

SHARE THIS

18 SEPTEMBER 2015

Speech to the Treasury Guest Lecture Series on Social Investment

Bill English

Finance

Good afternoon, and thank you for having me here today.

It is a pleasure to launch this Treasury Guest Lecture Series focused on social investment.

As some of you may know, I actually started my public sector career at Treasury as a graduate in 1987.

It's good to see so many people from other government agencies, tertiary institutions, NGOs and the private sector in the room.

I'm here today to talk about social services, particularly for the most vulnerable New Zealanders.

There has been a lot of social change for the good in recent years.

For example, youth crime has dropped by 38 per cent since 2011. That means there have been 2,288 fewer court appearances by 14 to 16 year-olds in the last year.

There are now 42,000 fewer children living in a benefit dependent household than there were three years ago, and the number of sole parents on a benefit is the lowest I was a grad at Treasury.

And immunisation rates for Māori are now almost as high as the rest of the population.

This hasn't been achieved by throwing lots of cash around.

In fact the Government's books have recovered from large deficits to near balance today.

These results are a tribute to the hard work and persistence of public servants and NGO managers and frontline staff working together with communities.

And these changes matter because the lives of real New Zealanders have been made better.

There is still a lot of improvement that can be made.

There are too many people that we are already working with but not making enough of a difference to their futures.

3rd

reoffending has dropped by around 20 per cent in the last three years. But almost 27 per cent of people who leave prison or start a community sentence will reoffend within a year.

That is almost 17,000 people each year.

And prison numbers are rising again after promising decreases.

We've seen an improvement in the number of 18 year olds who hold NCEA level 2. But around one in five of students do not reach this milestone. This increases to one in four and one in three for Pasifika and Māori students respectively.

We also know that around 6 per cent of children still spend their whole childhood in benefit-dependent households.

This matters because data shows that these children are at very high risk of not achieving at school, become dependent on a benefit themselves and spend time in prison.

In fact, there is a group of one per cent of five year olds, that's about 600 children each year, for whom we can expect that:

- three quarters will not achieve NCEA level 2 or equivalent,
- four in ten will have been on a benefit for more than 2 years before they are 21, and
- a quarter will have been in prison by the time they are 35.

Each of these children will cost taxpayers an average of \$320,000 by the time they are 35, and some will cost more than a million dollars.

And we know this at age five.

We have a system that does reasonably well in meeting the needs of 80 to 90 per cent, although there is plenty of scope for further innovation and efficiency.

But it can struggle in dealing with the most vulnerable New Zealanders.

The result of this is a loss of human potential and long-term harm to families and communities. And there are big costs for taxpayers.

We are willing to invest now to help these most at-risk people lead better lives – and save taxpayers money in the long run.

Our goal is to shift from social spending to social investment.

Less money on paying benefits or locking people up.

More money to invest in social services which improve people's lives in the long-term.

Because what works for communities works for the Government's books.

But, actually, we've found that cash isn't what constrains the improvement we can make for the most vulnerable.

We've found that often the social service system itself impedes our ability to make meaningful improvements in the lives of New Zealand's most disadvantaged people.

The system works well for people with relatively uncomplicated lives.

If they get sick, they go to hospital. If they get laid off, they are supported by a benefit.

But the way we have designed our social service system is preventing us from making a meaningful difference in the lives of people with multiple, interdependent problems.

This isn't because people are slack or lazy – it is just that these families have really different and complex lives, and so need a different and more bespoke approach.

The Productivity Commission released its final report on social services on Tuesday. I highly recommend you read it.

The Commission highlighted a number of issues with our social services system when dealing with those people with the most complex needs. In particular:

- Departments often don't have good information about at-risk people, their individual circumstances, and their underlying problems.
- Departments can know too little about what services are effective at improving outcomes.
- Although considerable effort goes into coordination across departments, siloing is still a major problem.
- Government systems and accountabilities can be hard for service delivery providers to deal with.

These findings are not new. I agree with them. And they provide useful insights into why the Government is so focused on social investment.

Q

At its core, social investment is a more rigorous and evidence-based feedback loop linking service delivery to a better understanding of people's needs and indicators of the effectiveness of social services.

This needs to take account of the long-term – including those benefits that might take years to be delivered.

There will also be more systematic measurement of the effectiveness of services people are currently receiving.

This information can then be used to do more of what works – and stop things that don't.

Understanding the effectiveness of spending and doing what works are two principles with relevance to all public spending.

Social investment is a toolkit that will help us understand all of our customers – but we can choose to focus on groups that are a high priority at any particular time.

Right now we are focusing primarily on the 10 to 20 per cent of New Zealanders who need Government support the most.

Each vulnerable family and individual matters to us.

The Government's job is to help them to make positive and sustained changes that make a difference to their lives.

Supporting families with difficult, complex problems will require interventions to be tailored to their particular needs, and sustained over long periods.

We have some programmes that are effective for some families – we want to ensure all such families get sustained, effective support.

The more complex the need, the more important it is that decisions on specific interventions be made locally – whether by service providers or by customers themselves.

them to know some of it, because it is specific to the individual or the household.

We want to work with those who can access that local knowledge and who can carry out this task best.

Solutions to complex social problems can't be reduced to simple equations.

We will be measuring outcomes and using cost benefit analysis where we can, but this informs judgment, rather than replaces it.

Interventions that aren't delivering measurable improvements will trigger a 'please explain'. But that won't be allowed to override the judgment of those tasked with delivering better results.

Imperfect measurement of service effectiveness is a considerable improvement on the traditional situation where there is very little measurement.

The traditional public finance structure is designed to track where every dollar goes, but was never designed to find out whether it made any difference.

Making a difference is the whole point though.

The tools we are developing for social investment will help ensure the system has a stronger focus on that.

Social investment is a programme of ongoing reform. We're certainly not starting from scratch.

The introduction of National Standards in schools, Health Targets, the Investment Approach in welfare, Better Public Service Results and more recently the Social Housing Reform Programme are all focused on getting better results from large scale social spending.

For example, the investment approach to welfare means we can now look out 20 or 30 years and model the costs of dysfunction, and the benefits of intervention, for particular communities and populations.

We previously had a cash-driven, point-in-time view of the welfare system. This led to a focus on short-term results, like bringing down the number of people on the unemployment benefit.

Three years ago we commissioned actuaries Taylor Fry to calculate the lifetime welfare costs of people on benefits.

That liability was first calculated at \$78 billion.

And we discovered that those on the unemployment benefit made up only 5 per cent of future welfare costs.

Groups you may never have thought of made up a bigger percentage. Like those we call 'recent exits' - people who have recently returned to work after being on a benefit.

It turns out that many come back on welfare, and their long-term cost was higher in total than the people currently on an unemployment benefit.

Sole parents had an even larger lifetime liability. So did a large group of people with psychiatric and psychological conditions.

We can drill down into this information using these new tools.

Among sole parents, for example, we then asked "Who is going to cost us the most money?" and it turns out it's the ones who go onto a sole parent benefit before they turn 20.

...teen sole parents on a benefit immediately on a benefit for around 12 months and a half, and, on average, at a cost of \$213,000 per person.

That information is nearly invisible in a point-in-time view, but it tells us where to focus our efforts and we've already started making use of it.

With that group of teen sole parents, for example, we no longer just give them a fortnightly benefit and wish them luck.

They are now enrolled in a scheme that, among other things, ensures they are in school or training, gives them each a supervising adult, and manages their money for them. That programme is showing promising results.

The Chief Executive of the Ministry of Social Development is charged with reducing the \$78 billion welfare liability.

In the last year, it has reduced by \$7.5 billion, with \$2.2 billion of this due to steps we have taken as a Government.

We are now rolling this approach out to the justice sector and social housing, which will give a more complete picture of both the problems and potential solutions.

The challenge is in actually changing our interventions and working out whether they are effective.

This will require the development of the data and measurement infrastructure that delivers the feedback loop to support decision makers I talked about earlier.

We want to take advantage of developments in data technology and analytics have transformed many service industries across the economy

We are incorporating these tools in Budget 2016, and we expect in future that they be applied across all social services – that is, becoming systemic and systematic.

I want to turn now to some of the challenges around social investment.

These new data tools are not just about measuring fiscal costs and future fiscal savings as a measure of the effectiveness of a particular intervention.

Fiscal costs have been used in welfare as a proxy for the economic and social benefits of getting people back into employment.

But we also measure broader results – capturing the wider social outcomes that we ultimately care about.

The example I gave earlier about the expected life path of extremely high risk five year olds is a case in point.

That's not to say potential fiscal savings aren't an important consideration in their own right, because they are.

But measuring the return on investment in social services makes sense whether it is fiscal costs or wider social benefits that are being considered.

Data sharing is also critical – and this is an area where we need to do better.

Communities need to know what is happening in their area, so we'll be increasing the sharing of anonymised data with the public.

Social services providers need to understand their clients so that they can better tailor their services.

The Government as the funder of services needs to know what interventions make a real difference.

Protecting privacy is essential.

The problem to solve is finding the balance between protecting identity and accessing the opportunity to do better.

That's an important part of why the Government is establishing the Data Futures Partnership, a permanent organisation that will work on these difficult problems.

It is also why we are reviewing the Privacy Act.

Of course, better information is only part of what we are grappling with. We're also working hard to make sure this translates to better results on the ground.

Experience tells us that changing the lives of vulnerable households and individuals requires a trusted and reliable relationship Government or another service provider.

For some of the most vulnerable households, that relationship works best when it is with a single, trusted individual that has authority to commission or deliver services according to the household's needs.

For a vulnerable individual or family, trust is knowing support will be there when the worst happens. Even at 2AM.

Governments haven't traditionally been able to deliver that level of unconditional support, and that's undermined resilience.

Contracting arrangements need to be flexible enough to respond to the needs of complex, vulnerable customers while preserving accountability.

We're seeing that already to some extent through Whānau Ora and Children's Teams.

In these situations, the Government's role is to provide funding and hold the provider accountable for delivering changes in the lives of those families.

Social investment has consequences for the way things get done by the Public Service.

Most people connected to the budget process, whether a Vote Analyst in Treasury or involved in the preparation of budget bids in a social sector agency, will need to know about the social investment process.

We are asking for a bit more information to be included in budget initiatives this year, to allow for more rigorous analysis of long-term benefits as a way to add to the suite of information that supports Ministers' decisions.

And this is not just about budgets.

The Social Sector Board is working to systemise this sort of approach consistently across the social sector.

If you advise Ministers on the policies and system settings that underpin the delivery of social services, you need to be thinking about how they support the sort of approach we are taking with social investment.

So this is no longer somebody else's problem.

Social investment is going to require a shift in skillsets. And where necessary, agencies should be willing to go outside the building to get it.

In the late '80s New Zealand was at the cutting edge of state sector reform. We can be again.

Our data capability is world class.

And we lead the world in implementing the liability and investment approach in welfare.

We are small enough that we can work with the most vulnerable one by one.

But we'll need support from academics, non-government organisations, the private sector and communities working alongside officials to deliver.

We also have to learn to listen to those we are trying to help, and those who work most closely with them.

The challenge is to realise the opportunity to use this information and capability to deliver lasting change for vulnerable New Zealanders.

I encourage every one of you to play a part in this challenge.

Thank you.



Beehive.govt.nz

[Home \(/\)](#)

[Releases \(/releases\)](/releases)

[Speeches \(/speeches\)](/speeches)

[Features \(/features\)](/features)

[Archive \(/advanced_search\)](/advanced_search)

[News Feeds \(/feeds\)](/feeds)

About this site

[About \(/about-this-site\)](/about-this-site)

[Contact us \(/feedback\)](/feedback)

[Site Map \(/sitemap\)](/sitemap)

[Disclaimer \(/legal\)](/legal)

[Privacy Policy \(/privacy\)](/privacy)

[Copyright \(/copyright\)](/copyright)

[Accessibility \(/accessibility\)](/accessibility)