behavioral Change*. Psychological Review 84(2) Pp. 191-215. P.192

<sup>29</sup> Ibid p.193.

<sup>30</sup> Ibid p.193.

defensively to the requirement or challenge. As Bandura later acknowledges in a study of adolescents' psychosocial behaviour:

*'[b]eliefs of personal efficacy influence what self-regulative standards people adopt, whether they think in an enabling or debilitating manner, how much effort they invest in selected endeavours, how they persevere in the face of difficulties, how resilient they are to adversity, how vulnerable they are to stress and depression, and what types of choices they make at important decisional points that set the course of life paths.'*<sup>31</sup>

In a round-about way, Timothy Judge and his colleagues have expanded on Bandura's original idea of self-efficacy and in doing so perhaps developed a more comprehensive theory. In their 2002 meta-analysis study<sup>32</sup> they considered the links between the three most prominent personality traits of self-esteem, locus of control and neuroticism<sup>33</sup> in a belief that these traits have underlying them a common set of conditions or causes. Their study suggests these traits are related and can be connected to generalised self-efficacy.

Such a connection suggests that self-efficacy should feature more prominently in the conception and construction of social policy. This is so, in part, because the connections themselves point to the way in which people's behaviour and psychological states are intertwined — as perhaps should be expected. The connections here appear to be often in the nature of a vicious cycle where, for instance, low self-esteem leads to a diminished sense of locus of control, which leads to poor perceptions of self-efficacy, which in turn aggravates a person's neuroticism. A further reason is that while such connections do not describe human nature generally, they do illustrate the nature of some people's social reality. It is often the case that these people are some of the most vulnerable within a society and so amongst those for whom various social policies and programmes have greatest impact.

It should perhaps be no surprise then that behavioural economists, and in particular those concerned with nudge economics and choice architecture, have overlooked self-efficacy. It seems highly likely that such people have high estimates of their personal efficacy so could probably do not appreciate the compounded difficulties of those with a low sense of self-efficacy.

Such an omission is a form of cognitive bias — in this case, a fundamental attribution error (FAE). This bias or cognitive error is where observers attribute internal causes to another's behaviour; such as personal ignorance or indifference, rather than external causes such as history or power positions. This bias and probably others can be seen as being integral to the public policy-making process where small groups of privileged people make judgements over the social and personal realities of others with few, if any, relevant experiences to inform these judgements.

Cognitive biases are widespread in human behaviour and decision making. Such bias occurs when *'individuals draw inferences or adopt beliefs where the evidence for doing so in a logically sound manner is either insufficient or absent'*.<sup>34</sup> The effect of such bias is that we make errors in our decision making, and often on a repeated and recurring basis.

Cognitive bias arises for a number of reasons and in a number of contexts. Some reasons include the heuristics we use to make decisions, or the limitations of the human brain to process information, or the emotions which we bring to our decision making.

Tversky and Kahneman provided some of the original illustrations of heuristics-driven cognitive bias although they labelled these **cognitive illusions**<sup>35</sup>. They offer three broad categories of heuristics driven bias. The first is around the **heuristic of representativeness** — where we evaluate the probability of something occurring or being correct based on what we believe is a good representation of this thing in our past experiences. An example might be in the observation that certain occupations are more dangerous on the basis of recently reported accidents when no account is taken of the size of the workforce engaged in the occupation. A second type of heuristic bias is due to availability — where people's estimate of probability or frequency is due to the ease with which past reports of the events they are estimating against come to mind. For example, if such an event is recent or has been the focus of media reports, its

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<sup>31</sup> Bandura, A. Caprara, G. Barbaranelli, C. Gerbino, M. and Pastorelli C. (2003) *Role of Affective Self-Regulatory Efficacy in Diverse Spheres of Psychosocial Functioning*. Child Development; 74:3 pp.769-782.

<sup>32</sup> Judge, T. Erez, A. Bono, J. and Thoresen, C. (2002) *Are measures of self-esteem neuroticism, locus of control, and generalised self-efficacy indicators or a common core construct?* Journal of Personality and Social Psychology; 83:3 pp.693-710.

<sup>33</sup> Locus of control is the level at which people feel that they have control over their lives or are able to control events in their lives. Neuroticism is a personal trait in which individuals have greater levels of anxiety, moodiness, loneliness, frustration, envy, guilt and fear.

<sup>34</sup> Haselton, M. Nettle, D. and Andrews, P. (2005) *The Evolution of Cognitive Bias* in Buss, D. The Handbook of Evolutionary Psychology pp.724-746. P.725.

<sup>35</sup> Kahneman and Tversky (1974)

occurrence will be more readily available and the estimated frequency/probability will be higher. The third type of heuristic bias is due to anchoring. When people make an estimate of the probability of a future event they may start with an idea of what is a reasonable starting value for such an estimate and then adjust this estimate based on other contingent factors. This starting value can be influenced by how the original question is formulated or framed — hence this value is anchored.

As discussed above, Herbert Simon identified a type of cognitive bias arising from the human brain's limited ability to compute information and make predictions quickly. He labelled this form of bias **bounded rationality**.

A third type of cognitive bias arises around the emotion or values which we bring to our decision making. One framing of the human decision-making process suggests that this consists of rational cognitive processes interrupted by so-called irrational emotions. In such a framing, emotions are seen as being two-dimensional (pleasure v pain or helpful v harmful) and homogenous (all emotions are the same). This dichotomy between emotion and cognition has been challenged and part of this challenge is to the basic idea of rationality.<sup>36</sup> Rationality is typically defined in terms of utilitarian theory around utility. That is, a rational decision-making process uses logic and probability to maximise utility. But because utility is about happiness or a sense of wellbeing it must involve measurements in terms of pleasure and pain, for how can such choices be removed from emotion? It may be that human decision-making — whether this is totally rational or only partly so — makes effective use of both the emotional and cognitive functions of human nature and has evolved or socially developed in a generally efficient way.

The framing of cognitive bias as being shortcomings in individual's thinking or a weakness in their cognitive function has also been challenged by evolutionary psychologists such as Haselton, Nettle and Andrews.<sup>37</sup> In a detailed examination of possible evolutionary explanations for cognitive bias they suggest that heuristics related biases such as FAE may have worked well most of the time in our evolutionary development even though they are cognitively flawed. Biases which they label as error management biases may have evolved as a way of minimising the cost of errors, rather than minimising the occurrence of errors such as by committing low-cost errors more frequently and high-cost errors less frequently. They conclude that *'that many biases are not the result of constraints or mysterious irrationalities also speaks to the ongoing debate about human rationality. Our perspective suggests that biases often are not design flaws but design features.'*<sup>38</sup>

In other words, some of our apparent human frailties may not be frailties at all but responses which at a deeper level are more rational than the patterns of thinking and behaving which are normally labelled as rational. Beyond such a redefinition of frailty, there remain some weaknesses in thinking and behaviour which affect a minority of people — such as that of having a low perception of self-efficacy. The failure to recognise such needs in social policy is a systemic bias on the part of those who frame and develop policy. The impacts of this failure are systemic as well in that policy responses such as those which offer rewards or punishments set up moral hazards which further penalise the most vulnerable. Additionally, their vulnerability may be multi-faceted and compounding which, of course, makes the policy failures worse.

## THE RE-BIRTH OF VIRTUE ETHICS

Western moral philosophy may have taken another turn in the 1950s, although such is the speed of change in this field that it is difficult to tell at such an early stage. In 1958, British moral philosopher Elizabeth Anscombe (1919-2001) published a landmark work which critiqued the track record of the Enlightenment philosophers and their descendants.<sup>39</sup>

At the beginning of The Enlightenment (around the early 18<sup>th</sup> Century), philosophy took a secular turn and abandoned the idea of God as the source of moral truth. Rather than reverting back to Aristotle and his idea of 'good' being based on human virtue, Enlightenment philosophers instead pursued ideas of rightness and obligation. As discussed above this turn took several forms, including:

- **Ethical egoism:** whatever promotes my self-interests (Sidgwick and Rand)
- **Utilitarianism:** promoting the greatest happiness (Bentham and J.S. Mill)
- **Duty based on universal laws** that we can all agree (Kant)

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<sup>36</sup> Pfister, H-R. and Böhm, G.(2008) *The multiplicity of emotions: A framework for emotional functions in decision making. Judgment and Decision Making.* 3: pp.5–17.

<sup>37</sup> Haselton, M. Nettle, D. and Andrews, P. (2005) *The Evolution of Cognitive Bias* in Buss, D. *The Handbook of Evolutionary Psychology* pp.724-746.

<sup>38</sup> Ibid p.725.

<sup>39</sup> Anscombe G. (1958) *Modern Moral Philosophy.* *Philosophy* 22:124., pp.1-19.

- **Social contracts** based on rules which rationally serve our mutual self-interest. (Hobbs and Rosseau).<sup>40</sup>

Anscombe is scathing of their legacy. She is dismissive of the idea that some moral directive can be derived from human reason or through some reference to happiness or utility or via a social contract. Anscombe was a devout Roman Catholic and she implies that perhaps divinity rather than social norms or human nature are the source of our moral compass. She says that those *'who recognise the origins of the notion of "obligation" and the empathetic "moral" ought, in the divine law conception of ethics, but who reject the notion of a divine legislator, sometimes look about for the possibility of retaining a divine law conception without a divine legislator'*<sup>41</sup>.

She continues: *'[T]he search for "norms" might lead someone to look for laws of nature, as if the universe were the legislator: but in the present day this is not likely to lead to good results: it might lead one to eat the weaker according to the laws of nature, but would hardly lead anyone nowadays to notions of justice: the pre-Socratic feeling about justice as comparable to the balance or harmony which kept things going is very remote to us.'*<sup>42</sup>

However, Anscombe does not revert to divinity and divine law as the basis for our ethics. In fact, she says, *'I should recommend banishing ethics totally from our minds'*, suggesting instead that we focus on virtue.<sup>43</sup>

Anscombe's proposal for the way forward for moral philosophy is a little complex but quite neat. She proposes abandoning ideas such as 'morally ought' or 'morally wrong' and instead use 'ought' in a non-emphatic sense and use the word/concept of 'unjust' in lieu of wrong.<sup>44</sup> She then develops the idea of unjust, suggesting it has two forms. There are actions which are 'intrinsically unjust', such as the judicial punishment of innocent people perhaps through corrupt legal and judicial processes. More commonly, however, there are actions which in most circumstances might be judged to be unjust, but in the particular circumstances and context might be seen to be justified. Such justification might be based on the consequences of the action — so-called **consequentialism**. An example might be depriving a person of some property rights to limit environmental damage as is common with environmental protection laws.

In Anscombe's framework, most actions can only be judged as just or unjust in their circumstances and from their consequences, meaning there are no moral absolutes or essential principles to direct us. She suggests that a person is good or virtuous if he or she always acts justly, although her slightly equivocal concept of a just action doesn't entirely help in sealing the deal on who is a good or virtuous person. To resolve such uncertainty Anscombe refers to custom or practice as the basis for overall guidance — *'since justice is a virtue, and injustice a vice, and virtues and vice are built up by performances of the action in which they are instanced, an act of injustice will tend to make a man bad: and essentially the flourishing of a man qua man consists in his being good (e.g. in virtues).'*<sup>45</sup>

In her reference here to flourishing, Anscombe is, of course, making reference to Aristotle and his idea of **Eudaimonia**, and in her paper she acknowledges her debt to Plato and Aristotle. Behind such ideas as flourishing and virtues as espoused by Aristotle and Anscombe is, of course, that of telos or purpose. This is considered in more detail below.

Anscombe's idea of a renewed focus on virtue as the basis of our ethical framework was subsequently picked up by Scottish philosopher Alasdair MacIntyre (1929-present) in his celebrated book *After Virtue*. Like Anscombe, MacIntyre claims that the modern moral philosophy inherited from the Enlightenment uses language which, although it makes reference to morality and ethics, is in fact devoid of any real meaning. He expands his criticism of modern moral philosophy with a claim that *'contemporary moral argument is rationally interminable'*.<sup>46</sup> He believes this is so for a number of reasons, including conceptual incommensurability and **emotivism**.<sup>47</sup>

Conceptual incommensurability occurs when rival moral arguments or claims adopt different sets of normative or evaluative concepts to rationalise or justify their claims. This means there is no common framework or language available to weigh up or assess these claims — in effect, antagonists end up talking past each other. An example is with socialists' arguments for taxes to fund the common good against

<sup>40</sup> Rachels, J. (1999) *The Elements of Moral Philosophy*. P.176.

<sup>41</sup> Anscombe (1958) p.13.

<sup>42</sup> Ibid p.14.

<sup>43</sup> Ibid p.15.

<sup>44</sup> Ibid p.15

<sup>45</sup> Ibid p.18. The term 'man qua man' refers to the idea that every person is an end in themselves and exist for their own sake.

<sup>46</sup> MacIntyre, A. (2007) *After Virtue* – 3<sup>rd</sup> edition; p.13.

<sup>47</sup> Ibid pp. 9-13

libertarians' claim that taxation is theft. These alternative arguments draw their justifications from quite different sets of ideas.

*'Emotivism is the doctrine that all evaluative judgements and more specifically all moral judgements are nothing but expressions of preference, expressions of attitude and feeling, insofar as they are moral or evaluative in character.'*<sup>48</sup> In essence, then, emotivism is a form of relativism where any idea is as good or as valid as any other — so nothing is absolute or universal.

MacIntyre casts a historical perspective over various outlines or descriptions of virtues, including those offered to us by Homer, Aristotle, Christian thinkers such as Augustine of Hippo and Thomas Aquinas, as well as Benjamin Franklin and Victorian novelist Jane Austen. Although these outlines are quite different from each other, MacIntyre believes that they share a common framework made up of three elements:

*'(M)y account of virtues proceeds through three stages: a first which concerns virtues as qualities necessary to achieve the good internal to practices; a second which considers them as qualities contributing to the good of a whole human life: and a third which relates them to the pursuit of a good for human beings the conception of which can only be elaborated and possessed within an ongoing social tradition.'*<sup>49</sup>

These three ideas of **practice**, **a narrative order for a single human life**, and a **moral tradition** are central to MacIntyre's conception of virtue, although this conception is too complex to discuss in detail in this paper. However, two things in MacIntyre's framework should be considered a little more closely.

MacIntyre focuses much of his attention on internal practice, and this concept perhaps goes to the heart of virtue as seen by Aristotle and some early Christian thinkers. His definition of practice is not entirely clear but goes as follows:

*'By practice I am going to mean any coherent and complex form of socially established cooperative human activity through which goods internal to that form of activity are realised in the course of trying to achieve the standards of excellence which are appropriate to, and partially definitive of, that form of activity, with the result that human powers to achieve excellence, and human conceptions of the ends and goods involved, are systematically extended.'*<sup>50</sup>

The key ideas to take out of MacIntyre's concept of practice is that this is an activity which serves some social good and which requires an individual's long-term (and perhaps life-time) dedication to learning and improving so that both the skills honed and the results produced approach excellence. This is an internal process because it focuses on the individual's commitment, personal growth and the satisfaction which they derive from achieving something excellently. Such efforts can be seen to contribute to the common good, in part because of what is produced as an output and in part because of the body of knowledge, skills and experience which has emerged. For example, MacIntyre makes the point that the cultural shift which occurred following the Reformation and on through the Enlightenment was witnessed in music as in other areas of endeavour such as literature, science and philosophy. It was, of course, the genius and struggles of composers such as Handel and Mozart which contributed both to this cultural shift and to the cultural capital we have today.<sup>51</sup> Their genius and struggles are examples of the internal practice to which MacIntyre refers.

A second area in MacIntyre's definition which requires a little more focus is this idea of a narrative order for a single human life. In such a proposal lies the notion that virtue or even perhaps morality can be enshrined in the example of an ideal human life — a sort of model citizen. In Aristotle's world, such a single human life was epitomised by an Athenian gentleman — someone who had the time and resources to fulfil his civic duties as a citizen. Such a life, and hence the attendant morality, certainly did not encompass slaves or women or even manual working men.

This last point raises the broader observation that whatever moral position adopted or advocated through history is very specific both to that time and place and most often to the social circumstances of the moral philosopher offering us their insights. As MacIntyre remarked in a postscript in the second edition of *After Virtue*: *'(M)orality which is no particular society's morality is to be found nowhere.'*<sup>52</sup>

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<sup>48</sup> Ibid p.13.

<sup>49</sup> Ibid p.317

<sup>50</sup> Ibid p.218

<sup>51</sup> Ibid p.45.

<sup>52</sup> Ibid p.309

Also central to MacIntyre's idea of virtue ethics is the place or role of narrative. He says that '*without allusion to the position that justice and injustice, courage and cowardice play in human life very little will be genuinely explicable*'.<sup>53</sup>

Ultimately, MacIntyre looks to Aristotle for his comparison of virtue and in doing so comes back to Aristotle's idea of telos or purpose — perhaps the most fundamental philosophical question: 'what is the purpose of life and particularly my life? MacIntyre reflects:

*'... that unless there is a telos which transcends the limited goods of practices by constituting the good of a whole human life, the good of a human life conceived as a unity, it will both be the case that a certain subversive arbitrariness will invade the moral life and that we shall be unable to specify the context of certain virtues adequately.'*<sup>54</sup>

Virtue ethics remains an exciting and expanding field in moral philosophy and has over the past fifty years or so raised again the central question of the true nature of humanity's moral character. But as a complete theory to anchor our moral compass it probably remains incomplete at this stage. Anscombe's suggestion that we anchor this compass around ideas of justice and injustice, rather than moral imperatives such as ought and wrong offers us a useful starting point. However, her inability and unwillingness to propose any authoritative guide to what just actions are means this perspective only takes us so far. This is what Rachels suggests is the completeness of virtue ethics. That while it can describe moral character — such as with Anscombe's proposal that a good person acts justly — it does not offer any answer to that question of what is a 'right action'?<sup>55</sup>

Within both Anscombe's and MacIntyre's philosophies lies a belief that virtue is intrinsic to the individual. That is, it is simply not good enough to *act* virtuously, but rather *to be* virtuous as part of your belief and value systems. This is as much as Aristotle and Christ expected of a virtuous person. But such virtue is not pre-ordained or unalterable as it requires individuals to live their virtues in their everyday lives — to practice as MacIntyre suggests.

A population of virtuous people does not make a virtuous society though, so the challenge remains of how personal virtues and values can translate into a society driven by a central moral idea. MacIntyre observes that history has shown us that such a translation revolves around a shared narrative and that this narrative has often focused on an idealised social role such as that of a courageous soldier, a good hearted citizen, a faithful disciple, or a yeoman farmer.

Central to ideas of virtue and of the concepts and values which come this is telos — that human beings have a purpose. Virtue ethics suggests that such a purpose is deeper than that of maximising utility or rationally consuming, but is about justice and generosity.

## **WRAPPING IT ALL TOGETHER**

This paper has searched for a new moral basis for our welfare state. In this search it has considered the nature of human nature through the lens of evolutionary biology and evolutionary psychology, questions around human decision-making within the framework of cognitive psychology, and the potential for a return to virtue-based ethics. The nature of this search has, in part, been driven by an ambition to find a new narrative with which to both recast welfare policies in the 21<sup>st</sup> Century and to inspire New Zealanders to support these new policies.

In many respects this search has become a critique of the political philosophy which dominates both public policy thinking and the public discourse which supports this. This philosophy is deeply rooted in economic rationalism and with this a dual representation of humans as being both selfish and rational. Behind such representations is a morality which is based on utilitarianism and the idea that good is defined by whatever maximises human happiness — however such happiness is measured. The analyses offered in this paper, and especially that of Axelrod, Nowak, Tarnika and Wilson, Simon, Kahneman and Tversky, Bandura, Anscombe and MacIntyre, fundamentally challenge these underlying presumptions and propositions which emerge from them.

This fundamental challenge offers up a number of insights offered here as conclusions. These conclusions are, in turn, suggested as foundational ideas for a new moral basis to our welfare policies and perhaps eventually our welfare state. These conclusions are as follows:

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<sup>53</sup> Ibid p.232.

<sup>54</sup> Ibid p.235.

<sup>55</sup> Rachels (1999) p.190.

1. By nature and most likely through evolutionary advantage, humans are both selfish and generous, self-centred and altruistic, competitive and cooperative. Most evolutionary theory around cooperation and altruism sticks to the conventional wisdom that such behaviour is driven by kinship and genetic relatedness. However, it is by no means clear whether the psychological and physiological effects arising from cooperation, altruism and other pro-social behaviours are due to the fitness of behaviours based on genetic relatedness or to the pro-social behaviours themselves. In other words, have we done well in evolutionary terms because our ancestors looked after their relatives, or because they were sociable and convivial? The truth is, who is to know given the slow march of evolution in humans.
2. The study of the evolution of cooperation and altruism remains mostly theoretical, and a productive part of this area of study is in evolutionary game theory. In particular, the work of Robert Axelrod and his computer-based iterations of the prisoners' dilemma offers us useful insights for the design of social policies where collaborative rather than combative responses are desirable. To recap, his insights suggest we should look at designing policies which are kind and expect people to behave well, that accept the need to punish where counter-productive behaviours emerge but to forgive quickly once such behaviours disappear, that expect and seek out win-win rather than zero-sum game type outcomes, and that aren't overly complex or incentivise gaming.
3. Despite the long-known fallacy of the economic rational man, public policy continues to use such things as financial penalties as a means of incentivising people to obey policy rules. Where these policies are designed to relieve poverty, such responses are often counter-productive because they don't work, particularly if there are agency problems such as those associated with adults caring for children. The problem here is that policy makers have failed to recognise the extensive advice offered to us by cognitive psychology. This failure has at least two faces: one of the policy makers themselves, and the other of the people the policies are meant to serve.
4. Cognitive bias is a consistent and widespread problem in human decision-making. So much so that the idea of human rationality in such decision-making should be reviewed – with a view of seeing the use of short-cuts or heuristics as being quite rational even if this involves expected errors. But policy makers and particularly those who design policy also suffer cognitive bias especially around how they assess the behaviours of others who are the targets or recipients of policy. This bias is known as fundamental attribution error.
5. This fundamental attribution error can arise in the case of policies designed for people who may have low self-efficacy. Those with low expectations of self-efficacy may struggle to make apparently rational longer-term decisions. Their low self-esteem and sense of fatalism may, for example, limit how they see the choices and feasible actions they have available. Policies designed on the basis of people receiving information and acting rationally and in self-interest can be fairly ineffective for people with low self-efficacy, suggesting that policy design needs to more attune to how people actually behave rather than how textbooks say they should behave.
6. On reflection, the moral basis of public policy with its genesis in utilitarianism is flimsy. This is so for at least two reasons. The core of it is based on the idea of utility or happiness which is difficult to measure and attribute. Secondly, the imperatives or the 'moral oughts' behind it have no deep moral authority or appeal. A new moral basis for our welfare state needs a sounder footing than that offered by utilitarianism and its attendant economic rationalism, and there is some appeal within virtue ethics for an alternative basis.
7. Virtue ethics offer us several new perspectives on where we can find a moral basis for welfare policy. Drawing on the work of such philosophers as Elizabeth Anscombe and Alisdair MacIntyre, virtue ethics offers a number of elements for re-considering why we have and how we create welfare policies. These elements include:
  - telos or human purpose, and here the work of Martha Nussbaum and Amartya Sen around human capability may be useful<sup>56</sup>
  - within this telos there should be a focus on human flourishing and the elements or components of such flourishing
  - a focus on idealised and perhaps generalised human life within contemporary New Zealand society and the qualities of an individual or individuals who may lead such a life

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<sup>56</sup> See Nussbaum, M. (2013) *Creating Capabilities: The Human Development Approach* and Sen, A.(2004) *Development as Freedom*.

- an underlying narrative or big story which both illustrates the agreed moral basis and inspires support for it.

## SOME STARTING IDEAS

Michael Joseph Savage's framing of the original welfare state in his speech in September 1938 contained many of the elements suggested in the summary points immediately above. The idea of human flourishing is apparent in his reference to the dignity offered to people who are paid decent wages and who are 'secure against poverty, secure in illness or old age'. His representation of people as deserving begins to tell a story of an idealised and perhaps typical New Zealander and his reference to being 'our brother's keeper' is not only a reference to Christian love, but also to the much bigger narrative which goes with this.

So what is this bigger narrative for 21<sup>st</sup> Century New Zealand and where are its touchpoints for New Zealanders?

Marta Nussbaum notes in *Political Emotions*:

*'All political principles, the good as well as the bad, need emotional support to ensure their stability over time, and all decent societies need to guard against division and hierarchy by cultivating appropriate sentiments of sympathy and love.'*<sup>57</sup>

At the time of the announcement by the Minister of Social Development of the creation of the Ministry for Vulnerable Children, the Children's Commissioner indicated he would refer to the agency by its Maori name, Oranga Tamariki.<sup>58</sup> He claimed that name, which translates to 'health and wellbeing of children', was a more positive and aspirational name than the English version which focused on negativity and vulnerability. While the English name for New Zealand's state child protection agency is about to be changed (at the time of the completion of this paper), the common use by the community of the Māori name for this agency is illustrative both of the Children's Commissioner's leadership and the increasing engagement New Zealanders have with Māori concepts and ideas.

Within such a shift there is perhaps an opportunity to make further use of Māori concepts and even Māori worldviews as the moral or at least inspirational basis for public policy.

One such idea is that of manākitanga which translates as 'having a concern or regard for the wellbeing of others'. There is, however, within such an idea a richer set of stories around mana or the essential value of every individual and the prestige of a collective of people. For example, the mana of a people is related to the manākitanga they can and do show to others.

But no culture's moral compass is a universe of its own as there are often closely similar ideas around moral or social rules in other cultures. For example manākitanga can be seen as being generally equivalent to the Christian idea of hospitality and mana as close to the idea that every human is made in God's image.

By re-introducing the idea of virtue into modern moral philosophy, virtue ethicists such as Anscombe and MacIntyre have also raised the prospect that values may be important to the public and political discourse. In the age of the moral relativism of liberals and neoliberals, values have become a matter of personal taste which has meant that the idea of a shared set of values has been lost from our conversations. Essentially, we have become rational economic agents with rights to consume as much as we want or as much as we can — as individuals. We no longer ask questions such as that posed by Aristotle about how we go about 'living well and doing well', or by Sen in his capability approach around what opportunity a person has 'to achieve those things that she has reason to value'.<sup>59</sup>

Each society needs to decide its own virtues and its own idea of an ideal human life. Such a decision will inevitably be informed by what that society values. This is so for New Zealand as it is for any other country or large community. At the core of such a set of values is a story about what a good life looks like — and in a just society such a life should be readily available to every citizen. Ultimately, this is the challenge for welfare policy and for our welfare state to deliver to deliver on.

## Thank you

<sup>57</sup> Nussbaum, M. (2013) *Political Emotions: Why Love Matters for Justice*. Pp.2-3

<sup>58</sup> See New Zealand Herald report of 18<sup>th</sup> August 2016. 'Children's Commissioner will not use English name of new ministry'. Available at [http://www.nzherald.co.nz/nz/news/article.cfm?c\\_id=1&objectid=11696378](http://www.nzherald.co.nz/nz/news/article.cfm?c_id=1&objectid=11696378)

<sup>59</sup> Sen, A. (2009) *The Idea of Justice*. P.231



# Len Cook: Looking back to look ahead –prospects for the next generation?

## Abstract

Our early lives shape much of our life course, and the way we then influence later generations of children. Families and community play significant parts in this, as does the state, most directly particularly through health, housing, education, justice and income support, but also through employment and tax policies and facilitation of social services. In the social services, the worlds of science, policy and practice are weakly connected. Current services are only rarely associated with deep reflection on the past performance of policies which may have contributed to where we are now. Even with a greater capacity for such reflection, political sentiment will often limit how we frame our thinking. Evidence usually plays a smaller part than political sentiment in policy choices, so ensuring the trustworthiness of social services programmes brings major challenges to accountability processes, if agents are to always know what is the right thing to do, and can have assurance of that.

Science tells us about some of what could influence the care, welfare and development of children as a group, although how and why we can determine the outcome of any specific child is quite uncertain. Through connecting the records of the state and a greater commitment to evidence gathering we have more information and better knowledge about children in the past, and what went on during their childhood. The presentation provides a survey of particular concerns over the past half century, what is on our doorstep, and what is changing about our society and its aspirations. Social investment has been proposed as a way of identifying the key elements of these pressures and applying solutions targeted for individuals that are predicted to bring about long-term benefits, fiscally and personally. It is not yet clear how its performance will be assessed against the actual experiences of those it targets.

## 1. Introduction

Investment of any sorts brings serious political dilemma. There are trade-offs of foregoing present consumption for future benefits, often with those whose consumption is changed who are of a different generation, age, community or social situation than those whose needs are met from the investment.

Population variability, diversity and dynamics make the reliability of most social services programmes uncertain.

Evidence usually plays a smaller part than political sentiment in policy choices, so ensuring the trustworthiness of social services programmes brings major challenges to accountability processes, if agents are to always know what is the right thing to do, and can have assurance of that.

Because the state produces most of the information that holds the state to account, the ability to give or withdraw trust can be vital when services are inadequate, as with housing, town water supply or mental health services. We have historical breaches of trust - institutionalising children brings risks that we need to acknowledge and manage, for children past, present and future. We are bringing new understanding the consequences of the level of violence and harms in New Zealand and a need to rethink traditional responses. An overdue recognition of the importance of whanau is a reminder of a need to strengthen recognition and support for family, whanau and community, who provide a very large share of health services, housing and education that children need, along with the state. The state needs to recognise that even where it appears to have primary responsibility, families usually dominate what happens in a child's life. This paper discusses:

- 1.1. Making transparent the evidence needed for the state to ensure the trustworthiness of social services. Evidence plays a smaller part than political sentiment in many policy choices, so ensuring the trustworthiness of social services programmes brings major challenges to accountability processes. We have yet to see whether social investment could play a part in meeting some of these challenges.
- 1.2. Recognising the challenges that social investment has highlighted?
  - a) Measuring performance needs to focus more on citizens than agencies,
  - b) A need to remedy weaknesses in the gathering, accumulation and use of evidence,
  - c) Exploit the unrealised potential of data resources, and
  - d) Improve the ability to have an effective contest for resourcing need, care and support that has the most long-term benefit.

- 1.3. Making sure we keep knowing more about ourselves and understand our history, aspirations, societal changes and emerging pressures and opportunity
- 1.4. Giving proper weight to the non-monetised services provided by households for children, the sick and elderly. The state fails to recognise that even where it appears to have primary responsibility; families usually dominate what happens in a child's life.
- 1.5. Recognising that the families that bring up children now, and in the future, have changed from the nuclear family that gave life to the baby boomer generation, as have the laws and conventions that not only privileged the nuclear family but dismissed other forms. As family forms have widened, rather than increase the eligibility criteria, fewer forms of welfare has been provided for families generally.
- 1.6. Accounting for the growing tension between children having a high value at a household or micro level, whereas at a national level the needs of children have more competition from those of older age groups who have not only multiplied in number, but live longer.
- 1.7. Finding a better balance between the increasingly targeted nature of the social services of the state which have become more focused on those with demonstrable vulnerability, while the remaining state services have become depersonalised. Whether policy aspirations be about poverty eradication, poverty reduction or poverty amelioration, ensuring that the act of performance measurement does not obscure the real target of ensuring the welfare of all children.
- 1.8. Recognising that the information in the IDI is about citizens through the lens of the state, with very little about observing the actions of the state through the lens of the citizen. The Integrated Data Infrastructure (IDI) provides rich opportunities to see the historical transition pathways of targeted groups including children, and where there have been concentrations of people with experiences that could be better supported through having this new knowledge.
- 1.9. Assessing performance through poverty indicators of government policy needs a continuing comprehensive assessment of what actually happens to households with children, in terms of health, education, care and protection as well as housing.

Children and the nurturing of them are little valued in official statistics of our national wealth. Dame Tariana Turia<sup>60</sup> presented an explanation by Rose Pere, of the concept of tamariki. She noted that "Tama is derived from *Tama-te-rā*: the central sun, the divine spark, while *Ariki* refers to the senior most status. "*Our children, our tamariki, are the greatest legacy our world has*".

## **2. How politics, people and science shape the trustworthiness of social policy and practice**

There are three key influences on the trustworthiness of social services policy and practice; political and institutional decision-making, consideration of the diversity and variability of the human condition, and recognising the practical limits to the evidence. These influence components of quality different ways; by the political and institutional context, the degree of relevance of the policy to the concern, practical issues of bias and variability, and the limitations of methodology.

Foresight, needs, fears, rights, aspirations and chance all shape the actions of the state, communities and families as they provide pathways for children of the future. While we expect to sustain birth levels at an average of 600,000 births per decade for perhaps another half century, public policy needs to be robust in the face of differences in the social and economic context, health, family forms and public attitudes that can occur decade by decade.

In social services, the worlds of science, policy and practice are only partly connected. This is not surprising given the sheer diversity and variability of the human condition and the limits to the evidence that is potentially and practically available. This is in the face of the complexity and variability of political and institutional decision-making. Consequently, with any social service we are often unable to be sure what happens for the people who have a need and entitlement for them, why only some of these people receive them. Without relevant monitoring and analysis, we are even less sure about whether what we do helps, and if it does, then why and for whom else might this be true.

The analysis of historical data is only rarely associated with deep reflection on the past performance of policies which may have contributed to where we are now. We have seen high rates of institutionalisation and imprisonment, especially of Maori, and now see the extent of historical and current abuse, with little knowledge of their enduring effects. Even with a greater capacity for such reflection, political sentiment will often limit how we frame our thinking. Many policy generalisations of governments have come and

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<sup>60</sup> Hon Dame Tariana Turia, 2017 Waitangi Rua Rautau Lecture, Te Herenga Waka Marae

gone, as they have been replaced or disowned, with or without reason. The world view of the times (or the way issues are framed) prevails not only on the form of public policy government adopted about wellbeing, but also what we have considered we need to know about. This influences the commitment to relevant research, official statistics and administrative reporting, not only in scope and form, but also analytical depth and accessibility. This has led to difficulty in challenging myth, anecdote or un-validated theory whenever they play a significant part in public policy in New Zealand that has been intended to enhance well-being. Perversely, it has also resulted in occasional visionary change, perhaps only later validated by analysis, where relevant research has not initially existed to inform policy implementation.

The central elements of social services reflect perspectives that are usually politically determined rather than scientifically based: – universality versus targeting, service provision versus cash, free or part charges, outsourced or public provision, nature of emphasis on human rights. Fundamental attitudes to taxation, regulation, penalties and sanctions also shape political preferences. Whatever the political perspective, evidence that is relevant would improve the quality and robustness of decision-making over the time periods over which costs and benefits are to be compared, the ability to take account of the relative impact of dispersed contributors to improved outcomes, and of the breadth of outcomes considered

## **2.1 Weak consumer power in the social services**

Improving the quality of social services requires the experience of the customer to be the dominant focus of accountability. This is a significant change for government agencies which often focus their agencies' performance and accountability on process efficiency, without validating their performance by monitoring the experiences of the client.

The consumers of social services have minimal consumer power (come-at-ability), and their withdrawal of engagement is generally unlikely to have any influence on improved treatment of future consumers. Where consumer withdrawal has no influence on a specific service, trust in the service and government itself is likely to be eroded. Town water supply is a good current example of this. Consequently, the often-belated connection of service components has been left to citizens, who must incur high transaction costs, which are rarely if ever considered when developing policy. Government agencies often have a strong focus on their agencies' performance and accountability as opposed to outcomes for the client. The concept of the "worthy poor" of 1898 continues to shadow elements of social policy in New Zealand. We retain a punitive edge which we obscure through perpetuating myths we have about ourselves. As well, we remain a comparatively violent society with sanctions as a normal policy option.

We now know from the experiences of some who were in the care of the state that the institutionalising of the young needs strong independent oversight to check the opportunities that exist to misuse authority and limit the consequent harms. In the case of the police and the tax system, such oversight already involves an independent judicial oversight authority. None exists yet to oversee the care of children under the protection of the state, despite evidence of a need, or of those imprisoned. We now place extraordinary demands on the police, as their role in domestic violence becomes more central to longer term harm reduction of the young and those who care for them, as well as on prison officers who have the custody of many with untreated mental health problems, over 2/3 of those in prison have children themselves. Although there is a comparatively low level of unemployment overall, youth unemployment remains high in many places. As society has changed, the Police, ACC and DHBs have had to adjust their activities to reflect of the increased complexity of our society, and we now we see that happening with child protection.

## **2.2 Performance measurement and accountability**

A tight rule based approach does not fit with providing services of any complexity. Statutory services through their codification of responses have a risk of obliging people to meet predetermined characteristics and are unlikely to provide staff with the autonomy to detect and respond to conditions that are unlikely to be anticipated in service design. High trust services are needed in family violence, child protection and youth mental health. There is a need to have a demonstrable strengthened capacity for a high degree of effectiveness in the connectedness of services that may not be achievable by a statutory process, where personal or anecdotes of experience will shape attitudes and determine trust. In some areas of high need including domestic violence and sexual abuse, victims often believe that they cannot trust others with their experiences. In providing services in areas where we do not have a strong evidence base for what is happening such as these, there is a need to have the capacity to draw on all experiences to build up information which gives otherwise unavailable insights into the operation of the system. Not all information of importance is obtainable by the codification of information gathered through rules based processes.

The odd introduction into the Cabinet Manual<sup>61</sup> of the so-called “no surprises”<sup>62</sup> principle heightened political aversion to risk taking in operational matters in the public sector. In the social services sector where there are so many transactions to oversee, and many which will fail to meet expectations, this has resulted in Ministers and their departments putting in place internal limits on departmental transaction risk and down playing the external risks and costs faced by citizens, forbidding of advocacy by funded community organisations, limiting autonomy at an operations level, and minimising forms of evaluation likely to reach the public domain. Consequently, when independent reviews such as the recent expert review of child protection services take place, the findings inevitably reflect poorly on management practices that ought to have evolved with experience and feedback, and might have if it had been sought. Onora O’Neill argues<sup>63</sup> that a proliferation of accountability mechanisms by governments did not necessarily increase trust. She asks whether systems of accountability are meant to replace trust or to improve the basis for placing and refusing trust. She asserts that any attempt to embed formalised approaches to accountability in social relations works only if people place their trust in those systems of accountability. She concludes that;

*“To be accountable is not merely to carry a range of tasks or obligations, for example to provide medical treatment to those in need, to make benefit payments to those entitled to them, or to keep proper accounts. It is also to carry a further range of second-order tasks and obligations to provide an account of or evidence of the standard to which those primary tasks and obligations are discharged, typically to third parties, and often to prescribed third parties.”*

**2.3 An overview of evidence for social services policy and delivery**

Official statistics are most important in pointing to the questions that we need to ask about our society, as they report on the absolute and comparative condition of groups, and the progress of groups and the community, making visible intergenerational comparisons and cohort differences. As noted above, performance measures of public agencies are dominated by indicators which demonstrate the fiscal and efficiency achievements for that agency that are expected by the agency Minister. Some indicators are shared by several agencies. The measures generally fail to signal changes in the services received by citizens as consumers. Continuous improvement practices and evaluation studies are weak in the social services sector, and this has been highlighted by several reviews, the Productivity Commission, Professor Sir Peter Gluckman, and Dr Graham Scott.

Policy is informed by a mix of science based evidence and analyses, individual observations, history, and insights, with the scope of official statistics and how far information needs are met constrained and limited by preferences that reflect sentiment founded on beliefs, ideology, attitudes, anecdotes or aspirations.

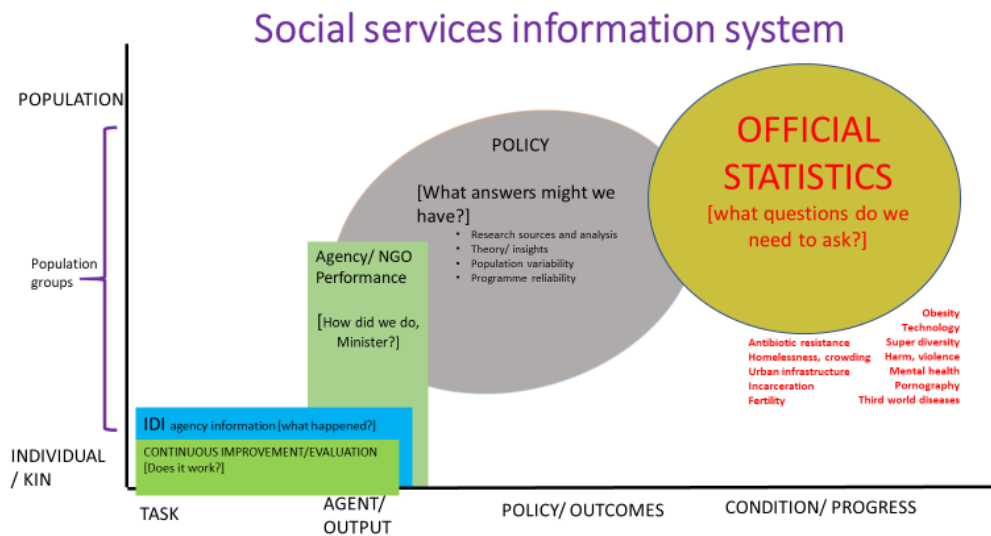
Information from many sources, some scientific, some reflecting political mindsets and institutional cultures, informs policy and also sets the priorities which determine the scope, frequency and scale of specific evidence forms.

Science/ History	Political Mind-set/ Institutional Culture
Research sources and analysis	Aspirations
Theory/ insights	Ideology
Population variability	Anecdote
Programme reliability	Attitudes
<b>Framing/ Information needs</b>	

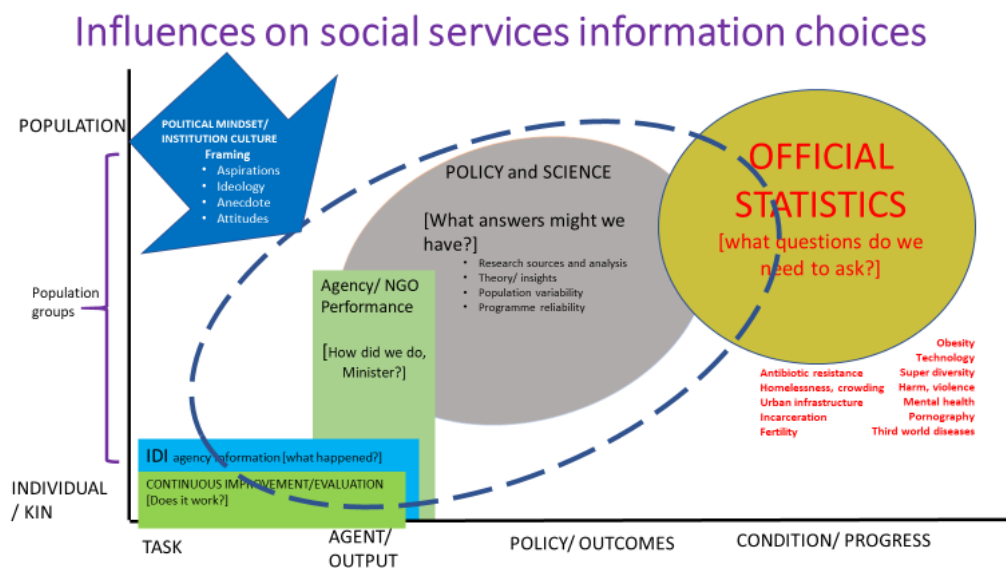
As noted below, in section 3.3, the IDI adds considerably to the power to understand how services provided by government connected with people in the past, and the downstream consequences. The chart below

61 Cabinet Manual section 3.16: The style of the relationship and frequency of contact between Minister and department will develop according to the Minister’s personal preference. The following guidance may be helpful.  
 62 In their relationship with Ministers, officials should be guided by a “no surprises” principle. They should inform Ministers promptly of matters of significance within their portfolio responsibilities, particularly where these matters may be controversial or may become the subject of public debate.  
 63Onora O’Neill, *Holding Accountability to Account*, RSS Beveridge Lecture 2009.

indicates how they relate aggregated information about population groups and individual information, to outcomes, outputs and inputs.



In the chart below, the focus and professional judgements of each form of information are determined in the context of the political mind-set and institutional cultures.



### 3. What of social investment

Social investment remains a loosely defined concept, and some of the key elements have been part of New Zealand’s welfare state since the late 1890s.

#### 3.1 Examples of social investment from New Zealand’s past

- a) The Old Age Pensions Act 1898 which introduced a pension for the “worthy poor” was justified by the Seddon Government at the time as recognition of the contribution that those eligible had earlier made to the development of New Zealand.
- b) The central elements of the Social Security Act 1938 focused on public provision of remedies for specific areas of deprivation (housing, health, education) and associated employment policies including the protection of the purchasing power of the “working man’s wage” as the basis of family welfare. Taxpayers were all levied a separately identified tax of 1/6 in the pound or 7.5 per cent of income, although there was never a separate fund.
- c) From 1958 the family benefit could be capitalised by married couples to form a deposit on a house, with access to mortgage funds at 3 per cent interest.

- d) In a 2013 deal aimed at saving 800 jobs in the southernmost town of Bluff after New Zealand Aluminium Smelters threatened to move offshore, a lengthy standoff was ended with a \$30 million Government subsidy which now gives the smelter electricity at about ¼ the rate households pay.
- e) The options we have for the sustainability of New Zealand's retirement provision are just three, all of which involve investment preferences:
  - i. reduce the absorption of resources of the elderly by their increased labour force participation, or lowered pension entitlements (lower entitlement or later age of eligibility);
  - ii. increase the command over resources of the economy by greater national savings, public or private;
  - iii. increase the productive capacity of the economy by continuing growth in productivity.

### 3.2 The present elements of social investment

The current social investment approach is driven by opportunities from new information sources and analysis, and is a Minister led response to a concern about social services, that is based on identifying some key elements behind rethinking how government engages in social services.

The more universally recognised elements include:

- a) Measuring performance needs to focus more on citizens than agencies.
- b) A focus on the long-term outcomes should drive choices.
- c) A need to remedy weaknesses in the gathering, accumulation and use of evidence.
- d) Exploit the unrealised potential of data resources.
- e) Improve the ability to have an effective contest for resourcing need, care and support that has the most long-term benefit.
- f) Investment in research and evaluation into interventions that contribute to knowledge of "what works"

The contemporary focus of social investment includes:

- i. Tightened eligibility tests with priority focus on those deemed to be the most vulnerable, or the outcome of multigenerational conditions and adversity.
- ii. A strong preference for models of delivery involving NGOs, commercial organisations, with public sector agencies only where necessary.
- iii. Accumulation by government of personal transactions with any organisation as a condition of funding for any purpose.
- iv. Individuals to be targets of initiatives initiated by delivery agencies as selected by a risk assessment of individuals formed from analyses of group characteristics.
- v. Assessment of the level the future fiscal liability as determined by quantitative criteria selected to summarise their current condition and potential.
- vi. Using the assessments of future fiscal liability, responsibility for specific individuals could be transferred to third parties through using social bonds as a way of creating financial incentives to maximise the potential for improvement of the individual.
- vii. A strong emphasis on assessing the fiscal and social nature of long term benefits, involving the rethinking of evaluation of benefits and costs over a long time period or lifetime.

The contemporary focus of social investment will challenge much of the received wisdom about the quality of connection between departmental performance and the experiences of citizens, as measurable by effectiveness and efficacy, and will necessitate a major commitment to evaluation in its various forms. While some of the characteristics of social investment can be connected to views on the place of the market compared to government, they do not explicitly define social investment. There are already well articulated criticisms of some of characteristics, including social bonds, and the "ecological fallacy" around the spurious allocation of the attributes of a group to individuals in it. The spurious allocation of attributes will exacerbate any existing selection bias, and the impact will be dependent on the nature of any negative consequences on those who are falsely selected for a particular response (false positives), and on those who should be selected but are not (false negatives).

*"Each lifetime is a non-repeatable experiment"*

Professor L F Jackson

### 3.3 The Integrated Data Infrastructure (IDI)

The Integrated Data Infrastructure (IDI) provides rich opportunities to see the historical transition pathways of targeted groups, and where there have been concentrations of people with experiences that could be better supported with this new knowledge. The information in the IDI is about citizens through the lens of the state, with very little about observing the actions of the state through the lens of the citizen.

Furthermore, the lives of citizens are much more variable than can ever be captured by the information gathered in research models or in administrative data collections. This limits to an unknown and unknowable extent the applicability of model parameters, predictions, rules and estimates of the likelihood of conditions and attributes. Neither operational rules nor analytical models generally take this uncertainty and potential for bias into account.

The state's record of events is incomplete, but the IDI adds huge value to what we now know, in the face of on-going limitations, including;

- In some areas where the costs to citizens of system failure is high, evidence could have been gathered systematically from the recipients of the services so that the nature of all processes rather than just those recorded by the state are known.
- The natural variability of people makes categorisation difficult and unable to represent people in realistic way.
- Yet to resolve differences in data linkage for policy and identified data linkage for service delivery.
- Need to strengthen the connection between policy development and operational practice (Policy/operations split of 1980s).
- Impact of long term undervaluing of qualitative and quantitative analytical competence on ability to develop insights and reframe longstanding issues.

The quality of estimates of the aggregate long term fiscal liability of individuals in the system will be limited by the weak understanding of how the current need for social services matches what is provided. Unmet demands are not measured, nor are take up rates. Operating fixed annual budgets in the face of volatile demand has led to regional and yearly variability in the quality of service, and coverage for child protection and probably other services with similar characteristics.

### **3.4 Social investment and children**

Central to the focus on children of the social investment approach is the modelling of the experience of later groups of children from the information held within the state that has been used to monitor children of earlier periods whose care had become the responsibility of the state. These records have recorded the history of the engagement of earlier generations of people with like characteristics, as seen through the eyes of the state. What the state records reflects the operation at the time of the administrative processes and the statutes that agencies are accountable for, rather than the experiences of citizens with these processes, of which the state may be quite unaware. Misdeeds will be rarely admitted to in formal records even when responded to properly. One clear inference that results from the *Expert Panel Final Report: Investing in New Zealand's Children and their Families* is that the record keeping that they had access to did not have the purpose of bringing about better outcomes or improve practice through any process of continuous improvement.

The Expert Panel Final Report introduced a range of invaluable analyses about the system for the care and protection of children in New Zealand by connecting the experiences at each stage of engagement from first being recorded as coming to the notice of CYPS through to engagement with the youth justice system. The analyses detail the many stages of lost opportunity, but what is not obvious is how much is due to truncated aspirations, disconnected processes and ineffective, substandard systems, and the likelihood that these children were already lost to society. We will never know, but we can be sure that fewer opportunities would have been lost if some sense of purpose, some firm oversight of process and practice, and some consistent effort to build rather than break the spirit of these children had been made. We cannot assume that the experiences of the children monitored by the state will represent those who we expect to experience an environment with very different aspirations, commitment and oversight.

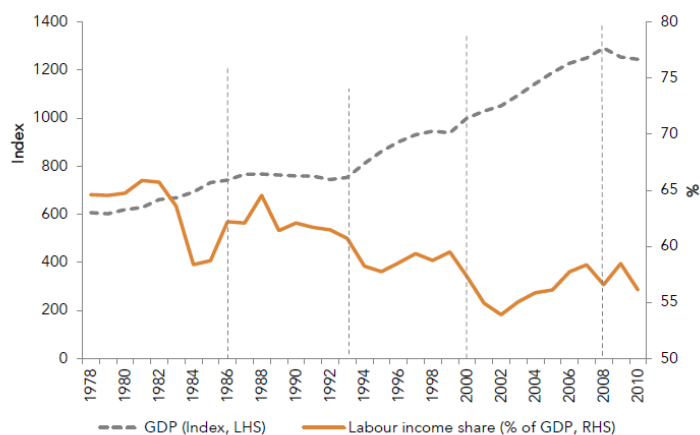
## **4. Building on population booms, social revolutions and welfare reforms of the last 50 years**

### **4.1 The scale of change**

The New Zealand society and its communities of fifty years ago are hardly recognisable now. The emergence and visibility of many diverse communities has led to a rise in aspirations for the widening mix of those who make up New Zealand's communities. There has been social, cultural and economic change on a scale that would have been unforeseeable early on, but so are the pressures that have since emerged that families and whanau, and old and young now face. The universal provision of fifty years ago was often selective in determining eligibility. The disabled, solo parents, those with mental illness, Maori and women – all had then experienced in different ways exclusion from the otherwise universal services of the

state. Human rights now play a prominent part in challenging the state, as do international conventions. As the welfare state transformed its programmes from universal directed provision to targeted programmes, there has been a shift to shorter term focus on service provider accountabilities – a form of spot markets. Ironically, these changes have occurred as we have become richer as a nation, with real Gross Domestic Product some five times higher compared to 1950 and nearly double that of twenty-five years ago. However the share of wealth generation now going to wage and salary earners has reduced from around two thirds to just over 55 percent, over this last period when GDP doubled.

GDP growth and the labour income share in the measured sector



Technology continues to bring many opportunities, some of which compound the divergence in economic position that results from income and wealth being increasingly concentrated in the top levels of wealth holders. For those on lower incomes, while real incomes have not fallen on average, nor have they grown, so that making investments such as housing become relatively less likely. For some this results in living on overcrowded houses, or worse. Antibiotic resistance, self-harm, pornography and drugs complicate all lives, but the rise in third world diseases, obesity, homelessness and debt affect poor families, as do the responses of the state that introduce the criminalisation of activities or conditions.

#### 4.2 Demographic change

An ongoing increase in life expectancy initially resulted from reducing infant mortality, and now the increased longevity of the old since the late 1970s has changed the aspirations for most of retirement. This has now compounded the demands of older people on the services of the state, at local and national levels. Aspirations by a larger share of the young for higher levels of educational achievement have come about with a shift to user pays, at the same time as home ownership is becoming less likely for the same generations. Ironically, the growth in access to free tertiary education broadened the mix of young who could have such aspirations, before fees were put in place. The capacity to accumulate housing assets and human capital through public support has been reduced by the need to self-fund higher education and training through debt accumulation, as well as a transformation of housing into investment vehicles.

In areas where public policy appears to differentiate between types of families, it is usually to the disadvantage of children not in nuclear families. Of single parent families, around 2/3<sup>64</sup> resulted from the breakdown of a nuclear family.

TABLE: Average number of children per family

Population Census year	1971	1976	1981	1986	1991	1996	2001	2006	2013
Two parent family	2.48	2.35	2.2	1.96	1.95	1.95	1.91	1.85	1.85
One parent family	2.03	1.97	1.8	2.19	1.65	1.68	1.7	1.66	1.65

The 1986 Census statistics are affected by the one-off shift in marriage dissolution as a result of legislation in 1981 to change the legal basis of family dissolution. When this effect is accounted for, the average size of one parent families has steadied at around 1.6 children for over 25 years, while the average number of children in two parent families has progressively been on a slow decline.

<sup>64</sup> Statistics New Zealand Key Statistics - article, June 1999



### 4.3 Population mobility

The Growing Up in NZ study noted that of surveyed mothers with babies born in 2009-10, 45 percent changed houses in the two years following the birth, and 26 percent did so before the baby reached 9 months. Those living in an extended family mode reported higher levels of mobility. For children, within household mobility has risen over the past 50 years. In the Dunedin multidisciplinary study, out of the first 200 children of the survey participants to reach 15 years, only 54 (26 per cent) of the participants were living then with both of their biological parents, and just 14 (six per cent) had lived their whole lives in households made up of only their mother, father and siblings.

### 4.4 Social issues faced now

New Zealand's high rates of domestic violence provide a difficult context for the development of many children, and we have a growing recognition of the impact of such harm. A recent Superu review<sup>65</sup> found that some 70% of family violence offences in New Zealand occur while there are children in the household.

Along with the demographic benefits of a young and increasingly highly educated population, treaty settlements have contributed to Maori becoming significant investors economically, educationally and culturally, yet with a disproportionate and growing share of each cohort being institutionalised by the state. The criminalisation of the population is a major concern of Maori, for several reasons. Firstly, over two thirds of prisoners are also parents. Secondly, the institutionalising people with only limited means of ensuring their care and safety carries high risk of bringing about behavioural changes that make them less able to engage in employment, with the variety of communities that parents usually belong to, and perhaps among their families. Thirdly, there remain biases in the discretions applied at all levels of the justice system, with the result that Maori men and now Maori women are some six times more likely to be imprisoned than Pakeha. Fourthly, institutionalisation have become the outcome for a widening range of offences that in themselves result in disproportionate penalties, particularly driving offences and debt.

At a nationwide level, paid employment of all adults has become essential for all but a few families. The influence on reproductive behaviour and capacity is changing, by deferment of childbirth and having smaller families, such that the capacity of the population to reproduce itself can be put at risk? Ironically the changes in the nature of the family have occurred alongside a fundamental reshaping of social policy in New Zealand, whereby a range of near universal services was replaced by a wider array of services targeted to families with attributes particular to the programme. Without an understanding of this unfolding diversity, social change would have significantly outpaced social forms, and it has done so in many ways. Greater population diversity, multiple languages, an increased range of service options, increased prevalence<sup>66</sup> of disorders that require intensive support, greater longevity and larger numbers of the infirm aged, the consequences of synthetic drug addiction, heightened family formation and dissolution, greater recognition and responsibility for child abuse and family violence as well as community treatment rather than institutionalisation of those with complex mental health conditions have all since required a degree of sensitivity to individual circumstance compared to the expectations of the universalist system that served the generations before the post war baby boomers.

While much social policy is shaped and assessed by its effect on inequality, measures of income inequality tell increasingly less of the story about the welfare of people. For example, the need for care and protection and its effect on wellbeing is poorly reflected in official statistics and research, despite New Zealand being well above the norm in levels of violence, harm and incarceration among the countries we compare ourselves with.

## 5. Collective community oversight of children - Family, whanau and community well being

There are various influences on Family and whanau well-being that are often influenced by policy, but less directly than income itself can be. We need to recognise how forms of social and cultural capital can be either enhanced or depreciated by policy initiatives. These influences explain why it is impossible to characterise and categorise families, whanau and individuals by the measures that the state collects in

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<sup>65</sup> Superu "What works for children exposed to family violence", June 2017

<sup>66</sup> The number of children diagnosed with autism or related disorders has grown at what many call an alarming rate. In the 1970s and 1980s, about one out of every 2,000 children had autism. Today, the CDC estimates that one in 150 8-year-olds in the U.S. has an autism spectrum disorder, or ASD.

order to administer its programmes. We know that there are cultural differences in these influences, and those differences have rarely been subject to qualitative or subjective assessment in developing public policy. Most critically, these reports point to the importance of looking at the whole family or whanau, and building on strengths rather than monitoring deficits.

All manner of non-monetised services are provided for children of households, the sick and elderly. Nor is the state the institution that people first turn to for their welfare. Rose<sup>67</sup> argues that there is a need to look at the mix of contribution that the state, the market and households make to household welfare. The term welfare state reduces welfare to the actions of government, yet welfare is the product of the whole of society. What is also critical is how that mix is enabled differently depending on the extent of state involvement in household welfare.

For beneficiary households' other than those receiving NZ Super, effective marginal tax rates are highly punitive, and abatement thresholds which may be expressed in terms of additional income privilege some household types over others<sup>68</sup> (e.g. the working for families hours worked threshold per person of 15 hours for couple, but 20 for a one person household.) GST is a regressive tax, paid disproportionately by lower income households. Part charges as a means of accessing directly provided goods, as for prescriptions, medical services and education can themselves discriminate against poorer households. Access to debt for the poorer households comes at a very high premium when it is required. When accessible, housing is the largest single item in the budget of poorer households, taking nearly half of the lowest income households. Crowding is highest in poorest households, as families share with their kin and others.

Where the social services of the state have become increasingly targeted, and more focused on those with demonstrable vulnerability, the remaining state services have become depersonalised through the use of call centres, less immediate and gated access to front-line staff, intimidating bureaucratic requirements and a narrowed sense of core business. Family and community organisations have to act as intermediaries between the citizen and the state, and this is especially important for those deemed to be at risk clients, including ex-prisoners, people with mental illnesses and those from communities still subject to racial prejudice. There can be a punitive edge of the politics and policies of personal responsibility that risks narrowing universal rights to dignity and respect, inevitably placing some forms of family under additional economic stress and consequent social pressures, with children most often the casualty.

Unlike a family of any form, the state cannot be held accountable as a family would be for how those in its care fare. Protecting vulnerable children is possibly one of the hardest jobs the government can take on for its citizens – to act in lieu of the family, to provide care and protection, to aim for all children to flourish. Given the difficulty of the task, the child protection system must be able to own up boldly to its own limitations. To succeed in this difficult task, those involved need to be held to account in a way which reflects the significance of its actions on the future potential of the child, and the knowledge we continue to gain about how we can avoid doing this badly.

*"When I was Children's Commissioner<sup>69</sup> I found evidence that suggested that the number of grandparents who took children out of situations where there was a need for care and protection and cared for them themselves, was of the order of 2x the number of similar interventions and care placements by social workers. .... However, trying to achieve a significant reduction in the incidence of child-maltreatment by starting with Child Youth and Family as many government initiatives do, is a bit like trying to reduce the incidence of diabetes by starting with the workings of dialysis units." - Dr John Angus*

Because the state is responsible for providing the very means by which it is held to account, without good, independent oversight we can only speculate whether we are doing as well as we can, and whether what is done is better than any alternative.

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<sup>67</sup> Richard Rose, Common Goals but Different Roles: The State's Contribution to the Welfare Mix, 1986

<sup>68</sup> NZ Productivity Commission, July 2017 Family and work tax credits and effective marginal tax rates (EMTR) (Dr Patrick Nolan)

<sup>69</sup> Dr John Angus: Submission to Productivity Commission Review of Social Services, December 2015

### Social service production

Most social services are delivered by family members and informal community groups, not by government, or by the formalised FP and NFP NGO sector. One needs only to reflect on the extent to which services to restore health depend on individuals, partners, family members and friends. Similarly responses to deal with the psychological harm caused by violence primarily come from family and friends. And at least twice as much intervention and day to day care of children in need of care and protection is provided by extended family members, often acting independently of Child Youth and Family, than by state provision.

The role played by families is not acknowledged at all in your Issues paper and the role played by less formal community based institutions such as networks of friends, or fellow members of churches, or sports clubs is given scant recognition. Yet as Richard Wood notes in his submission:

*Whilst few NGOs will report this, the most vulnerable people in NZ will not go to them for help. The most vulnerable will turn first to a family member or friend. These people actually need support to access and engage with services and have a range of needs outside the scope of a single agency. The most vulnerable are cautious about talking to anyone about their issues and need to have developed a level of trust with people they don't know before they will even talk about their problems. As an example Youthline has reported that, on average, a teen caller will send a minimum of seven text conversations before they are prepared to engage in a telephone conversation. The best way to provide support for the most vulnerable is to encourage community networks in places to which these people are likely to gravitate, such as schools, community or medical centres or marae. Helplines are another key touch point for the most vulnerable that receive only limited funding by Government*

### Definition of social services

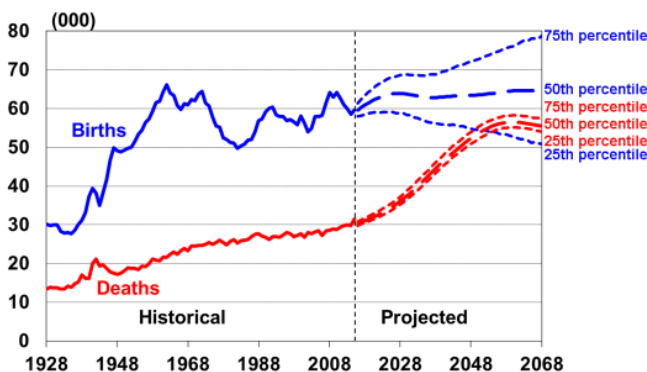
You have provided a definition of social services that is much narrower than a definition that includes families and communities. This is because the inquiry is 'primarily concerned with social services provided, funded or otherwise supported by government'. This might of course include support for organisations that work to assist families. In the area I know about this definition is further narrowed down, albeit because of your TOR, to a focus on government's purchase of services from third parties, and does not include direct delivery by government departments, which much of the intervention with families is.

## 6. Family form, age structure balance among ages, regions

### 6.1 Families and children

New Zealand has experienced a nearly constant level of births every\* decade since 1950, averaging some 600,000 births per decade. This is projected to continue until around 2050. We are unusual among OECD countries in the continued fertility of New Zealand families. By drawing on the options we have the capacity to deliver, we could well provide a consistent level of health care and education access to all these babies, with an increasing share of whom are Maori and Pacific. By missing out on such an opportunity, the tremendous demographic advantages New Zealand has among the OECD countries go untapped.

Natural Increase reduces as death numbers increase,  
births remain steady



For a far larger share of each new generation of babies to have good health and educational outcomes, they need better protection than earlier generations. We do not have a social capital balance sheet to record changes in the avoidance of the depreciation of this human capital asset.

The families that bring up children now, and in the future, have changed from the nuclear family that gave life to the baby boomer generation, as have the laws and conventions that not only privileged the nuclear family but dismissed other forms. For some thirty years until the mid-1970s, the nuclear family was the instrument of policy about the children of nuclear families. The nuclear family was the target of employment and housing, and the benefits of these universal policies substantially underpinned the welfare of the nuclear families that they applied to. Some came in the form of direct benefits to mothers, the family benefit and maternity care. Other forms of family were excluded from the full set of benefits. Between 1945 and 1980 an estimated 87,000 legal adoptions occurred, and included in this was about 1/3 of all ex nuptial births. Over this period, the share on babies adopted each year was five times that of the previous quarter century, and many more times that occurring since. As family forms have widened, rather than increase the eligibility criteria, less and less welfare has been delivered to families.

During the next decade, we will move to seeing some 80% of towns having over 20% of their population aged 65 and over, with deaths exceeding births, and growth only where immigration is positive (compared to none in 1996). Where we are headed as an aging society has national, local and cultural dimensions. In areas where public policy appears to differentiate between types of families, it is usually to the disadvantage of the children not in nuclear families. While the main shift in income inequality occurred some twenty years, there are some effects that continue. The share of children at all ages (0-4, 5-9, 10-14 years) living in extended families has continued to grow since 2001, and this is especially so for Maori and the Pacific communities, and of children aged 0-4 years. Housing shortages will influence these trends. Growing up in NZ study noted that of surveyed mothers with babies born in 2009-10, 45 percent changed houses in the two years after since birth, and 26 percent did so before the baby reached 9 months. Those living in an extended family mode reported higher levels of mobility.

NZs high rates of domestic violence provide a difficult context for the development of many children, and we have a growing recognition of the impact of such harm on children. A recent review<sup>70</sup> by Superu found that some 70% of family violence offences in New Zealand take place while there are children in the household.

Until the 1960s there were very few single parents with dependent children. The raising of children by a sole parent was more likely to be the result of the early death of a spouse than of divorce or ex-nuptial birth. By 1971, for example, only 5% of all households were single-parent families (Pool et al. 2007:104, 188, Statistics New Zealand 2005).

**TABLE: Percentage of children in families who are in HHs with extended families 2001-2013**

Ethnicity	Census of Population		
	2001	2006	2013
European	7.56	9.16	10.80
Māori	20.70	24.14	25.27
Pacific Peoples	33.81	37.86	40.27
Asian	27.56	27.67	29.32
Middle Eastern/Latin American/African	15.14	14.73	15.20

## 7. Production and reproduction

As family sizes have tumbled, and the share of people who will always be childless or childfree has become significant and growing. Consequently, we have a tension between children having a high scarcity value at a household or micro level, whereas at a national level the needs of children have more competition from those of older age groups who have not only live longer but have multiplied in number. This has an impact on investment choices at both a national level, and within cities and towns. That the number of births has remained fairly steady at around 600,000 per decade, from 1950- to 2050 is unusually strong among OECD countries, but as the source of demand for public and local government and commercial investment, servicing babies and children is an activity that has declined in relative importance.

<sup>70</sup> Superu "What works for children exposed to family violence", June 2017

There are distinct demographic characteristics of Maori, Pacific, Asian and European populations continue (2026 population median age, total fertility rate)

- i. European group growth slowed, highest median age, Second lowest fertility (43 years, 1.9 tfr)
- ii. Asian group growth from immigration, higher median age, lowest fertility (36 years, 1.5tfr)
- iii. Maori growth continues, above average fertility, younger age of first child. Experiencing high emigration rates. (25 years, 2.8 tfr)
- iv. Pacific island continues to have highest fertility, youngest population (23 years, 3.0 tfr)

Recent work by Professor P Morrison at VUW supports the argument that:

*“the values which support the ideal number of children adjust more slowly than those reflecting the mainly financial and time constraints which limit the actual number of children people have. The consequence has been a rise in the child deficit<sup>3</sup>” “Fewer women are getting married, ... “The majority that still do are postponing marriage in order to study and delaying the fewer children they do have in order to take up the increased employment opportunities in the continents expanding urban labour markets.”*

At a nationwide level, given that we now see paid employment of all adults has become essential for all but a few families, how far is the reproductive behaviour changing, by deferment of childbirth and having smaller families, such that the capacity of the population to reproduce itself is being put at risk?

- I. Policies that protect demographic integrity at national level are less likely to offset the family responses to managing the private cost of having children by deferment or reducing expectations of parenthood.
- II. There is a growing tension between children having a high scarcity value at a household or micro level, whereas at a national level the needs of children have more competition from those of older age groups who have not only multiplied in number, but live longer
- III. There is an influence of economic factors including employment, and housing on fertility shifting with age structure nationally, as is the growing extent of regional imbalances in age structures
- IV. Leads to both deferment of births with risk of infertility, and smaller families
- V. Family structure becomes sensitive to immigration policies
- VI. Different Cultural attitudes of Maori, PI and Pakeha and Asian families reflect different demographic parameters and histories, and community engagement with children.

## 8. Targeting

### 8.1 Complexity and targeting

In terms of the volume and variety of transactions, the social services is probably the most complex area of public administration, and is strongly influenced by the structure, accountabilities, risk management and cultures of the public service. The level and nature of these transactions changed as targeting became more pervasive throughout the 1980s and 1990s. In retrospect, the shifting from universal programmes to increasingly intensive targeting during the last half of the 1980s could not have taken place at a more challenging time. Greater population diversity, multiple languages, an increased range of service options, increased prevalence<sup>71</sup> of disorders that require intensive support, greater longevity and larger numbers of the infirm aged, the consequences of synthetic drug addiction, heightened family formation and dissolution, greater recognition and responsibility for child abuse and family violence as well as community treatment rather than institutionalisation of those with complex mental health conditions have all since required a degree of sensitivity to individual circumstance compared to the expectations of the universalist system that served the generations before the post war baby boomers.

### 8.2 Practical issues with targeting

A tight rule based approach does not fit with providing services of any complexity. Statutory services through their codification of responses have a risk of obliging people to meet predetermined characteristics and are unlikely to provide staff with the autonomy to detect and respond to conditions that are unlikely to be anticipated in service design.

There are areas of high need for support, including domestic violence and sexual abuse, where victims often believe that they cannot trust others with their experiences. In providing services in areas where we do not have a strong evidence base for what is happening, there is a need to have the capacity to draw on

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<sup>71</sup> The number of children diagnosed with [autism](#) or related disorders has grown at what many call an alarming rate. In the 1970s and 1980s, about one out of every 2,000 children had [autism](#). Today, the CDC estimates that one in 150 8-year-olds in the U.S. has an [autism spectrum disorder](#), or ASD.

all forms of experience to build up information which gives otherwise unavailable insights into the operation of the system. Not all information of importance is obtainable by the codification of information gathered through rules based processes.

Screening methods can be influenced by differences in the aspirations for different groups that are implicit in policy, or in the expectations of those that deliver social services programmes. Maori have had different experiences from the same system because of this, and sometimes aspirations are constrained by those who are consumers themselves of the social services system. Evaluation can highlight where this occurs. Maori have been placed in secure institutions at rates that can be 5 to 7 times the rest of the population, whether it be children's institutions or prisons<sup>72</sup>, and have borne the brunt when these institutions have been doubtfully managed. Where targeting is based on loosely managed screening processes, the access to services can reflect the capacity to game the system rather than demonstrated fit with the population that the eligibility and entitlement criteria were intended to match.

In the absence of good evidence, policy has a greater tendency to rely on rules and sanctions, with risks of consequent gatekeeping biases and unintended consequences. Targeting, sanctions and penalties can bring perverse effects, and these will reduce the likelihood of meeting expectations in improved welfare, as can reducing the autonomy of agents in doing the right thing when determining eligibility and entitlement. These risks are amplified when the focus of accountability is on the service delivery agent rather than the child or citizen. In our rather punitive society we have almost no knowledge of the impact of sanctions and penalties. In many areas, penalties have become significant tools (such as institutionalising children and adults) and there is only anecdotal and small study information on the effects, but all point to perverse effects that may have end results far worse than the original event which led to the sanction. There is a significant risk of perverse effects in all targeting mechanisms if targeting does not operate in an information intensive system, and agents are not subject to tests of "the right thing to do".

## **9. Social services delivery limitations**

### **9.1 Difficulties in meeting the needs of an increasingly complex society**

The existing arrangements for social services cannot keep meeting expectations for continually providing effective social services to a New Zealand society that has become more complex, and where families and communities are less and less homogeneous in their nature. The ways that citizens can hold government to account for the social services they receive are quite limited compared to medical care, policing or education. The performance management regime for public administration that has evolved has had mixed effects for the social services. This may reflect a strong degree of risk aversion at administrative and political levels of social services. This will stifle innovation compared to those sectors that have clear means for citizens to hold government to account. A genuine recognition of the complexity of citizens and of the uncertain effectiveness of most service provision of any sort should result in ensuring that performance failures are monitored and influence continuous improvement. This rarely happens now. Commissioning agencies have concentrated on low trust short term contracting with high compliance costs, yet such contracting is often expected to enable contracted partner organisations to develop high trust long term relationships with vulnerable people and continued upskilling of staff. Performance is measured by transactions not transformation, yet it is this which organisations need to be enabled to do.

We do not know a lot about what we do now. Insufficient priority is given to capturing the knowledge gained by practitioners in the field, either in public services or NGOs. Successive governments have not found long term solutions or contained trends of concern in family and child protection, youth mental health, violence and housing. The term "wicked" has become a favourite label of policy experts and social scientists for issues which defy the analytical tools of the time.

### **9.2 Inadequate use of evidence**

Social programmes are rarely evaluated on a regular basis in New Zealand. For many services, we are not able to determine the true level of demand. Without regular evidence, the effectiveness and efficacy of any social services programme should never be assumed to be very high across the whole population that

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<sup>72</sup> Waitangi Tribunal<sup>72</sup> and Maori (April 2017) "In 2014, the Department declined an Official Information Act request from Mr Hemopo seeking to understand how the claimed reductions in reoffending affected Māori in particular. It declined the request on the basis that as 'The Department does not calculate Better Public Services targets reductions in re-offending results separately by ethnicity . . . the documents alleged to contain the information requested does not exist'".

it refers to. An incomplete framing of problems (e.g. family violence, child abuse, poverty) can lead to excessive trust in partial solutions. There is a bias towards the short term, and forgetting our past.

There are many ways to gather information through relatively low-cost processes<sup>73</sup> that are not regularly adopted, perhaps because of an aversion to having to explain service deficiencies or insufficient quantitative skills. Usually any information that provides valuable evidence is not strong on all these aspects. Without such awareness, there is a risk that new data sources will be privileged to an extent that they constrain defining questions and the framing of social problems to fit the particular solutions relevant to where the new data brings richness to the analytical base. In order to adapt to the changes in our makeup and needs, we will never have sufficient or complete information to shape not only the nature of programmes and how they are assessed and monitored, but also the form of the wider social services system, and the way that the roles of policy advisor, standard setter, funder, service platform manager and direct provider fit together. All sources of evidence will be limited in their generalisability by the natural variation of citizens in the characteristics which are not measured. Individual variability cannot be removed by any process, and needs to be accounted for in models of all forms. Although we know little about the effectiveness of most programmes, that uncertainty is rarely acknowledged in their implementation, including in the rules staff are expected to follow or the autonomy they have to ensure that they always can do the right thing.

### 9.3 Failings in public administration

The public-sector reforms of the 1980s provided a much-needed lift in the integrity of the public finance system and the management of public assets, made it possible to define more explicitly (and often limit) the role of the public service agencies, and required Ministers to be explicit about their expectations. The reforms were aimed at significantly lifting the contest for scarce resources. The reforms also engineered opportunity for innovation and flexibility in practice although after just one decade this was increasingly followed by a heightened political aversion to risk taking in operational matters. The introduction into the cabinet manual<sup>74</sup> of the so-called “no surprises” principle encapsulated this unfortunate shift well. In the social services sector where there are so many transactions to oversee, and many which will fail to meet expectations, this has resulted in Ministers and their departments putting in place internal limits on departmental transaction risk and down playing the external risks and costs faced by citizens, forbidding of advocacy by funded community organisations, limiting autonomy at an operations level, and minimising forms of evaluation likely to reach the public domain

### 9.4 Managing the limitations of service delivery in a complex society

Sector level leadership is very difficult, and perhaps limited by the variety and complexity of services and their consumers. Assessment and exchange of experience and information have not been systematised at all levels, so that sharing of systems, practices and operational processes across agencies has only been achievable in piecemeal ways. Compliance with the Privacy Act 1993 has at times become the excuse. Without effective sector leadership of the natural tension between the various roles the public service has had, these roles have become muddled in ways which have generally minimised public sector and Ministerial accountability, especially in the areas of standard setting and network platform management. Public and community sector providers have had their roles narrowed (*“not our core business”*), exacerbating difficulties in adapting to the increased complexities in social service needs. This muddling of the management of the social services sector has tended to transfer parliamentary accountability away from the responsible lead departments on to delivery partners, while gradually reducing the means of citizen redress.

Where responsibilities are not well co-ordinated, there are potential risks for clients if the system doesn't work effectively, and in some situations, such as protection from family violence, or even water supply, this can be tragic. The challenges facing our most vulnerable children and families are multi-faceted and cross many agencies so singular solutions deliver only partial solutions, and not meet outcomes. This point was made quite strongly by the expert review of child protection. For example, while the loss of documents by agencies is a key concern of those that use social services, the largest social services provider, MSD,

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<sup>73</sup> Highlighted in the Expert Panel Final Report: Investing in New Zealand's Children and their Families

<sup>74</sup> Cabinet Manual section 3.16: The style of the relationship and frequency of contact between Minister and department will develop according to the Minister's personal preference. The following guidance may be helpful.

a In their relationship with Ministers, officials should be guided by a “no surprises” principle. They should inform Ministers promptly of matters of significance within their portfolio responsibilities, particularly where these matters may be controversial or may become the subject of public debate.

does not keep records<sup>75</sup> that enable the monitoring of this and hence initiate actions that might reduce the frustrations and stress it causes. Similarly, the Ombudsman inquiry<sup>76</sup> into prisoners at risk of suicide found no proper record keeping of treatments, judging that this

*“amounted to cruel, inhuman or degrading treatment or punishment for the purpose of Article 16 of the Convention against Torture”.*

The 2017 review of the Children’s Commissioner into secure institutions operated now by the Ministry for Vulnerable Children found that the seven institutions had even now little in the way of any common strategy for improvement, with limited commitment to improve practices and an absence of system leadership.

We cannot foresee all the important consequences of policy initiatives, yet a growing range of social services provision involve frequent long-term interactions with the same people. This requires a deeper foundation in evidence and more adaptive organisational forms than those that coped with the baby boomer generation and their families. Parts of the social services have become complex networked systems but they are not overtly led as such. Recent learning about social services, stimulated by the work of the Productivity Commission<sup>77</sup>, firstly brings the recognition that making service delivery effective needs to be an integral part of policy setting. Secondly, that solutions controlled from the centre cannot manage the diversity of need and circumstance of the society we have become, yet often reducing the autonomy of frontline staff has been the first response to cases that have gone wrong.

### **9.5 Child Poverty – targets of alleviation versus reduction**

*“By 1990, no Australian child will be living in poverty,”* Prime Minister Bob Hawke, Labor election campaign, Australia, June 1987.

Child poverty is a multifaceted condition, for which measures of income inadequacy or deprivation capture just a few dimensions, and are essentially partial indicators. Maori are disproportionately found in measures of social deprivation, and may not see improvements comparable to Pakeha in the poverty indicators. We have long known that the Maori population has different demographic characteristics, is spread differently around New Zealand and has different family and community structures through whanau and hapu. Maori still experience outcomes in health, education and employment that are outside the norm of those systems that deliver services. Experience has been to apply solutions that placed little importance on long term remedies relevant to the position of Maori or their place in the determination and application of services. The practices of service delivery and evaluation need to be aligned to the characteristics of the populations involved, to avoid systemic biases. Many of our approaches reinforce deficits for Māori and ignore the strengths and opportunities that exist within whanau and hapu to create change for themselves.

Poverty is a condition which if it persists is highly likely to result in long term deterioration in the health, employment prospects and involvement in society and community, and severely reduce the household capacity to provide the care, health, housing, education and protection for those within. Providing the basis for those who are poor to have the capacity to care, and ensure the health, housing, education, security and protection of children is fundamental to the sound and safe development of New Zealand’s children. Income based indicators of poverty can point to changes in the economic capacity of households, but they are but crude indicators of the welfare that is enabled by that income, and subject to conditions with which it is provided. Deprivation measures result from the application of criteria which are associated with improved well-being of households generally, but cannot account for the variation in circumstances caused by the full multiplicity of influences on that.

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<sup>75</sup> OI Request: *“Can I have a summary that shows the number of times a beneficiary has to return to MSD because their documents or any part of them has been lost by MSD when servicing the request. Information for the last five years if available please.”*  
Response 30/3/2017 from MSD *“The information you have requested is held in notes on individual case files. In order to provide you with this information Ministry staff would have to manually review thousands of files.”*

<sup>76</sup> In April 2016, we requested the following information on tie-down beds from Corrections National Office;

1. Which sites have tie-down beds?
2. Which sites have used the tie-down beds between 1 April 2013 and 12 April 2016?
3. On how many occasions have they been used?
4. What was the duration of each tie-down episode?
5. How many prisoners have been secured on tie-down beds during this period?

The Department informed us there is no central recording system for documenting tie-down bed use and that individual prisons do not record the information in logbooks.

<sup>77</sup> NZ Productivity Commission 2015 *“More Effective Social Services”*



The aspirations, ideology and attitudes which determine the trustworthiness of actions intended to meet commitments to reduce child poverty will need to lead to a more focused, more tangible specific recognition of improvements needed. These extend to the health, employment prospects and participation in society and community, and some certainty of the capacity of each and every household with children to provide the care, health, housing, education and protection for those within. Now we have the two political parties that are most likely to be the dominant partners in New Zealand's government until the end of 2020 making serious and significant commitments to move towards ending child poverty, it is important that the effect on poverty indicators of government policy is reflected in what actually happens to households with children.

Thankyou.

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## Mike O'Brien: Social Investment Summit– a brief reflection

I doubt that I can do full justice to the quality of what we have heard over what has been a very full and stimulating day. There has been much informed and considered input on what is one of the most significant potential developments in social policy in this country.

For me, four key points stand out.

First, we need to reflect on the values that shape and inform the framing of social investment. Speakers over the course of the day have highlighted the failure of the current approach to grapple with the fundamental dimensions of inequality and poverty, the structural dimensions which shape the lives of those designated as 'vulnerable'. This failure keeps those structures untouched while focusing on the individuals and families who experience poverty and inequality.

An integral part of that framing is the emphasis on individualism. We are treated as independent individuals and we lose sight of the ways in which poverty and inequality are created and sustained. The government emphasis on social investment engaging with families and individuals 'one by one' (a constant reiteration from government) clearly highlights the individualised orientation. A vital part of these considerations is the place of the working poor, many of whom live lives that are very vulnerable to poverty, the effects of inequality and the complexities of the interface of the work/tax credit/benefit structures.

An integral part of the framing is the emphasis on paid work as the central goal of investment. 'Successful outcomes' are measured by the extent to which people are moved into paid work, irrespective of how appropriate this is and without any careful consideration of the constantly changing work environment. Work is not the only desirable outcome and the uncertainty and insecurity of much current paid work make this a very risky basis on which to measure success.

Second, and associated closely with the narrow work measures is the uncertainty of what constitutes outcomes. In brief, what are good outcomes and how are those outcomes ones which involve and engage those with whom organisations and professionals work? Are individuals, families and communities simply entities to which 'things' are done or do they have an active part to play in directing and shaping their own lives? Not all outcomes are good outcomes!! There needs to be a much clearer focus on what we are measuring and the appropriateness of the targets that are articulated – what do those targets mean? Currently, the 'success' of the social investment approach is measured in terms of reduced beneficiary numbers and consequent reduced future costs.

Third, what does social investment mean in terms of the role of government, and government in our society? Is it anything more substantial than a mechanism for controlling and lowering government expenditure, shifting responsibility on to individuals, families, communities, NGOs and iwi? To what extent is social investment simply a new name for government expenditure, especially given the very high emphasis on targeting. The social investment model was described as the 'fiscal redistribution model' because that represents the underlying economics of the approach. Moreover, the strong emphasis on

individual targeting runs against all the evidence that universal programmes are the most successful and effective in reducing poverty and enhancing wellbeing and development.

Fourth, there are considerable risks in the very heavy focus on a narrow approach to science and algorithmic measurement as the tool for developing policies and programmes. As in much research, the answers we get depend on the questions we ask. There are many core questions to be asked: what counts as data and information? How valid are the predictive links? What are the links between risks and outcomes? How well do the articulated targets actually measure the policy goal, or are they simply a political convenience? Is this some form of democratic experiment?

Individual and family lives are complex and multifaceted and not reducible to neat statistical algorithms; the complexities of relationships cannot be captured by statistical calculations but it is these complexities which individuals and families manage on a daily basis. Good research and information demands attention to these complexities if social investment is to bring any real and meaningful change. We need clarity regarding the world we want to create.

**Thank you**

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<sup>i</sup> Ombudsman 1 March 2017: "Care and management for prisoners considered to be at risk of suicide and self-harm: observations and findings from OPCAT inspectors"