



SUBMISSION BY THE SALVATION ARMY TO THE PRODUCTIVITY COMMISSION'S MORE EFFECTIVE SOCIAL SERVICES -DRAFT REPORT

INTRODUCTION

1. The Salvation Army is an international Christian and social services organisation that has worked in New Zealand for over one hundred and thirty years. The Army provides a wide-range of practical social, community and faith-based services, particularly for those who are suffering, facing injustice or those who have been forgotten and marginalised by mainstream society
2. We have over 90 Community Ministry centres and Churches (Corps) across the nation, serving local families and communities. We are passionately committed to our communities as we aim to fulfil our mission of caring for people, transforming lives and reforming society through God in Christ by the Holy Spirit's power.¹
3. This submission has been prepared by the Social Policy and Parliamentary Unit (SPPU) of The Salvation Army. This Unit works towards the eradication of poverty by encouraging policies and practices that strengthen the social framework of New Zealand.
4. This submission has been approved by Commissioner Robert Donaldson, the Territorial Commander of The Salvation Army's New Zealand, Fiji and Tonga Territory
5. For The Salvation Army this submission serves two purposes; to stand as a public statement of its position with respect of the Productivity Commission's inquiry into the provision of social services in New Zealand and to offer a critique of the ideas offered in the Commission's draft report and suggestions for improvement.

BACKGROUND TO THE SALVATION ARMY'S INVOLVMENT IN SOCIAL SERVICE DELIVERY

6. The Salvation Army was established in New Zealand in 1883 and has since then engaged in active spiritual and social ministries. This dual approach of being concerned for a person's physical, social and spiritual wellbeing comes straight from the example of the Army's founders - Catherine and William Booth who established The Salvation Army in the 1860's through their work amongst the poor and destitute in the East End of London.
7. For most of its 132 year history in New Zealand, The Salvation Army has been engaged in the relief of poverty and in assisting people who have been afflicted by social ills such as unemployment and the abuse of alcohol and drugs.
8. In the most recent financial year (2014/15) The Salvation Army spent \$48 million on the delivery of various social services at around 90 sites from Kaitaia to Invercargill. Of this expenditure, \$38 million was derived from Government contracts and programmes while the remainder was contributed from the Army's own fundraising - most of which comes from public donations.
9. The Salvation Army is therefore a large NGO in the New Zealand context and is, as the Productivity Commission has already identifiedⁱ quite unique in the social services landscape in at least two respects. Firstly, the Army has a long history of involvement in the delivery of social and other material support to New Zealanders in need, unlike most other major NGO's involved in the broadly defined social services sectorⁱⁱ. Secondly, the Army is far less reliant on Government contracts in the provision of its social services. While we would dispute the accuracy of the claim made in Table 2 that 29% of the Army's income comes from Government

it is a stark fact offered in Table 2 that five of the 12 agencies reported derive more than 90% of their income from Government contracts while eight gain 70% or more of their income from Government. This suggests that most of the major agencies providing services on behalf of Government are essentially just agents of the Government - they exist more or less for the purposes of the delivering the services they are contracted to deliver.

10. The heavy reliance which The Salvation Army and other NGO social service providers have on Government funding and contracts points clearly to the vested interest which these providers (including the Army) have both in the status quo and in any proposals to rearrange how social services are planned and funded. In making this submission The Salvation Army has tried hard to look beyond its own vested interests and to acknowledge both the serious weaknesses in the current sets of arrangements and the need to provide effective and affordable social interventions for the more vulnerable New Zealanders.
11. The Salvation Army does not entirely agree with the current direction of the planning and funding of social services - some of which are identified in the Commission's draft report. This dissent is not due to commercial interests but to a serious concern that the overall framing of the underlying problem is quite deficient. The current changes in train and the reforms suggested in the Commission's draft paper may completely transform the social services landscape in New Zealand and if they do then clearly The Salvation Army will need to radically reshape its own operations. For the Army two things are likely from such a transformation. Firstly, The Salvation Army may exit some areas of social service provision - perhaps because it cannot compete, or because it disagrees with the funding model or because it no longer matches its overall mission. Secondly, and regardless of any response to Government policies, The Salvation Army will remain involved in providing social and material support to the poorest New Zealanders, as it has done for 132 years, even if such activity is outside the support and direction of Government.

THE CONTEXT OF THIS INQUIRY

12. We acknowledge that the Commission's inquiry has ultimately been shaped by the brief and mandate which it has received from the Government. This brief is in our opinion unduly narrow and will lead to a number of what can be seen as pre-ordained outcomes. For example in the Commission's brief the Government acknowledges that its *'agencies need to know what actually drives poor social outcomes and what concrete actions can prevent or alleviate them'*. By implication of course such things aren't known already - at least by the Government agencies in question. The response to such an information gap, in the form of the brief offered to the Commission, is in our view somewhat puzzling. The brief given to the Commission fundamentally requires it to focus on *'the institutional arrangements and contracting mechanisms that can assist improved outcomes'*. In essence then the Government already knows that the poor social outcomes which concern it are a consequence of the way public institutions are structured and the way social services are contracted for. Clearly in this context the nature of social need and the features of social structures are not considered of any importance in any assessment of what drives poor social outcomes.
13. This inquiry should also be seen in the broader context of what has recently happened in the social policy and social services spaces and in terms of what the Government has already signalled as its preferences and plans for reforming welfare and social housing policy and the delivery of social services. It would be quite naive for any party making a submission to the Commission's Draft Report to ignore such a context and the signalled directions of Government. It would be naive in part because it ignores the broader political-economy which will ultimately shape social policy and the delivery of social services. As well it would be naive to engage in discussion around the Draft Paper on the assumption that many of the ideas offered in it are new or negotiable when clearly they are not.

14. To recap and for the record The Salvation Army sees this broader context as having the following main features:
- some of the suggestions made in the Commission's report such as those around social impact bonds are already being acted on by the Government so there is little or no point in commenting on their value or otherwise;
 - in the past the Government has chosen to cherry pick the advice it receives from the Commission (as of course it is entitled to do), meaning that the cohesiveness of this advice is often lost,
 - despite calls for integration of approach and focus in Government agencies contracting out social service provision, the underlying problem remains the silo approach of Government's budgeting process and the top-down accountabilities in state agencies' organisational structures,
 - the power imbalances between Government agencies and NGO's engaged in social development are such that it is not feasible to conduct a fair and reasonable discussion around appropriate levels of funding or over which activities should be fully or part funded,
 - that Government's budgeting process and its reasonable desire to control costs will ultimately determine the prices paid for contracted social services and not what might be considered a fair rate of return to the service provider,

A CRITIQUE OF THE COMMISSION'S ANALYSIS & APPROACH

15. The Salvation Army accepts that the Commission was obliged to respond to the brief given to it by the Government. The Army however submits that in doing so the Commission has made a number of questionable assumptions and overlooked some critical dimensions of the links between public policy and social well-being. While much of the Commission's analysis remains quite valid and while many its final recommendations have some value, the narrow focus of the original brief combined with a flawed conceptual model adopted by Commission undermine the overall policy value of these efforts.
16. We accept that any conceptual model is at best a way of simply showing complex relationships. However the conceptual models offered in Figures 1.1 and 2.5 in the draft report are in The Salvation Army's opinion simplistic and one dimensional. As such they fail to demonstrate that the authors of the draft report actually understand the complexity of the challenges facing the social services sector in attempting to improve the wellbeing of the most vulnerable New Zealanders. Furthermore these conceptual models fail to consider the broader reach of social policy and of the role of social services in safeguarding and improving the social wellbeing of all New Zealanders.
17. Figure 1.1 on page 22 of the draft report merely set out in graphical form a list of social interventions - some which might be delivered as social services, around a set of broadly defined and widely appreciated positive social outcomes. Outside of just listing these things the figure has no explanatory power and fails to offer any description of the links between things- interventions with interventions or interventions with outcomes. While this may not have been the intention behind Figure 1.1 nowhere else in the Commission's analysis are these links made.
18. Similarly Figure 2.5 on page 37 offers a fairly non-descript portrayal of a list of social supports and interactions which wrap around all of us as individuals and families. These are presented somewhat un-problematically as if they are all benign and universally available and helpful. No mention is made in such a portrayal of the negative influences which contribute to poor social outcomes or of other elements of the social world such as cultural difference, history and inequality. The Salvation Army submits that such portrayals are not only of limited value but misleading in any comprehensive search for policy and programme innovations which may improve social outcomes and reduce social costs. An alternative and broader framing of social outcomes and social well-being is offered below.

19. The Salvation Army is particularly troubled by the assumption made by the Commission, initially at page 11 in the draft report, that savings from reductions in future welfare liability (FWL) are a reasonable proxy for future net social benefits. The Army's concern for such an approach is twofold. Firstly, the Army is concerned that the whole purpose of reform to social services might be only about the reduction in the costs of individual's welfare payments. In other words benefits such as improved personal or community outcomes such as reduced stress, better health or greater social cohesion are simply not relevant to objectives of these reforms.
20. The Army's second concern both with this focus and the overall tenor of the draft report is that it is almost completely Government-centric. In the draft report's analysis all proposed improvements are designed either to improve efficiency as a means of reducing costs to Government or to improve outcomes which are deemed to be important to Government. The idea that social wellbeing and any benefits of social services might be independent of Government's agenda has not been considered seriously and it appears from the slant of the draft paper that the motivation for any agency to be involved in the delivery of social services is only to serve Government's agenda. In other words the Government defines social good as in some sort of Orwellian vision of society.
21. This Government-centric cast on the purpose of social services and on the measurement of social benefit points perhaps to a further and significant shortcoming in the analysis offered in the draft report. This shortcoming is that very little attention has been given to the relationship between civil society and the state and within this to respective roles of civil society and the state in achieving social good and the common good. The conceptual model offered in the draft report is based on the overarching idea that civil society - especially in the form of NGO's, exists to serve the state's definition of social good. The Salvation Army suggests that an equally valid and perhaps more compelling vision is for the state to serve civil society in some sort of partnership to deliver the common good. In other words the state is an agent of civil society rather than civil society being an agent of the state. This alternative framing would have created far more space for conceiving of alternative ways of achieving social goals such as the reduction of poverty and the relief of material hardship than has been the case within the Commission's analysis.
22. The Commission's prior assumption that the state and Government is at the centre of defining and delivering social good - at least in the form of social services, has lead it perhaps quite naturally to seeing markets as the solution to a number of problems including an apparent lack of innovation, the absence of consumer choice and the supposed shortage of capital on the part of social service providers. Granted this pre-occupation with markets is established in the Commission's original brief as well. The disappointment here, at least for The Salvation Army, is that no attention has been given to the potential of other concepts such as those of reciprocity, neighbourliness, altruism and service as motivating ideas for delivering better social outcomes. We accept that in the draft report the Commission has acknowledged the contribution and role of volunteers as well as that of highly motivated employees in delivering social services, but in the solutions being offered these contributions have been overlooked in a rush to see markets as the solution for every shortcoming.
23. The risk with a 'more of the market' approach to the delivery of social services and other activities focused on improving social outcomes is that non-market motivations for being involved are likely to be crowded out. Altruism is cheapened and even destroyed when a price is put on it as is well illustrated by the two models for running blood banksⁱⁱⁱ. It seems unlikely however that ordinary citizens' engagement in works of benevolence and charity will evaporate with the creation of social impact bonds or a tighter payment for result regime in social service delivery. Such engagement pre-existed state funded social services by several centuries and even in New Zealand by several decades. While such engagement won't

disappear it is likely to shift and is certainly likely to be scarce within social service contracting regimes which are dominated or at least motivated by the pursuit of profit.

24. The Salvation Army acknowledges the need for realistically funded social services which are not heavily reliant on voluntary effort and the goodwill and sometimes erratic commitment of volunteers. The Army itself offers social services - with state funding, which are organised and provided by professional, well trained and well supervised staff. Such models of delivery are not without their shortcomings such as the creation of 'clients' and the definition of people by their needs and even their shortcomings or misfortune. As the Commission has identified such models can be disempowering to the people who use social services and may even act as a barrier to their use of such services. There is however a subtle but important difference between agencies such as The Salvation Army, Presbyterian Support, Plunket, Barnados and perhaps many kaupapa Maori organisations which are primarily motivated by an ethic of care and agencies such as those being created through entirely market driven funding models. In the Army's view this subtle difference has been overlooked and largely ignored in the Commission's analysis. This difference is perhaps one of the difference between a **duty of care** and an **ethic of care**. Under the duty of care sentiment 'I care because I have a professional and perhaps legal duty to have regard for the wellbeing of the person I am servicing'. Under the ethic of care sentiment 'I care because I have empathy for the person I am serving and I am philosophically motivated to do the best I can for them'. This difference, the Army believes can make a significant qualitative difference to the outcomes achieved through the provision of social services and other social interventions.

SOME SUGGESTIONS FOR CHANGE

25. As discussed above The Salvation Army believes that a critical flaw in the Commission's analysis was the quite narrow way in which it conceived social services. This conception had social services as being an end in themselves rather than as a means to another broader end. The conceptual model offered in the following diagram we suggest is a more relevant and helpful way of seeing social services as being just part of a wider set of ideas and concerns. Quite reasonably social policies and the expenditures and programmes which extend from these should be concerned about social outcomes and ideally the desired social outcomes should ultimately contribute to the social well-being. This well-being focus should be on all citizens and not just the targeted few who are deemed by Government to be too costly to the public purse. These social outcomes and social well-being are to a large extent the consequences of opportunities and constraints which individuals and families face. Amongst such opportunities and constraints are the social services which are the subject of the Commission's inquiry.



26. Such a conceptual model is however only useful if it offers further insights into how social policy might be shaped. A more complex model is likely to offer more complex relationships between elements and while such complexity is more difficult to manage it is probably also more realistic in that it offers a better representation of how the real world works. The Salvation Army believes that the isolated and somewhat artificial world of social services presented in the Commission's analysis is a consequence of the simplistic conceptual models adopted and is unrealistic.
27. Specifically the model offered in the Commission's analysis attempts to link the provision of social services with social outcomes without explaining, except by way of anecdote, how these are linked. For example in citing the New South Wales Newpin social benefit bond the draft report makes the simple connection between returning at risk children to their families as being the success factor which will lead investors to getting a return (p.54). While the mechanism will be a great deal more complex than this simple description given in the draft report, the suggestion that it is a mark of success when children are returned to abusive or neglectful families without also providing some description of the necessary interventions and safeguards is trite. A more complex conceptual model would have begged such questions and would possibly have offered stronger assurances that the proposed policy approach is potentially feasible and worth pursuing.
28. The Salvation Army also suggests that the Commission should be wary of believing that simple numbers are accurate and that they are always reliable proxies for complex social outcomes. While social indicators can always offer a useful gauge on what is happening within a community or population, such indicators have a number of limitations. Social psychologist and educational theorist Donald Campbell has observed that *"the more any quantitative social indicator is used for social decision-making, the more subject it will be to corruption pressures and the more apt it will be to distort and corrupt the social processes it is intended to monitor."*^{iv}. He refers specifically to the practice of using standardized tests to measure educational progress (as with National Standards) when the results can be distorted by simply teaching to the tests and not through the more demanding provision broader learning opportunities.
29. The Salvation Army is familiar with the Better Public Service targets and is aware that some of these targets have been motivated by the Army's State of the Nation report which has been published annually since 2009. Amongst the State of the Nation's social indicators are two indicators relating to child abuse and neglect. One is the number of substantiated cases of child abuse or neglect reported by Child Youth and Family (CYF) while the other is recorded criminal offences for child assaults or cases of neglect. Remarkably reported CYF cases dropped sharply by 15% between 2012/13 and 2013/14 while the numbers of recorded criminal offences against children actually rose slightly. CYF processes are subject to audit by the Children's Commissioner who has yet to publish a report on his oversight role so for all intents and purposes CYF decides what to record and what not to record. There is no evidence that rates of assaults on children are falling yet reported cases of child abuse have fallen sharply just as this number became one of the Government's Better Public Service Targets^v. In a similar vein Ministry of Social Development reported a 8000 reduction in the number of youth who are NEET (not in employment education or training) between late 2012 and late 2013 (see p.62 of draft report) yet Statistics New Zealand estimated a more modest decline of 4000 over the same period^{vi}.
30. Funding arrangements which rely on payment on results schemes require crisp and relatively short-term numbers which allow success to be judged unequivocally and quickly. In The Salvation Army's experience, the real lives of our most vulnerable people are more complex than this. People's progress toward personal independence for example is seldom simple, straightforward or consistent and what might be seen as success in achieving some level of

independence and self-determination might not be judged as a success when the only metric which matters is the severance from any reliance on welfare.

31. The Salvation Army also suggests that the Productivity Commission pay closer attention to questions of risk and in particular to how risk is manifested, shared and shifted. This question of risk has at least three dimensions - the risks associated with innovation, the risks of failure or harm and the risks of non-compliance. These types of risk are considered separately in the draft report but there has been no attempt to frame the broader question of risk and the respective roles of the state, services providers and individuals in bearing and managing risk. Ideally this should be done.
32. The draft report accurately identifies many of the current institutional constraints to innovation within social service provision. These include the dominance of risk adverse central government agencies in social service contracts with NGO providers, the overly prescriptive nature of these contracts and the piecemeal approach to innovation where pilot projects are seldom fully evaluated and never scaled up. While most NGO social service providers are relatively localized and of only modest scale, some providers such as The Salvation Army have significant scale and the resources to accept the risks associated with innovation if the incentives were there to do so. These missing incentives are not necessarily financial and do not need to be packaged as financial instruments such as bonds or results based payments. The incentives needed might just as much be about how the value created by innovation is subsequently shared between the funder, providers and the people being assisted by the services provided. The competitive nature of social service provision, where NGOs are essentially bidding against each other in a market controlled by the state, means firstly that the value created by innovation can quickly dissipate to competitors. Furthermore this value is often captured by the funder in terms of reduced real prices for further contracts. The chief weaknesses here lie with the risk adverse nature of central government agencies and with the way in which services are configured and commissioned. These weaknesses lie within state institutions not in the NGO sector and will not be overcome by offering opportunities for mechanisms such as social bonds.
33. The draft report is also accurate in identifying the high compliance costs associated with the administration of contracts and especially around accountabilities. This is probably a bigger problem for smaller services providers than for larger ones such as The Salvation Army which have managed to establish closer relationships with key Government agencies and have bundled up contracts into larger tranches which make them easier to administer. The underlying problem here is with the risk adverse and sometimes untrusting nature of Government agencies and their need to be able to deflect or attribute blame when things go wrong.
34. Between the commissioning of services and accountabilities for outputs and outcomes is the question of what happens as services are delivered. It is at this nexus that the real question of risk emerges. This is the location of the risks faced by those people in the most vulnerable of circumstances - the risks associated with inadequate income, insecure housing tenure, unhealthy living conditions and strained personal relationships. On occasion these risks extend to those of unsafe neighbourhoods, drug and alcohol abuse and family violence. These are the risks which social services should be designed to mitigate. Instead the focus of the Commission's inquiry and its proposed measure of success is on reducing individuals' reliance on the safety nets provided by the state through the welfare system. Furthermore the movement to payment by results - however these results are defined, essentially shifts operational risk from the state funders to service providers. Thus, while the state should be looking at ways in which it can minimise the risks faced by our most vulnerable citizens its agencies are busy designing ways in which the state can shed risk and shift it either to community based organisations or to private investors. Ideally this emphasis should be turned around 180 degrees

35. The investment approach which the Commission suggests should be rolled out further has two significant flaws which need to be challenged. The metaphor of investment is a clever one although it is not exactly clear from its initial framing exactly what the investment is in and who will reap the returns from the investment. To its credit the Government has been very clear that the purpose of their so-called investment is to reduce further welfare liabilities and that the investment is in people who demonstrate certain predictive factors which might suggest that they are likely to remain welfare dependent for some time. These predictive factors alongside other characteristics such as an individual's health, age and lack of significant disability are used as decision tools to allocate resources toward individuals for targeted interventions. The purpose of these interventions is to get individuals off benefits and into paid employment. The two flaws in the approach are firstly that it overlooks other forms of social investment such as those which are feasible in early childhood or early adolescence or at times of family stress and secondly, it ignores questions of rights and especially the rights of those deemed not worth targeting. These two flaws have not been addressed in the Commission's draft report and should have been.
36. This omission is perhaps most obvious when mention is made of entitlements for people with disabilities without any mention also of budget constraints. For example the Australian National Disability Insurance Scheme '*guarantees a level of financial support to eligible people with a permanent, significant or potentially significant disability*' where '*Funding is based on an assessment of the client's level of need*' and '*clients can use their entitlement to purchase supports to achieve life goals, including independence, involvement in the community, education, employment and health and wellbeing*'. (p.56). While the scheme is new, no mention is made in the draft report of the matching of need with funding or of the adequacy of funding to purchase the myriad of supports apparently easily available for people with disabilities to purchase in order to achieve their life goals. No mention is also made of how needs will be assessed and how entitlement will be matched against these needs.
37. In a system of social service provision which is increasingly focused on reducing welfare dependency and will target first the people who are easiest to move off welfare, the residual position of those outside the targeted groups is of some concern to The Salvation Army. The position of these people and their priority for assistance and support is unlikely to be supported by a narrow calculus which approximates net social benefit with the impact on the working age welfare bill. The Commission, in the Army's opinion has committed a grave error in ignoring the question of rights in their prescription of what will make an effective social services sector.

IN CONCLUSION

The Salvation Army is mindful that little of substance may change between the draft and final report given the complexity of the consultation and review process and the limited time available. We do however ask the Productivity Commission to consider the following four points

COMPLEXITY - social services do not stand in splendid isolation from the social structures and social processes which shape social outcomes and our overall wellbeing. This means that there is not some mechanistic link between what a social service provider does and social outcomes which arise for an individual, a family or a community. Accepting that the real world is more complex obviously requires harder thinking but is also likely to offer greater insights for those who are prepared to make the effort.

MEASUREMENT - the idea that social outcomes and social wellbeing can be measured by simple numbers is illusory. While simple numbers are good for rewarding commercially driven service providers and their investors, these numbers are easily manipulated and the social outcomes being sought through the provision of social services remain elusive.

RISK - the most vulnerable New Zealanders face the greatest risk in their lives and the core purpose of social services should be to mitigate this risk and allow those affected by them to manage their lives better. The design of social services should have this purpose as its core goal.

RIGHTS - people who interact with social services should not be seen as clients but rather as citizens with rights and obligations, duties and needs. Designing programmes and services which give clients greater consumer choice is not the same as actively considering their rights as citizens. True independence is being able to be self-determining and is not defined by some Government priority.

ENDNOTES

ⁱ See the Productivity Commission's Issues Paper: More Effective Social Services Table 2 p.29 which reports that The Salvation Army is the 7th largest provider of 'social services' by value. It should be noted however that just three of the 12 agencies reported in Table 2 are actually involved in the delivery of social services - the remaining nine are providing services into the health sector.

ⁱⁱ The exceptions to this longevity claim amongst the agencies listed in Table 2 are St Johns, Plunket, Barnados and to some extent Presbyterian Support which of course is an offshoot of the Presbyterian Church.

ⁱⁱⁱ In the New Zealand context see Howden-Chapman, P. Carter, C. and Woods, N. (1996) *Blood money: blood donors' attitudes to changes in the New Zealand blood transfusion service*; British Medical Journal May 1996 312, pp.1131-32

^{iv} Campbell, D. (1979) *Assessing the Impact of Planned Social Change* - an occasional paper published by The Public Affairs Centre Dartmoor College; p.49. Available at <https://www.globalhivmeinfo.org/CapacityBuilding/Occasional%20Papers/08%20Assessing%20the%20Impact%20of%20Planned%20Social%20Change.pdf> PROVIDE REFERENCE HERE

^v Johnson, A. (2014) *A mountain all can climb: A State of the Nation Report from the Salvation Army*, pp.18-20 Available at <http://www.salvationarmy.org.nz/research-media/social-policy-and-parliamentary-unit/reports>

^{vi} Statistics New Zealand's estimates are based on a sample survey undertaken through the Household Labour Force Survey (HLFS). The approximate nature of such estimates is probably one reason for this significant difference in numbers. As well the HLFS covers individuals aged 15 to 19 years old whereas MSD's commentary relates to individuals aged 16 to 18 years old. A doubt however remains around their claimed reductions when a larger population which contains the MSD target group say a much smaller reduction.