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The Royal Commission on Social Policy
Te Kōmihana A Te Karauna Mō
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Submission	New Zealand Productivity Commission:
	A fair chance for all: Breaking the cycle of persistent disadvantage
	21 November 2022 (FINAL)

About the McGuinness Institute
The McGuinness Institute was founded in 2004 as a non-partisan think tank working towards a sustainable future for Aotearoa New Zealand. *Project 2058* is the Institute's flagship project focusing on Aotearoa New Zealand's long-term future. Because of our observation that foresight drives strategy, strategy requires reporting, and reporting shapes foresight, the Institute developed three interlinking policy projects: *ForesightNZ*, *StrategyNZ* and *ReportingNZ*. Each of these policy tools must align if we want Aotearoa New Zealand to develop durable, robust and forward-looking public policies. The policy projects frame and feed into our research projects, which address a range of significant issues facing Aotearoa New Zealand. The eight research projects are: *CivicsNZ*, *ClimateChangeNZ*, *OneOceanNZ*, *PandemicNZ*, *PublicScienceNZ*, *TacklingPovertyNZ*, *TalentNZ and WaterFutureNZ*.

About the cover
Disadvantage is one of the topics of national significance sometimes explored by royal commissions. Whether it be the cost of living (1912), social policy (1988) or more broadly poverty, the goal is often the same – to explore ways to help those that are less advantaged through building connections, providing resources, and learning skills. This submission's cover image is the report of the 1988 Royal Commission on Social Policy.

1.0   Introduction

The Institute welcomes the opportunity to offer feedback on the New Zealand Productivity Commission's interim report *A fair chance for all: Breaking the cycle of persistent disadvantage*. Our feedback builds on our research project *TacklingPovertyNZ*.

In 2015, the Institute, in collaboration with the New Zealand Treasury, undertook a three-day workshop, which resulted in a number of observations, reflections, and recommendations made by 36 participants (aged 18 to 25) on how Aotearoa New Zealand might tackle poverty. Many of the participants came from challenging backgrounds and had experienced poverty. Together they identified five myths that exist about poverty in New Zealand:

- Poverty doesn't exist in New Zealand.
- Those on a benefit have it 'easy'.
- One size fits all.
- Benefits cause people to become dependent on the system.
- 'Just get a job.'[1]

Following this, in 2016 a series of one-day workshops were undertaken in order to learn how local communities would tackle poverty.

From these initiatives, the Institute recognises disadvantage as a complex and multifaceted issue, requiring a largely collaborative approach towards not only one solution, but many. As such, we thank the Productivity Commission for the work to date, and the work towards the final report.

This document
This submission discusses lessons from our research (see Section 2.0) and answers the Productivity Commission's specific consultation questions (see Section 3.0).

Supporting evidence
The following documents form part of this submission:

- *TacklingPovertyNZ: Exploring ways to reduce poverty in New Zealand, 7–9 December 2015* (2016)

- *Working Paper 2017/01 – TacklingPovertyNZ 2016 Tour: Methodology, results and observations* (2017)

- *Proposal – Demarcation zones for public policy innovation proposal to the Rt Hon Bill English* (2017)

- *Think Piece 26: Doing Something About Poverty in New Zealand* (2017) by Conal Smith

- *Working Paper 2022/08 – Analysis of Poverty in Government Department Strategies as at 31 December 2021* (2022)

2.0   Lessons from our research

Below we would like to summarise past research conducted by the Institute.

2.1   A one-size-fits-all approach is not the solution

Throughout the series of regional workshops as part of *TacklingPovertyNZ*, one concept was made clear – that the complex and multifaceted issue of poverty cannot be solved by simply producing a 'blanket' solution, designed to treat every individual and community as one and the same. Instead, different communities and regional areas have different experiences of poverty. For example, the workshops held in Kaitāia and Kaikohe, although only just over an hour apart by car, identified very different needs, with Kaikohe highlighting the crucial importance of basic survival needs (food, bedding and shelter) while Kaitāia did not (as it is home to over 40 central providers dealing with these basic needs).[2]

The conclusions of the workshops were incredibly diverse and at times starkly contrasting. Every community identified a different combination of solutions on how to resolve poverty in their local area.

2.2   Two strategies are needed

The tackling poverty workshops also provided the Institute with the critical understanding that two strategies are needed to eradicate poverty, not just one – a strategy to help people get out of poverty, and a strategy to enable people to stay out of poverty. Participants across all six workshops expressed interests in not only securing short-term survival and security, but in discovering ways to break the cycle altogether.

These expressions led to the creation of the Sustaining Factors and the Empowering Factors Framework, consisting of five factors, categorised as sustaining factors and empowering factors (see Figure 1 overleaf).[3] Sustaining factors relate to an individual's short-term survival and security needs, with the aim of aiding the right people at the right time to quickly shift them to a stage where they can approach the next challenge, empowerment. Empowering factors relate to the empowerment of an individual, community or nation. They are the factors that help people to stay out of poverty, such as providing individuals with the skills they need, facilitating connection within a community, or providing social infrastructure that meets the needs of a community.

Figure 1: The sustaining factors (I and II) and empowering factors (III, IV and V)

Source: McGuinness Institute, Table 1, *Working Paper 2017/01 – TacklingPovertyNZ 2016 Tour: Methodology, results and observations*[4]

Sustaining factors / Tohu Toitū

Factor I: Survival / Oranga
Providing emergency products and services for survival.

1.	Food	[5]*
2.	Clothing and shoes	[2]
3.	Bedding	[2]
4.	Shelter (emergency housing)	[10]
5.	Accessibility	[2]

Factor II: Security / Tāmau
Providing a sense of short-term security.

6.	Security of income	[20]
7.	Security of place (social housing)	[6]
8.	Security of health	[24]
9.	Security of transport and technology	[9]

Empowering factors / Tohu Whakamana

Factor III: Self-determining individuals / Tangata Motuhake
Providing skills and tools for individuals to live the life they want.

10.	Employment literacy	[5]
11.	Education literacy	[13]
12.	Health literacy	[12]
13.	Financial literacy	[9]
14.	Transportation literacy	[4]
15.	Technological literacy	[2]
16.	Civic literacy	[38]
17.	Housing literacy	[2]

Factor IV: Self-determining communities / Hapori Motuhake
Providing social infrastructure to meet specific community needs.

18.	Resource allocation	[4]
19.	Community decision making	[4]
20.	Curriculum, teachers and students	[15]
21.	Harmful products and services	[7]
22.	Social infrastructure	[22]
23.	Community projects	[4]
24.	Medical services	[6]
25.	Home ownership, rentals and shared housing (affordable housing)	[14]
26.	Culture of care	[5]
27.	Grandparents raising grandchildren	[3]
28.	Financial assistance and tax systems	[8]
29.	Local economy	[8]
30.	Explore innovative ways to package debt	[4]

Factor V: Self-determining nation / Iwi Motuhake
Providing a strategic approach that optimises both public good and economic enterprise.

31.	Central government strategy to tackle poverty	[5]
32.	Mental health services review	[1]
33.	Think Tank: takahanga tuatahi – The first footsteps	[1]

2.3   Opportunities exist for central and local government

Central government should focus on providing sustaining factors to lessen the effects of poverty in a cost-effective, timely and equitable manner. This should be done through simplifying and standardising existing systems that provide essential products and services. Here is how this might actually function in real life. Assuming client A has an urgent need for food, they contact the local MSD office by phone, email, or in person, stating their address, name, and the ages of those who will be receiving food. Similar to My Food Bag or HelloFresh, this could be picked up or delivered right to the door of the family or individual in question. Given that the address and identities are now known to MSD employees, the next step would be to follow up on the other sustaining components, such as clothing and bedding, emergency and social housing, etc. Although commendable, the present silo approach to feeding the hungry through volunteers frequently institutionalises poverty by creating a dependency – the provider often does not provide other support services and the power is with the provider not the receiver. This sustaining system is intended to shift responsibility for meeting basic needs to the government by establishing a more equitable, dependable, and

integrated system for all New Zealanders in need of basic goods and services. The aim is for individuals and families to move as quickly as possible from the sustaining stage to the empowering stage.

Local government and communities should focus on providing empowering factors to empower and enable individuals and families to remain out of poverty. This approach would require more personalised care and guidance (a unique package of needs for each individual), and the development of long-term relationships between service providers and individuals/communities. This approach is expensive in terms of both human capital and the expertise required, as providers must understand the niches of their specialised areas and relative systems. As such, this empowering approach must be decentralised and placed into the hands of local government or local agencies, and deployed as each region sees fit. This system will need its owns set of checks and balances to ensure products and serices are delivered in a timely, cost-effectiive and fair manner.

One possibility is to create demarcation zones that enable local communities to test innovative policy approaches, which, if successful, can be replicated around the country. Conal Smith in his 2017 *Think Piece 26: Doing Something About Poverty in New Zealand* explained it this way:

> One way to address [poverty] would be to create special demarcation zones in a limited number of high-need areas. These special demarcation zones would place a sizable proportion of the funds currently allocated to contracted social services by central agencies (Ministries of Health, Social Development, Education, Justice, Corrections and the Department of Internal Affairs) to a regional body able to allocate funding within the zone. These zones would decentralise control by empowering people who reside in the area and are part of the community to direct resources in a way that addresses local needs, and to experiment with new models of service provision.
>
> Such zones would represent a significant break from the past, and would carry significant policy risk. However, they would also have three key advantages. First, they would significantly reduce gaps in the need-decision-provision cycle for social services, and would contribute to more targeted and responsive service provision. Beyond this, special demarcation zones would allow for experimentation at the programme level and more rapid roll-out of national trials for programmes that worked locally. Finally, special demarcation zones would allow for experimentation at the regional level with different models of regional development. The emphasis McGuinness Institute Think Piece 26 on experimentation here is deliberate. Devolving spending power to the regions creates opportunities to try out new things and learn – both from success and from failure – in a way that current structures have difficulty providing.[5]

2.4   More can still be done in terms of strategy

The Institute understands that many obstacles still exist in the realm of strategy development and execution. While the inclusion of poverty in government department strategies (GDSs) is increasing slightly,[6] the current rate of development and robustness is insufficient to bring about any meaningful change. Critical elements such as stewardship, clarity of responsibility, and clear review systems are either too weak, or missing altogether. This is concerning as GDSs, if working as intended, could be a very useful tool in targeting complex issues such as poverty. See Figure 6 below and *Working Paper 2022/08 – Analysis of Poverty in Government Department Strategies as at 31 December 2021* (November 2022).

2.5   There is no magic bullet for tackling poverty in its many forms

Attempts by Parliament to manage and reduce poverty go back many years. On 31 May 1912, a Royal Commission of Inquiry into the Cost of Living in New Zealand was established to inquire into the cost of

living and report on questions concerning topics such as changes in the cost of living over the past 20 years and what effect the movements of the urban and rural populations had had on the cost of living.[7] The Commissioners were required to answer a number of questions; examples (with their answers) are as follows:

(i) Has the cost of living increased in New Zealand during the past twenty years? If so, has that increase been more marked during the last ten than the previous ten years?
Answer: In the 20 years between 1891 and 1911, the cost of living had increased by 16%. This rise was more marked after 1901 than before.

(ii) To what extent is the increased cost of living, if any, the result of a higher standard of living?
Answer: The standard of living, which had risen very considerably, rose due to the growing surplus of income left after paying the cost of living. Despite the standard of living increasing dramatically and general prosperity, a large amount of room for individual poverty remained. The Commission sought to determine if people had the ability to pay for desirable items such as luxuries. While they found that in 1910 there were 408,770 depositors in the savings banks (almost one in two people, including children, out of a population of approximately one million), they noted: 'The savings are often of a petty character; the struggle against competitors severe; and the very fact of higher standards of life becoming general makes the strife for existence among the very poor the harder and more galling to endure.'[8]

(iii) What causes generally have brought about the increased cost of living?
Answer: While some measures were difficult to identify, 12 major factors were identified by the Commission as contributing to the rising cost of living. Among these were an increased supply of money (outstripping the volume of goods and services to be exchanged), an increased cost of production of farm-products (along with increased demands for food produced within New Zealand), and local combinations, monopolies, and trusts, commercial and industrial, raising prices to consumers and discouraging initiative and self-reliance.

One observation is that this approach of seeking out specific answers to questions relating directly to changes in the cost of living might be useful.

2.6   Cost of living continues to challenge other countries

New Zealand is not alone in facing increases in the cost of living; many countries are currently experiencing significant increases in the cost of living, which may make poverty more complex and difficult to manage in the future. Below we briefly discuss the UK experience, as a preliminary insight into what is happening globally.

In October this year (see Figure 2 overleaf), the United Kingdom Consumer Prices Index reached 11.1%, its highest point in over 40 years (omitting costs related to housing), an increase of 6.9% since October 2021 (recorded at 4.2%). Major factors in these dramatic changes to consumer prices relate to energy and food, with gas and electricity prices making the largest contribution to the change observed since September this year, followed by rising food prices.[9]

Figure 2: Annual inflation rates in the United Kingdom over the last ten years

Source: Office for National Statistics, Figure 1, *Consumer price inflation, UK: October 2022*[10]
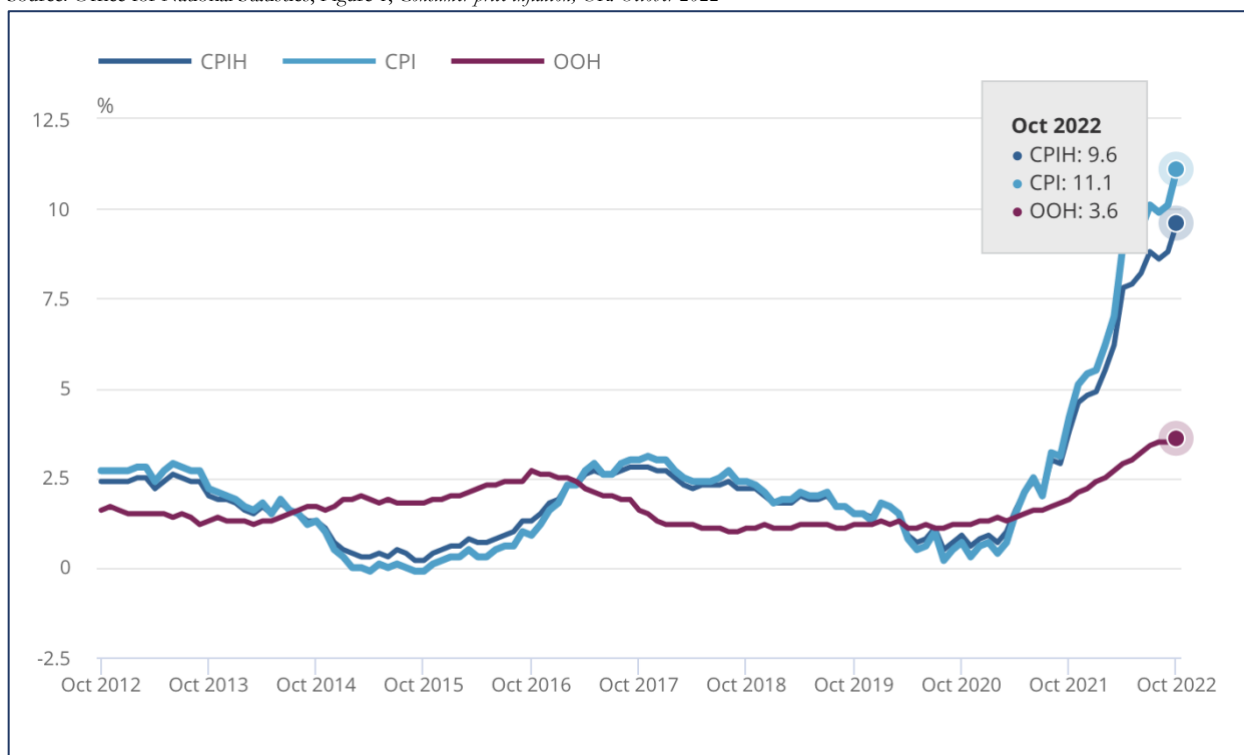
Note: CPI is the Consumer Prices Index and is the UK Government's main measure of inflation for macroeconomic management purpose, CPIH is the Consumer Prices Index, including owner occupiers' housing costs, and OOH is owner occupiers' housing costs.[11, 12]

The House of Commons Library published a research briefing in October this year addressing many of the factors involved in the surging inflation, policies in place, and some of the impacts that are being felt across the UK in response.[13] Of note, the briefing identified:
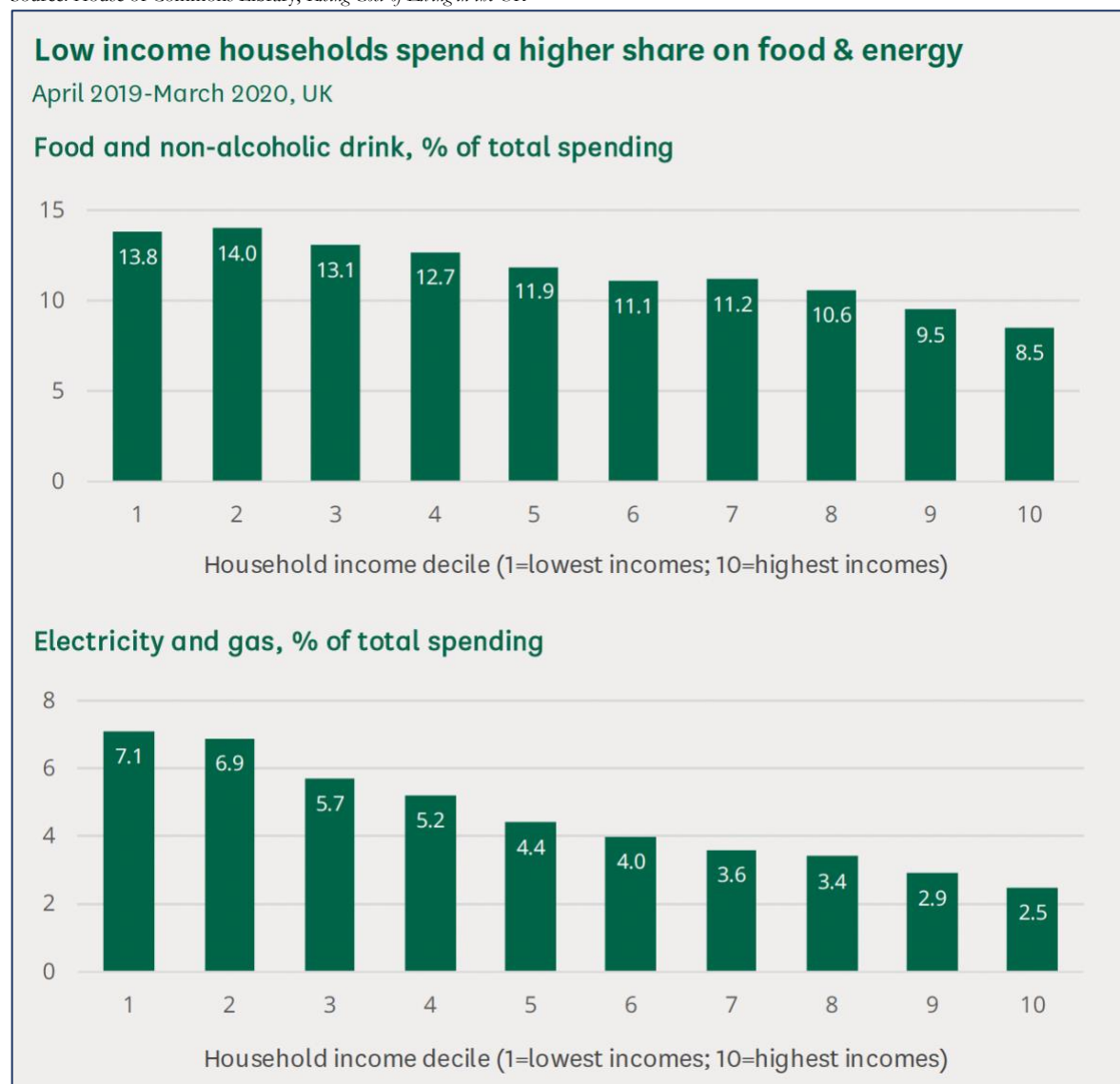
(i)   changes in the cost of energy (due to the increases in household energy tariffs, wholesale gas prices, and road fuel prices);

(ii)   changes in the cost of food and drink (a 14.5% increase) due to supply chain issues, energy prices, transport prices, labour shortages, and limitations to Ukraine's agricultural exports; and

(iii)   changes in growth of private rental prices (a 3.6% increase over the year to September 2022), the largest annual growth for the UK since January 2016.[14]

Up to April 2022, those in different income deciles experienced overall similar levels of inflation. However, in April 2022, individuals in the lowest income decile experienced 3% higher inflation rates than those in the higher deciles (due to their larger proportion of spending on food and energy,[15] see Figure 3 overleaf).

Figure 3: Percentage of spending on food and energy by income decile, in the UK

Source: House of Commons Library, *Rising Cost of Living in the UK*[16]

Low income households spend a higher share on food & energy

April 2019-March 2020, UK

Food and non-alcoholic drink, % of total spending

Values by household income decile (1=lowest incomes; 10=highest incomes): 1: 13.8, 2: 14.0, 3: 13.1, 4: 12.7, 5: 11.9, 6: 11.1, 7: 11.2, 8: 10.6, 9: 9.5, 10: 8.5

Household income decile (1=lowest incomes; 10=highest incomes)

Electricity and gas, % of total spending

Values by household income decile (1=lowest incomes; 10=highest incomes): 1: 7.1, 2: 6.9, 3: 5.7, 4: 5.2, 5: 4.4, 6: 4.0, 7: 3.6, 8: 3.4, 9: 2.9, 10: 2.5

Household income decile (1=lowest incomes; 10=highest incomes)

2.7   Quality data and case studies are necessary

Poverty is not caused in isolation. There are many factors that lead to an increase in poverty. It is essential to understand what factors are fuelling poverty and what initiatives are effective in decreasing poverty. To do this we need quality data (e.g. statistics) and information (e.g. case studies). For example, it is important to understand not only the extent to which poverty is increasing in Rotorua but what initiatives are working in Rotorua, so that successful initiatives can be scaled and/or replicated.[17]

The Institute would also like to note that global trends will continue to shape who is harmed by poverty and over what time frames; therefore it is important to understand how current and emerging trends might impact poverty in the future. Understanding the possible effects of these trends is crucial to building a forward-looking and resilient framework. We therefore suggest that a successful outcome of the Productivity

Commission's work would be for the government to create a good data and information system to track and monitor progress.

2.8   Climate poverty is not yet well understood

How climate change might further lock in persistent disadvantage is unclear but climate change must create further challenges and push many additional New Zealanders into the poverty trap. Work is required in this area to better understand the implications.

2.9   A tackling poverty policy framework is required

New Zealand must put in place a policy framework to tackle poverty. Such a framework should set out a number of concise high-level policies and related detailed procedures and guidelines, complemented with various levels of documentation, in order to develop a cost-effective, integrated and aligned approach to tackling poverty. Part of this framework must include enabling local communities to have some control over developing unique solutions for their area.

There are some existing frameworks in place that attempt to tackle aspects of poverty, such as the Child Poverty Reduction Act 2018. However, there is no central entity that is tasked with providing independent, impartial and evidence-based advice on eradicating persistent disadvantage as a whole.

To this end, the Productivity Commission could recommend the establishment of a Tackling Poverty Commission, along the lines of the Climate Change Commission (formed in order to guide government towards reducing emissions by 2050 and achieving a climate-resilient future).[18] The advice should be long-term, evidence-based and globally relevant (e.g. provide guidance on reaching the first goal of the UN Sustainable Development Goals (SDGs) – to end poverty in all its forms everywhere by 2030).[19]

There are international examples of similar entities. In response to high rates of child poverty, Scotland passed the Child Poverty Act 2017, which set out targets of reduction in child poverty by 2030 and established a statutory Poverty and Inequality Commission, active from July 2019.[20] Scotland's Poverty and Inequality Commission acts similarly to Aotearoa New Zealand's Climate Change Commission; it is an 'advisory non-departmental public body which provides independent advice and scrutiny to Scottish Ministers on poverty and inequality'.[21] The Commission's actions include analysing the impact of policies and the use of resources, and monitoring progress made towards reducing poverty and inequality.[22]

The establishment of this new commission could be enacted in the Child Poverty Reduction Act 2018, setting out its purpose, functions, duties and powers.

3.0 Answers to consultation questions

Question 2.1: Do you support our framing of wellbeing and how disadvantage can arise from a lack or break down in one or more of the four dimensions? Are there any core factors or elements missing that would help us to understand and break the cycle of persistent disadvantage?

Yes, the Institute supports the Commission's framing of wellbeing and disadvantage, being mana tuku iho (identity and belonging), mana tauutuutu (connection and balance), mana āheinga (aspiration and capability), and mana whanake (prosperity).

The five factors listed in the Sustaining Factors and Empowering Factors Framework (see Figure 1), and the sub-factors within, echo similar values. Of note in the Institute's framework is Factor V: Self-determining nation – Iwi Motuhake, which aims to provide a strategic approach that optimises both public good and economic enterprise.

The Institute would also like to note the relationship between the two terms 'social inclusion' and 'social cohesion'. Social inclusion is defined on page 32 of the Commission's report as 'emphasis[ing] the presence of opportunity for an individual, family or community to participate and connect'. In contrast, social cohesion can be applied to society as a whole, as opposed to either the individual, their family, or their communities. While there is no single accepted definition of social cohesion, an OECD report considers a society to be cohesive if it 'works towards the well-being of all its members, fights exclusion and marginalisation, creates a sense of belonging, promotes trust, and offers its members the opportunity of upward social mobility'.[23] Alongside this, the report indicates social inclusion, 'measured by such aspects of social exclusion as poverty, inequality and social polarisation',[24] as one of three lenses of social cohesion, suggesting inclusion is only part of the greater goal of cohesion within society as a whole (see Figure 4 below).

Figure 4: The components of social cohesion
Source: OECD, Figure 2.1, *Perspectives on Global Development 2012: Social Cohesion in a Shifting World*[25]
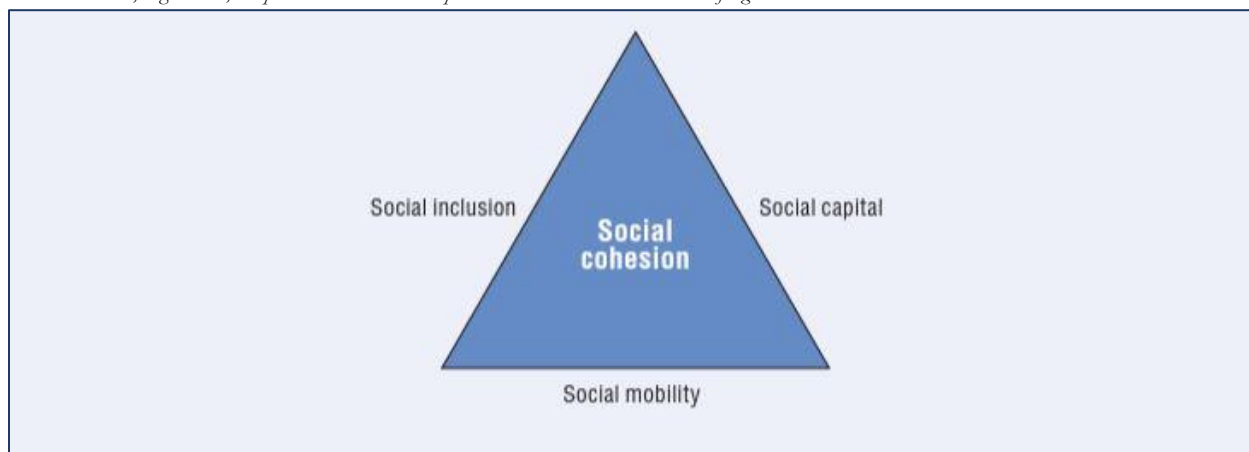
Question 3.1: Do you have any additional suggestions as to how the Government might measure or assess persistent disadvantage?

Overall, the Institute agrees with the methods proposed by the Commission for the measuring or assessment of persistent disadvantage. An increase in longitudinal data collection will aid in providing more detailed and accurate information on what initiatives are working (or not), emerging trends, and possibly even regionally based insights, which in turn will allow for more region-specific strategies.

An increase in data on poverty would enable service providers to highlight high-risk areas and groups. Improving the longitudinal data relating to these areas and groups allows for the creation of area- and time-specific policies.

The Institute is concerned, however, with the decision to exclude those who are aged over 64. While we acknowledge the previous research listed by the Commission, which found that those aged 65 and over experienced higher material wellbeing and lower levels of deprivation and exclusion, we believe it is contradictory to the Commission's vision of providing all within Aotearoa New Zealand with a fair chance. As part of the *TacklingPovertyNZ* workshops hosted by the Institute, participants selected preferred topics of discussion in terms of the impact of poverty (which we referred to as domains), including the option of the elderly. The elderly domain was selected relatively frequently compared to others (see Figure 5 below). Many were aware that elderly poverty was often well hidden in their community – the elderly were embarrassed to admit that they needed help.

Figure 5: Frequency of domains across all workshops
Source: McGuinness Institute (2017), Figure 3, *Working Paper 2017/01 – TacklingPovertyNZ 2016 Tour: Methodology, results and observations*[26]
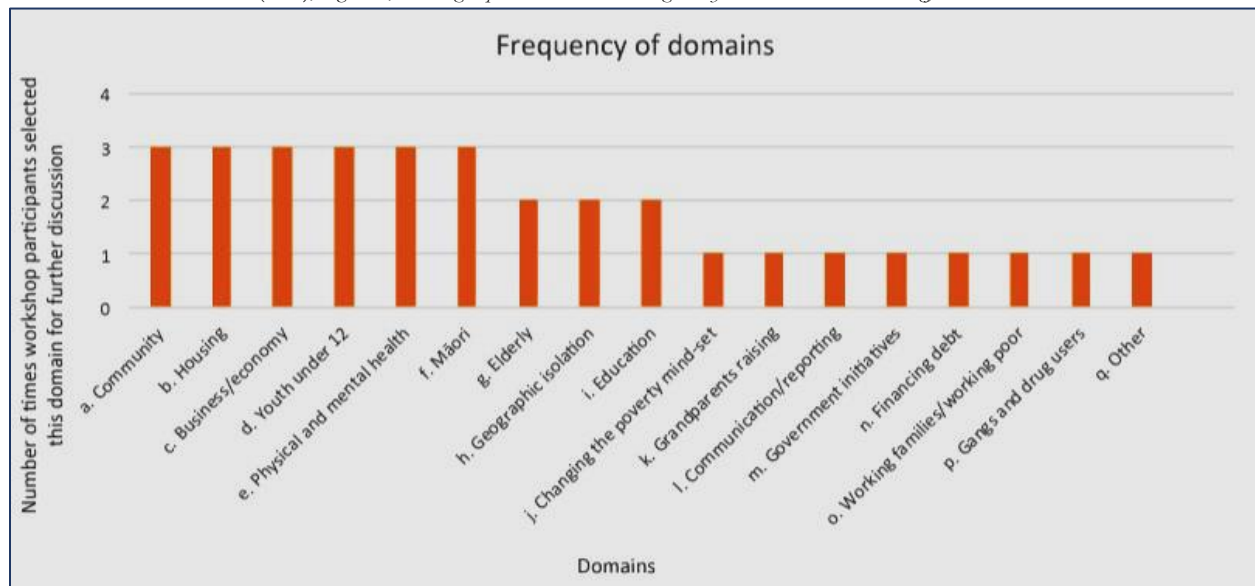
Question 5.1: Do you have any comments to make on specific policy areas listed in Table 5.1, where reforms are currently under way, and what needs to happen in those areas so that the chances of someone ending up in persistent disadvantage are minimised? Do you agree that the reforms may well be necessary, but will not be sufficient in completely unlocking persistent disadvantage?

The Institute supported the social investment approach, established by Hon Bill English. It was evidence-based and provided a practical and measurable model. The current approach, the Social Wellbeing Agency,[27] from the outside, appears to have done little to reduce poverty. However, this may be due to its low profile.

It is important to consider how cities and urban communities might unintentionally fuel persistent disadvantage by creating unhealthy environments and cultures. For example, police data shows violent assault charges in Wellington City have spiked, up from 112 in May 2015 to 304 in May 2021.[28] To what extent poverty impacts on violence (and vice versa) is unclear but it is an important to design initiatives in such a way that they minimise the risks of accidentally creating environments that might generate persistent disadvantage.

Equally the extent to which poverty is extenuated or reduced when challenged individuals and families are grouped together (often in city centres, in hotel accommodation) is also unclear, but one would expect this is not a long-term solution to tackling poverty or specifically breaking the cycle of persistent disadvantage.[29]

The impacts of climate change are likely to be uneven for different groups. Such inequalities, when left unchecked, will destabilise society. Finding ways to share the benefits of growth and making the world more equitable will be the key to a successful society.

The current system is unlikely to be enough to change the dial. Like climate change, poverty requires a long-term strategy, monitored frequently, and delivered effectively and consistently. Effective management, transparent reporting of progress, and overall accessibility and accountability will all be important, but innovation and the courage to try out and maintain durable and new systems are essential.

Question 5.2: How embedded are these ways of thinking in the public management system we have today? Or do you see different assumptions embedded now?

This is a difficult question to answer, but we note that the 36 participants of the 2015 *TacklingPovertyNZ* workshop identified five myths that they believe exist in the public domain when discussing poverty in New Zealand:

- Poverty doesn't exist in New Zealand.
- Those on a benefit have it 'easy'.
- One size fits all.
- Benefits cause people to become dependent on the system.
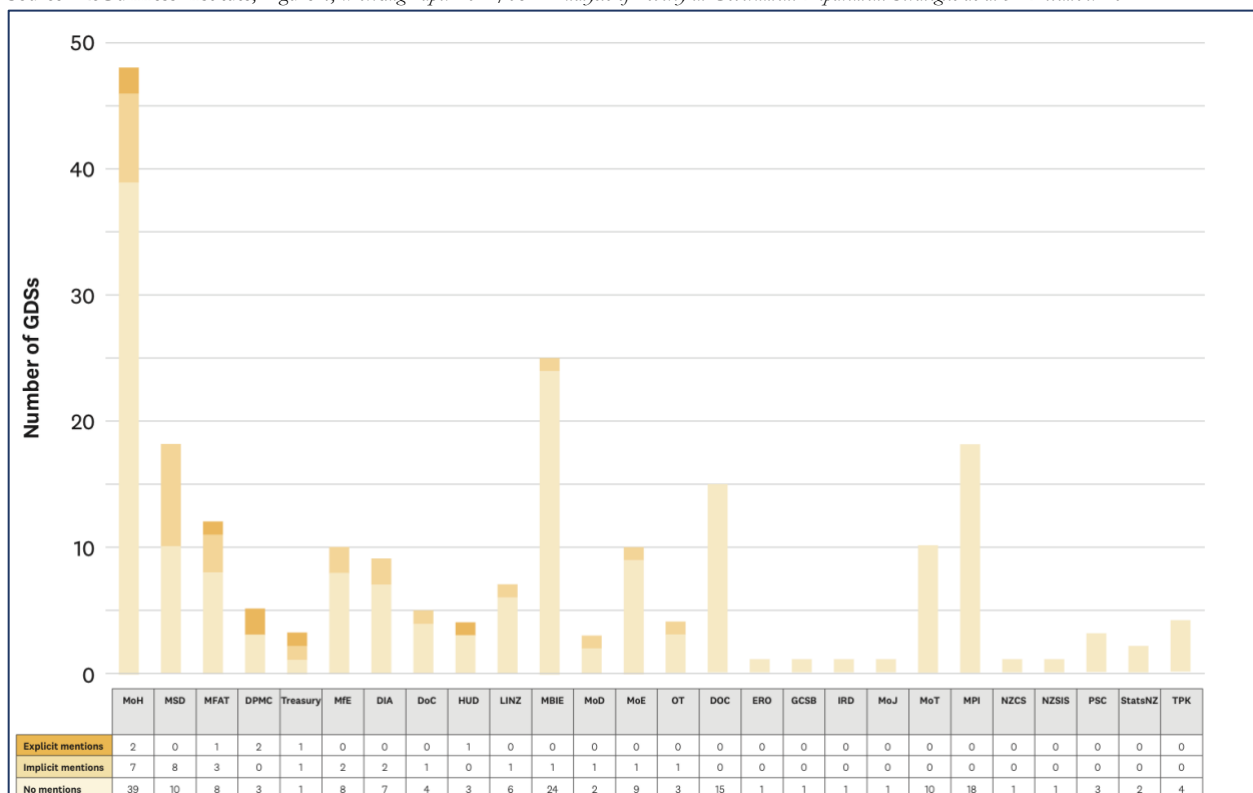- 'Just get a job.'[30]

Question 5.3: Do you agree with the barriers we have identified? How can they be overcome?

The Institute agrees with two of the four identified system barriers: a siloed and fragmented government, and short-termism and a bias towards the status quo. However, we are less sure about the extent to which power imbalances and the ongoing impact of colonisation have impacted on the cycle of persistent disadvantage.

The 2021 update of the Institute's *GDS Index* series illustrates how inadequately poverty is considered by government departments when writing strategy documents. Figure 6 illustrates the mentions of poverty in all 221 strategies held by their respective departments. Only seven of the 221 GDSs explicitly mention poverty and the Ministry of Social Development (MSD) has no strategies that explicitly mention poverty. We believe a key obstacle is the failure of departments to design an integrated approach to tackling poverty, both within their departments and when collaborating with other departments.

Figure 6: GDSs in operation as at 31 December 2021, ranked in order of number of mentions of poverty

Source: McGuinness Institute, Figure 4, *Working Paper 2022/08 – Analysis of Poverty in Government Department Strategies as at 31 December 2021*[31]

	MoH	MSD	MFAT	DPMC	Treasury	MfE	DIA	DoC	HUD	LINZ	MBIE	MoD	MoE	OT	DOC	ERO	GCSB	IRD	MoJ	MoT	MPI	NZCS	NZSIS	PSC	StatsNZ	TPK
Explicit mentions	2	0	1	2	1	0	0	0	1	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Implicit mentions	7	8	3	0	1	2	2	1	0	1	1	1	1	0	0	0	0	0	0	0	0	0	0	0	0	0
No mentions	39	10	8	3	1	8	7	4	3	6	24	2	9	3	15	1	1	1	1	10	18	1	1	3	2	4

Question 6.1: What are the values and assumptions that you think are needed to shift our public management system to be better equipped to deal with persistent disadvantage?

Although these are neither values or assumptions, we believe alignment, measurement and accountability are important characteristics that drive change.

Question 6.2: Do you agree with our assessment that an all-of-government system lead role for public accountability should be designated? Do you have any views on which agency or agencies should have overall responsibility for establishing and reviewing public accountability settings? This could be an existing agency or a new agency.

See discussion in 2.9 above. We recommend the establishment of a Tackling Poverty Commission, along the lines of the Climate Change Commission (formed in order to guide government towards reducing emissions by 2050 and achieving a climate resilient future).

In relation to the sustaining factors (I and II) and empowering factors (III, IV and V) (illustrated in Figure 1), we consider:

- The sustaining factors should be managed by the Ministry of Social Development.
- The empowering factors are better dealt with at a local level but could be overseen by a central agency.

Question 6.3: What do you see as the necessary changes to our public accountability settings so that they enable our public management system to respond better to those in persistent disadvantage? How might those changes come to life? What changes might be needed at different levels of the system?

See answer to Question 6.2 above.

Question 6.4: How do you think the public sector should be held accountable for how it does its work and the values it upholds?

The Institute believes the five values of He Ara Waiora – kotahitanga (unity), whanaungatanga (positive relationships), manaakitanga (care and respect), tikanga (protocol) and tiakitanga (guardianship or stewardship) – provide a useful lens for government departments to report against.

Government departments should firstly be required to disclose how they plan to meet these five values within their statements of intent. Secondly, the annual reports of government departments should be required to disclose information on these values being met, for example, progress towards meeting certain targets or the outcomes of work completed by the department and how this aligns with any of the five values. The Institute suggests this be included as part of s 40(2) and s 45(2), or as new subsections entirely, of the Public Finance Act 1989 in order for this to take effect.

The Institute notes that although this greater level of reporting and transparency is desired, the Office of the Auditor-General (OAG) states that more is needed from the underlying processes for this to be effective:

> Greater transparency and reporting will not be enough to provide effective public accountability if the underlying processes do not:
> - start with an understanding of what is important to Parliament and the public through more effective accountability relationships;
> - reflect a clear and agreed vision and strategy for effective public accountability;
> - provide the flexibility to tailor, integrate, and align accountability information in a way that meets the expectations of Parliament and the public;

- broaden and strengthen the channels for debate and discussion with Parliament and the public; and use consequences that are clear, understood, fair, and provide appropriate incentives or sanctions.[32]

Question 6.5: How do public accountability reporting requirements need to change to align to the intent of a more joined-up and collaborative public service?

The Public Service Commission seems the natural department to help create a more joined-up public service. As it is the central public service department of New Zealand charged with overseeing, managing and improving the performance of the state sector of New Zealand and its organisations, it could put in place better accountability reporting requirements. There is also a role for the OAG to audit against any existing or proposed public accountability reporting requirements.

Question 6.6: In what ways do you see accountability for devolved services, or the future of social sector commissioning being tailored? What are the essential issues to be considered?

The Institute would like to make note of a 2004 report titled *Transparency and Accountability in Government Decision-Making: Devolved Service Delivery*, published by the OAG. The report highlights how the legal framework in place designed to ensure lawfulness, consistency, transparency, and accountability can become impaired in the case of devolved services:

Public law mechanisms and remedies apply directly to the Executive and those entities which are defined for particular purposes as being part of the public sector … However, other mechanisms and remedies become seriously diluted once service delivery is devolved out of the hands of those entities which form part of the public sector. In some cases their availability depends on the terms of the service delivery contract. For example:

- The Official Information Act applies primarily to information held by an independent contractor to a Minister, department or organisation ('principals'). Section 2(5) of the Act deems information held by an 'independent contractor' of a principal to be held by the principal. However, a requester's ability to access that information through the Act's request provisions is contingent upon the principal either holding the information itself or having power to require its production under the contract of engagement.
- The Ombudsmen Act does not apply to the administrative acts or omissions of a contractor that is not itself a department or organisation as defined in that Act.
- The requirements of the Public Finance Act in relation to parliamentary appropriations (in particular, the prohibitions on money appropriated by Parliament being spent otherwise than in accordance with appropriation) apply only to the Crown and not to any Crown entity or other third party.
- The jurisdiction of the Auditor-General can be exercised only in relation to 'public entities' as defined in the Public Audit Act, and not NGOs – although the Auditor-General does have powers under the Act to 'follow' a public entity's money into another organisation when acting in the capacity as the auditor of the public entity.
- Parliamentary financial oversight of an NGO is possible only if the entity is declared a "public organisation" under Standing Orders. Select committees' inquiry powers could however be exercised in relation to an NGO.
- The availability of judicial review is primarily limited to the extent to which statutory powers of decision are involved. However, the precise limits of the reach of judicial review are unclear, as the courts are becoming increasingly willing to review exercises of power which in substance are public or which have important public consequences, no matter how the origins of the power and the body exercising it are characterised.[33]

This is one of the issues with initiatives to reduce poverty. Many operate in a decentralised, uncoordinated and often voluntary manner (e.g. food banks, breakfasts for students etc). Given the importance of the sustaining factors (see Figure 1), it seems logical for these services to be managed centrally (to ensure they are of equal standard, are provided to all of equal need, and are fairly distributed across the country).

> **Question 6.7: What ideas do you have to increase the ability for people to be involved in governance, decision making and accountability of the public management system? What is getting in the way of making this happen?**

The Institute believes a possible way of increasing the ability for people to be better involved in the governance and decision making of the public management system (especially long-term goals set by the system) is the action of 'future-checking'. The process of 'future-checking' would involve primarily the younger generation of Aotearoa New Zealand acting as a 'jury' to evaluate and comment on long-term goals before they are set, essentially stress-testing the integrity and stability of these goals. It could be a requirement for each department to have policy tested by employees under 30 years of age (a jury).

In a more general sense, increasing communication between the public sector and the public would better enable the public to be involved in the governance, decision making and accountability of the public management system. More information could be made publicly available, including what public organisations do, their projects, and progress or developments in these projects. The 2021 OAG report *Building a stronger public accountability system for New Zealanders* notes that the communication could be as simple as using a 'one-stop' government website or national and local newspapers (the other ways were annual reports, face-to-face communication, information at local community libraries and venues, organisation websites, and social media).[34]

> **Question 6.8: Do you have any ideas about how our public accountability settings could improve accountability to future generations?**

At this point in time, the public accountability system in Aotearoa New Zealand is based on the United Kingdom's Westminster 'chain' of accountability (see Figure 7 overleaf).[35] Over time the mechanisms and relationships involved in the management and delivery of public services and outcomes have expanded. It is in this sense that the Westminster model falls short of taking into consideration how public services are delivered, and to whom, as it mainly considers accountability in terms of the allocation of funding.[36]

Figure 7: The Westminster chain of accountability
Source: Office of the Auditor-General, Figure 4, *Building a stronger public accountability system for New Zealanders*[37]
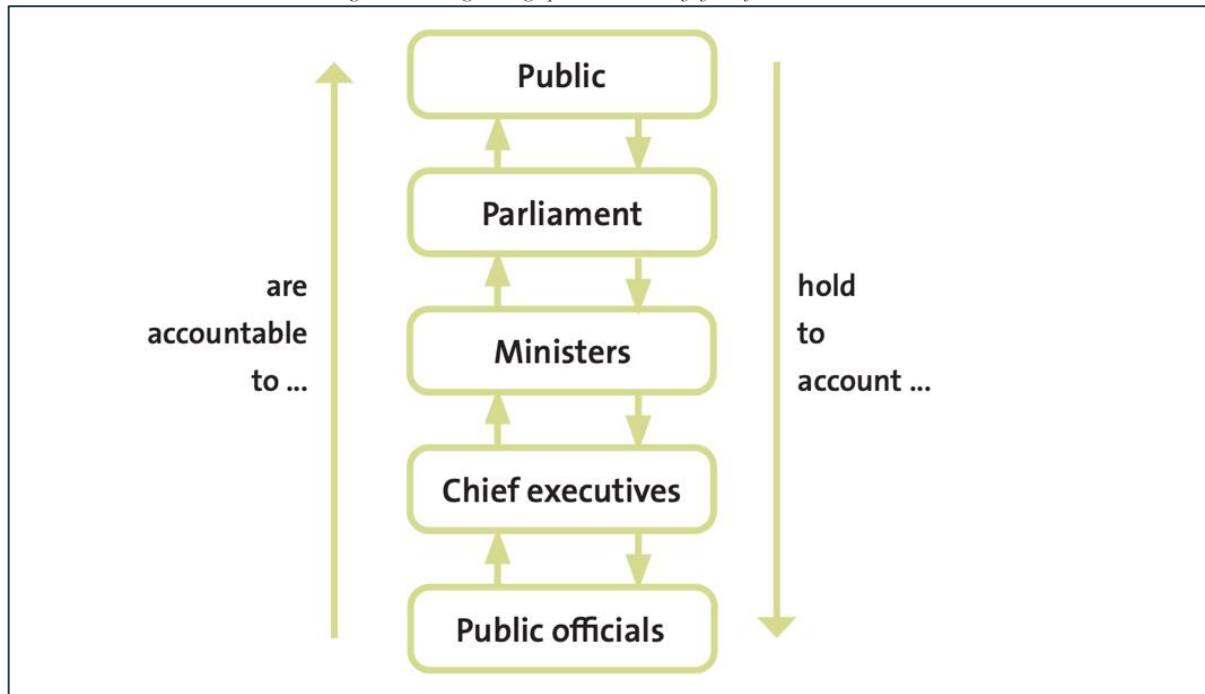

Figure 8 (overleaf) illustrates today's accountability interactions between the public sector and the public. While it has grown substantially, the OAG notes a large entanglement of institutions, roles, relationships and expectations, and certain accountability relationships that are still missing:

- the accountability relationships related to te Tiriti o Waitangi;
- the many other accountability relationships with related organisations and institutions, including the judiciary, the media, the New Zealand Police, the Serious Fraud Office, subsidiaries, council-controlled organisations, departmental agencies, the Head of State, professional institutions, international institutions, and the private/non-governmental organisation sector;
- collaborative working arrangements between public organisations, such as the Joint Venture for Family Violence and Sexual Violence;
- information transfer mechanisms, such as the Official Information Act 1982, reporting, and complaints; and
- informal or as-required relationships that arise from time to time (for example, public sector consultations about proposed policies with the public).[38]

Figure 8: Mapping the public accountability system
Source: Office of the Auditor-General, Figure 5, *Building a stronger public accountability system for New Zealanders*[39]
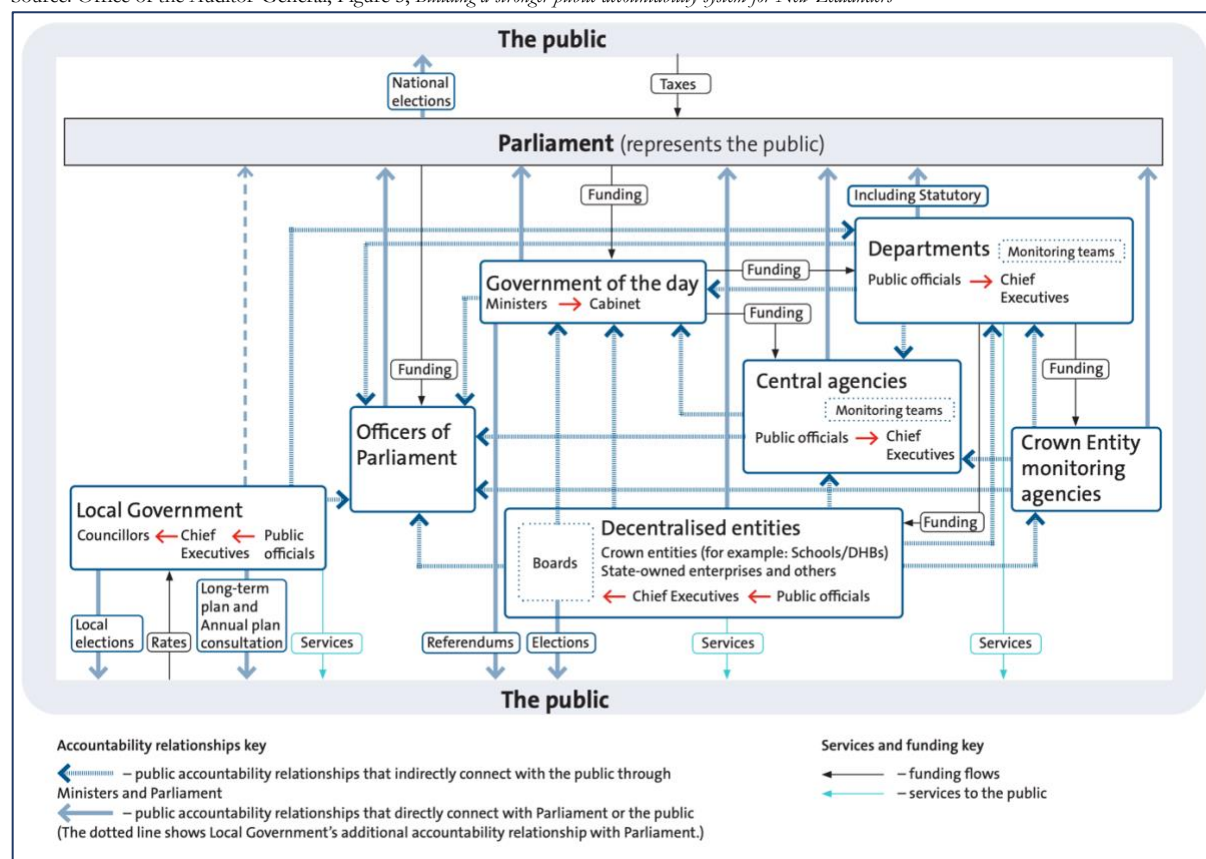
We support OAG's view.

Question 6.9: What ideas do you have for how the Government and public sector can increase transparency of Budget spending decisions and how that spending can be evaluated against certain goals?

The OECD, in partnership with the Global Initiative for Fiscal Transparency (GIFT) Network, published the *Budget Transparency Toolkit: Practical steps for supporting openness, integrity and accountability in Public Financial Management*. The paper lists what is considered to be the most important recognised benefits of budget transparency, including accountability, integrity, inclusiveness, trust, and quality. It also provides a number of official standards and guidelines and international examples of successful implementation of the these.

The Institute would like to note a few of the examples listed in the paper, which could be implemented into the New Zealand Government's budgeting processes in order to increase transparency and accountability. Below are a few thoughts.

Firstly, the United Kingdom undertakes year-end reporting in which the government undertakes 'a more detailed evaluation of an individual ministry's spending programme (Spending Review) including assessing what the government spent over the last few years in terms of trends, productivity and value'.[40] The OECD notes that '[y]ear-end reporting is essential for accountability, both for reporting on actual budget execution

during the year (budget execution reports) and for illustrating the situation of the government's accounts at the end of the fiscal year (financial statements)'.[41] Currently the Treasury does not publish year-end reporting on behalf of the New Zealand Government in terms of budget spending decisions throughout the year, or performance measures to consider the effectiveness and value of said spending.[42]

Secondly, Korea enables realistic and informed public participation, ensuring that the public can form an overview of budget design, results and impacts, and setting the basis for a productive and meaningful engagement with other stakeholders in the budget process. This is done through six mechanisms that span the entire budget cycle:

> During the budget formulation stage, 1) formalised open discussions for the public are held 2) representatives from the Ministry of Finance hold meetings with local government officials and citizens 3) a fiscal policy advisory council" reviews and finalises the budget, and 4) an assembly expert hearing is conducted. During the implementation stage, 5) a budget waste reporting centre" [*sic*] can be used by citizens to report any suspected misuse or waste of public funding. In the auditing stage, 6) citizens have the opportunity to make suggestions to the board of audit and inspection on which public entity operations or expenditures to audit.[43]

Thirdly, Ireland's Department of Finance publishes monthly profiles of expenditures and revenues at the start of each year. These profiles form an important point of reference for monthly reporting to the public on budgeting execution. The OECD notes, 'Pre-execution budget profiles or cash-flow forecasts show how budget expenditures and revenues are projected to arise over the course of the year in broad terms, and provide a useful benchmark for in-year monitoring.'[44] The *Budget Economic and Fiscal Update* documents published by the Treasury do not currently provide monthly profiles and projections, only yearly. However, the Institute acknowledges the difficulty in providing accurate monthly projections as careful attention is required to seasonal factors, expected one-off events and other factors that can lead to large fluctuations in revenues and expenditures.[45]

> **Question 6.10: What do you see as the necessary changes to our policymaking and funding frameworks so that they respond better to supporting those in persistent disadvantage and prevent the intergenerational transmission of that disadvantage? How might those changes come to life? Who (which agency/agencies) do you think needs to take responsibility for steering these changes?**

Think Piece 26: Doing Something About Poverty in New Zealand, published by the Institute, makes note of seven possible policy shifts that could be implemented with the aim of changing how New Zealand addresses poverty. The seven shifts were identified out of the total 240 ideas that emerged from the workshops. Out of the seven, those that are relevant in answering this question are listed and briefly explained below.

(i)   Simplify and standardise the benefit system.
The current welfare system (from 1993 onwards) is built around relatively low core welfare-benefit rates and an extensive array of supplementary and discretionary assistance to meet the needs not covered by the core benefits. This has the advantage of targeting expenditure very closely on need while maintaining a relatively large gap between core benefit levels and wages. However, it also has a number of disadvantages. Implementing the system is expensive, with Ministry of Social Development operating costs of approximately $1.5 billion per year. It is difficult for those in need of benefits to understand what they are entitled to, and obtaining discretionary assistance can represent a significant drain on beneficiary time and effort that could be

better used elsewhere. Perhaps more importantly, the system is very badly designed from the point of view of encouraging benefit recipients to manage independently.

A simpler system would reduce the cognitive burden and time burden on beneficiaries, resulting in a net gain in wellbeing even without behavioural change. Finally, a simpler system with less discretionary assistance would encourage a culture of managing on a fixed income, much more analogous to living on wages than the current benefit system.

(ii) Introduce special demarcation zones in regions of high need.
There is clear evidence that location plays an important role in the differences between those affected by poverty. Despite this, comparatively little social assistance is targeted specifically at a regional level, and the little existing regionally targeted assistance is spread across multiple agencies.

One way to address this would be to create special demarcation zones in a limited number of high-need areas. These special demarcation zones would place a sizable proportion of the funds currently allocated to contracted social services by central agencies (Ministries of Health, Social Development, Education, Justice, Corrections and the Department of Internal Affairs) to a regional body able to allocate funding within the zone. See discussion in Section 2.3.

(iii) Apply a social investment approach to investment in 'hard' regional infrastructure.
Many countries – both developed and in the developing world – have specific regional development plans. In contrast to this, New Zealand tends to take a relatively centralised approach. However, despite our small population size, we are a relatively large country geographically, with significant regional differences in infrastructure needs. Poor infrastructure coincides geographically with areas that are among the most disadvantaged in social and economic terms, including Northland, the East Cape, and parts of the central North Island.

One obvious way to address regional disadvantage is to invest directly in regional development, particularly through 'hard' infrastructure such as roads and bridges. Currently strategic national infrastructure decisions are taken centrally on the basis of a cost-benefit analysis that is heavily weighted towards areas with more people and higher levels of economic activity. A broader social investment approach to regional infrastructure would weight regional economic development and the social gains from better regional infrastructure in deprived areas more heavily.

Beyond this, there are two additional gains. First, investing in regional infrastructure in places like the East Cape or rural Northland would both increase tourist numbers in these areas – providing an economic boost – and assist in spreading the burden of tourism more evenly across the country. Second, improved infrastructure contributes to addressing another key issue repeated across the *TacklingPovertyNZ* workshops: the difficulty of access to services in rural areas.

> **Question 6.11: What ideas do you have for how our policymaking can better incorporate a system-wide and intergenerational way of viewing and analysing issues?**

See answer to Question 6.7; departments could set up a system that creates a jury of say five employees under 30 years of age to future-check significant policy and report back to the Chief Executive.

Question 6.12: What ideas do you have for how our policymaking can better involve those who the Government is there to serve, particularly those in persistent disadvantage?

See answers to Questions 6.7 and 6.11.

Question 6.13: Do you see value in developing He Ara Waiora to guide Budget allocation and baseline spending review processes? Do you have any other comments to make about how else the Budget allocation and baseline spending review processes could be improved?

Yes, the Institute finds value in developing He Ara Waiora to guide Budget allocation and baseline spending review processes.

Question 6.14: How do you think cross-agency resourcing or the funding of collective impact initiatives can be made easier? What are some of the issues or unintended consequences to guard against in doing this?

Our view is that the sustaining factors should be managed centrally and the empowering factors managed locally. The sustaining factors do not need cross-agency resourcing; everything could and should be managed by the Ministry of Social Development. Our response is that cross-agency resourcing or funding is not where we would focus.

Question 6.15: What would you include in a framework to guide decision makers in determining the conditions under which devolution of services and funding is appropriate?

The Institute would also like to note that the Sustaining and Empowering Factors Framework referred to in Section 2.2 may prove useful. To reiterate, the framework also acts as a checklist that communities and individuals can use to identify which sub-factors need to be worked on locally. Some communities may have an over-supply or repetition of some factors and a complete under-supply of others. From this, potential solutions can be recognised and the first steps taken towards addressing poverty by matching supply with demand. For example, the results from the Sustaining and Empowering Framework could be used as an indicator for areas that may require locally specialised responses, including perhaps the application of devolved services.

In 2022, the UK Government published a White Paper titled *Levelling Up the United Kingdom*. The paper presents a new framework to devolution (see Figure 9 overleaf) by setting out a flexible three-level approach that recognises a one-size-fits-all model would not be suitable, with different powers and functions for each devolution level. Level 3 applies to a single institution or County Council with a directly elected mayor (DEM), across a functional economic area (FEA) or whole county area; Level 2 applies to a single institution or County Council without a DEM, across an FEA or whole county area; and Level 1 applies to local authorities working together across an FEA or whole county area e.g. through a joint committee.[46] This might be a useful report to read, consider and discuss.

Figure 9: Devolution framework presented by UK Government
Source: UK Government, Table 2.3, *Levelling Up the United Kingdom*[47]

Function	Detail	L1	L2	L3
Strategic role in delivering services	Host for Government functions best delivered at a strategic level involving more than one local authority e.g. Local Nature Recovery Strategies	✓	✓	✓
	Opportunity to pool services at a strategic level	✓	✓	✓
	Opportunity to adopt innovative local proposals to deliver action on climate change and the UK's Net Zero targets	✓	✓	✓
Supporting local businesses	LEP functions including hosting strategic business voice		✓	✓
Local control of sustainable transport	Control of appropriate local transport functions e.g. local transport plans*		✓	✓
	Defined key route network*			✓
	Priority for new rail partnerships with Great British Railways – influencing local rail offer, e.g. services and stations			✓
	Ability to introduce bus franchising		✓	✓
	Consolidation of existing core local transport funding for local road maintenance and smaller upgrades into a multi-year integrated settlement			✓
Investment spending	UKSPF planning and delivery at a strategic level		✓	✓
	Long-term investment fund, with an agreed annual allocation			✓
Giving adults the skills for the labour market	Devolution of Adult Education functions and the core Adult Education Budget		✓	✓
	Providing input into Local Skills Improvement Plans		✓	✓
	Role in designing and delivering future contracted employment programmes			✓
Local control of infrastructure decisions	Ability to establish Mayoral Development Corporations (with consent of host local planning authority)			✓
	Devolution of locally-led brownfield funding			✓
	Strategic partnerships with Homes England across the Affordable Housing Programme and brownfield funding			✓
	Homes England compulsory purchase powers (held concurrently)		✓	✓
Keeping the public safe and healthy	Mayoral control of Police and Crime Commissioner (PCC) functions where boundaries align^			✓
	Clear defined role in local resilience*		✓	✓
	Where desired offer MCAs a duty for improving the public's health (concurrently with local authorities)			✓
Financing local initiatives for residents and business	Ability to introduce mayoral precepting on council tax*			✓
	Ability to introduce supplement on business rates (increases subject to ballot)			✓

> **Question 6.16: Do you agree that the Government should adopt further wellbeing targets and that these should be used alongside fiscal targets? What targets would you suggest?**

Yes, the Institute agrees that further wellbeing targets could be adopted alongside fiscal targets. The United Nations Sustainable Development Goals (SDGs) include Goal 3: Good Health and Wellbeing.[48]

The 2018 Government Inquiry into Mental Health and Addiction highlighted the voices of those in communities that were especially exposed to the dangers of substance abuse:

> People demanded action to reduce the harmful effects of drugs (especially methamphetamine or 'P') and alcohol, particularly among young people and during pregnancy. We heard from communities being torn apart by the P epidemic. Many people expressed concern about the ease of access to alcohol and gambling in our communities, noting their potential for social harm if not tightly controlled. They talked of our national 'love affair' with alcohol, how alcohol use fuelled their depression and suicidal thoughts or triggered violence and neglect of children. They called for decisive action limiting the sale and promotion of alcohol, particularly around children and young people (including sports sponsorship).[49]

Another wellbeing target to consider is addressing disparities in and barriers to the health-care services offered within Aotearoa New Zealand. The OECD noted in 2017 that despite the vast majority of New Zealanders perceiving their health status as high, and spending one of the lowest household percentages on health care of all OECD countries, a significant proportion of the population still reports unmet health needs due to cost (see Figure 10 overleaf). The OECD states that '[p]eople in the lowest socio-economic categories and those from Māori and pacific island background are particularly at risk of forgoing health care when they need it, which may jeopardise their health status'.[50]

This is especially true in rural areas, where a larger proportion of Māori find themselves in higher deprivation than Māori in urban areas.[51] The National Advisory Committee on Health and Disability (also referred to as the National Health Committee or NHC) noted in a 2010 report on rural health that a direct correlation existed between rural areas with high levels of deprivation and the proportion of Māori in the community, and that populations matching this description existed in pockets primarily, but not exclusively, in the North Island (often in remote areas).[52] The NHC stated a warranted concern about the potential for the compounding effects that deprivation and ethnicity have on health, particularly where there are geographic barriers to accessing health services, such as long travel distances.[53]

Actions to address these disparities and barriers could include comprehensive monitoring of inequalities in health-care access and utilisation, improving access to care for disadvantaged and underserved populations, and identifying and addressing financial and non-financial barriers to health-care services.

Figure 10: Unmet care needs due to cost, by income level (2013)
Source: OECD, 2017, *Health Policy in New Zealand*[54]
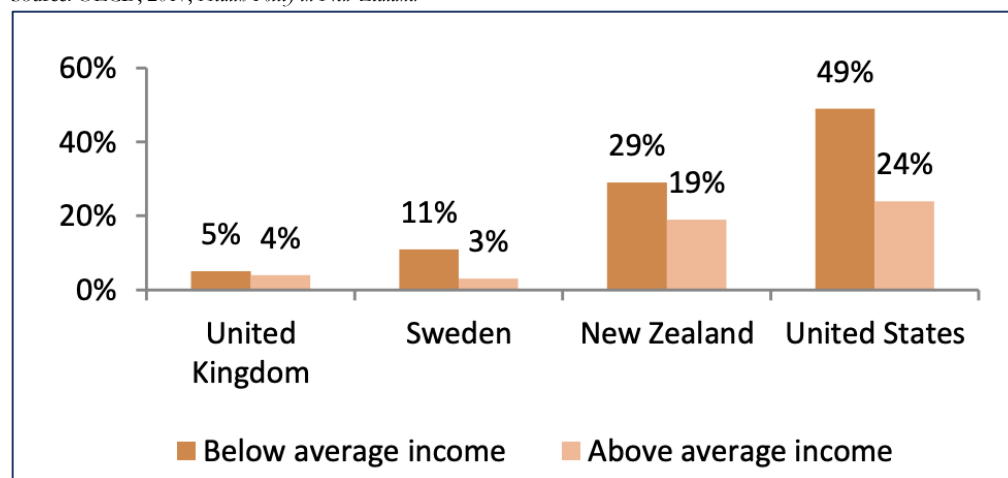
Question 6.17: Do you think that our fiscal rules and approach to accounting for future government liabilities constrain our ability to address persistent disadvantage? What would you like to see change with these?

Yes. This was the advantage of Hon Bill English's social investment approach.

Question 6.18: Where should system leadership for learning and improvement sit? How might we secure the commitment and stability needed for this function to be effective over time?

The Institute agrees with the Commission's recommendation regarding an all-of-government system functional lead role responsible for system learning and improvement. We suggest that the Public Service Commission, in line with its functions of overseeing, managing and improving the performance of the public service, should be tasked with the role of leading system learning and improvement.

Question 6.19: Do you have any comments on how monitoring and evaluation practices need to adapt in the face of complex systems? And how those changes might be implemented?

In order to create better monitoring and assessment systems, organisations require both hindsight (as a way to learn the trajectory and speed of change) and foresight (to identify new pattens, linkages or emerging issues). The Institute believes the use of foresight tools is particularly important during times of uncertainty.

Question 7.1: What other examples are there of power being rebalanced within the public sector, here or internationally? What else could we consider?

The UK provides an example of power rebalances within the public sector through the programme Big Local. Big Local aims to empower 150 communities, previously overlooked by other funding initiatives, by removing the paternalistic tendencies of local government. This happens through enabling direct conversations between the communities and their councils in order to address changes needed and catalyse collaborative relationships.[55]

Question 7.2: How can anchor institutions such as commissioning agencies, place-based Initiatives, iwi and local government help drive system change?

This is about foresight, courage and hope. Institutions need to seek out data, information and knowledge – they need to ask the right questions and take time to listen to the answer. They then need the courage to innovate, fail fast and trust people. Lastly, we need to educate future citizens in ways that enable them to solve these types of complex problems – giving them hope that we can together make the world a better place.

Endnotes

1   See McGuinness Institute. (February 2016). *TacklingPovertyNZ: Exploring ways to reduce poverty in New Zealand, 7–9 December 2015*, pp. 5–6. Retrieved 1 November 2022 from https://www.mcguinnessinstitute.org/publications/workshop-booklets

2   See McGuinness Institute. (February 2017). *Working Paper 2017/01 – TacklingPovertyNZ 2016 Tour: Methodology, results and observations*. Retrieved 1 November 2022 from https://www.mcguinnessinstitute.org/publications/working-papers/

3   See McGuinness Institute. (February 2017). *Working Paper 2017/01 – TacklingPovertyNZ 2016 Tour: Methodology, results and observations*. Retrieved 1 November 2022 from https://www.mcguinnessinstitute.org/publications/working-papers/

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6   See McGuinness Institute. (August 2022). *Working Paper 2022/08 – Analysis of Poverty in Government Department Strategies as at 31 December 2021*, p. 29. Retrieved 1 November 2022 from https://www.mcguinnessinstitute.org/publications/working-papers/

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13 See Francis-Devine, B., Bolton, P., Keep, M. & Harari, D. (20 October 2022). *Rising cost of living in the UK.* House of Commons Library. Retrieved 17 November 2022 from https://researchbriefings.files.parliament.uk/documents/CBP-9428/CBP-9428.pdf

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