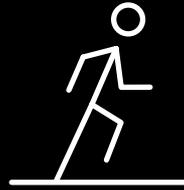


The challenges to successful social investment



Social investment
is a strong step forward...



Challenges to adopting social investment

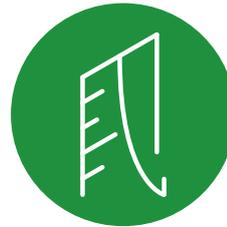
Social investment is a strong step forward but there are barriers preventing its full potential being reached

The investment approach has been taking shape over several years. It has been incrementally rolled out in various ways, including through reforms to the welfare system and Better Public Services (BPS) results – to help people move away from being ‘at risk’ to leading happy, productive and fulfilling lives.

As alluring as it sounds, achieving such an ideal is not that simple. In addition to our own research, we spoke to more than 20 leaders in politics, the public service, social service delivery, academia and business to get a sense of their thoughts, concerns and ideas on social investment. Through these conversations we identified a number of challenges to the widespread uptake of social investment.

We have grouped these challenges under each of the five principles for successful social investment laid out by Treasury in 2014:

- 1 Clarity on the key measurable outcomes
- 2 Better use of evidence, data and population information
- 3 Clear institutional incentives and accountability mechanisms
- 4 Financial and delivery flexibility
- 5 Evaluation and evidence-based feedback loops



Principle 1 Clarity on the key measurable outcomes

There are too many or too few outcomes

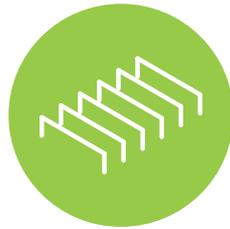
Across government, there are many outcomes frameworks and targets. The people we spoke to as part of our research noted that it can be hard to know which outcomes to focus on and how to assign funding between competing aims. This isn't surprising – government is a big business with multiple priorities.

On the one hand, the BPS results apply across agencies and good progress has been made on a number of those results. Agencies are encouraged to work together on BPS, and measures have recently been refreshed.

But the small number of BPS results can be too broad for at-risk members of society – for example, changes to skilled immigration settings could more swiftly and cheaply shift the dial on the proportion of people with advanced diplomas and degrees than investment to improve attainment among the less well off. And, being priority areas, there are many important social services that are simply not directly reflected in BPS results, for example: reducing homelessness, improving mental health, disability support and access to public hospital services.

On the other hand, a proliferation of outcome frameworks within agencies has made the task of focussing on what matters even more difficult. There are outcome frameworks at the level of: sectors, agencies, divisions, programmes and beyond, all with good intentions. However, in many cases, there are no clear links between these frameworks. When there is a choice to be made about the relative priority of outcomes, there is no way to make a clear call.

Some people we spoke to, including Finance Minister, the Hon. Bill English, and Methodist Mission Chief Executive Laura Black, believe more compelling performance frameworks are needed. Their views point to the idea that the main issue is clarity of and adherence to outcomes, to give all stake holders direction on their role in contributing to cross-cutting outcomes.



Principle 2 Better use of evidence, data and population information

Some questioned if measuring performance against an outcome was even a good idea

Measuring outcomes isn't universally accepted

Even where outcomes being sought are clear, having their programme funding linked to the achievement of outcomes can instil fear in community service providers, says the Labour Party's Community and Voluntary Sector spokesperson and former service provider, Poto Williams. Others questioned if measuring performance against an outcome was even a good idea – does it mean only 'what was measured got done?'

What about other factors – parental engagement, wider economic conditions, other government policies – that can influence an outcome? Measuring outcomes can be difficult, particularly when factors affecting an outcome can be outside an agency or service provider's control.

Data analytic capabilities are necessary for social investment, but there is a gap in the workforce

Greater use of data to identify at-risk people and their whanau means we now know how many people are at risk of poor life outcomes and how much those New Zealanders will likely cost without any preventive measures put in place.

But the best quality data is near useless without the right people to interpret, manipulate and use it.

There was consensus among interviewees that there were not enough people in the public sector skilled in analytic techniques and insights to meet the future demand for those services. Where the skills did exist, they were often not pointed towards social issues. The public service's former Chief Talent Officer, Andrew Hampton, said this shortage meant the public sector should engage people with the right skills in more innovative and collaborative ways. For example, new graduates could work across the whole public sector rather than being tied to one agency.

People with the right skills will also be needed in the non-government service delivery sector, where lower wages were seen to be an impediment to attracting the staff with up-to-date capabilities, according to Poto Williams. However, she noted the motivation for staff to join the social sector was often altruistic, and that traditional financial incentives alone might not be successful.

The (mis)use of 'big data' worries people

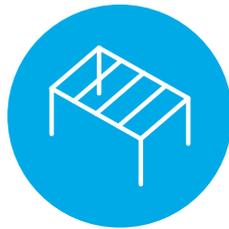
Most felt there was huge demand for social data and there should be easier ways for organisations – not just government agencies, to access the information held by government on at-risk members of society.

We were told service providers wanted more data, but access was often stymied by agencies desiring to maintain control through fears of data insecurity or by the onerous processes associated with accessing Statistics New Zealand's Integrated Data Infrastructure, where joined-up data about at-risk people is held.

This fear of data insecurity was echoed by the Public Service Association leaders, who felt the Social Investment Insights Tool, which allowed users to map the populations of at-risk people by region or territorial authority, could be used to stigmatise those it was intended to help.

For some, question marks hung over how data would be used. Concerns around the quality (accuracy, timeliness and usefulness) of data and, the use of data to pick winners, particularly when people's life outcomes are at stake, have been well-documented (Lee-Archer, Boulton, & Watson, 2015). And, as seen in The Challenges of Regional Data for social investment, the nature of data collection in New Zealand can present issues for both national-level policy-makers and social service providers on the ground.

The current system hasn't always created the best outcomes but it has instilled prudent stewardship of the public purse



Principle 3

Clear institutional incentives and accountability mechanisms

The public sector is set up to deliver efficiently, effectively and separately

Social investment requires a focus on the collective achievement of outcomes, with public services and service providers working together. Funding is invested in the solution, not the problem (such as maintaining corrections funding in line with growth in the prison population). But this isn't how our Westminster system of government is set up, with funds and accountability tagged against individual Ministers and agencies.

Time and again, this view was repeated in our interviews – the tendency of individual agencies to operate in silos, measure outputs and maintain accountability only to their own Minister, rather than looking at the effect of an intervention across agencies. These behaviours are driven by organisational cultures geared to compete for scarce human and financial resources and lead to a scenario in which more funding is associated with success. The siloed approach leads to public servants having limited spheres of influence. It is difficult to influence policies they don't have control over but which may impact their own work.

The State Services Commission's Deputy Secretary of Public Sector Reform, Al Morrison, agrees that while the current system hasn't always created the best outcomes, it has instilled prudent stewardship of the public purse which was the initial focus leading to the Better Public Services programme. We shouldn't forget that the vast majority of government activity doesn't require collaboration or a strong outcomes focus and government agencies are generally very good at delivering quality mainstream services at efficient costs.

The challenge, as one senior government official noted, is not merely to set up agencies to collaborate, but to run two systems in parallel – the mainstream services operating under the efficient siloed model, and the specialist services joining up across government when required.

Working on the scale of human lives is a challenge for budget cycles and political terms

Government administration is driven by annual budget cycles and political terms and the traditional focus on delivering outputs is set up to allow judgement of performance within these timeframes. But change in vulnerable people's lives works on a different time scale. In the social sector, the best interventions for at-risk or vulnerable young people may take a decade or even a generation to see. One senior government official says this is a challenge that agencies are dealing with. New Zealanders need to see some results now, so there is reason to keep the faith in long-term positive outcomes.

There is no current system for tracking investment outcomes across lifetimes, although it's clear some consideration is being given to this issue. The bigger challenge is how to align the motivation of individuals across the system – service provider policy-makers, even Ministers and governments – to operate on social investment timeframes.



Principle 4

Financial and delivery flexibility

Commissioning cross-agency interventions is difficult

Initiatives involving multiple agencies working towards one common goal are tough, despite the existence of technical financial mechanisms, such as Multi-Category Appropriations. "Currently there are few incentives for policy teams to focus on anything other than their own agency's and Minister's priorities. This is not helped by the strong vertical institutional arrangements" says the Social Investment Unit's Dorothy Adams. "Government agencies will need to get more adept at using data and evidence because what we find in the data will start to drive policy and service design. It's a brave new world."

Superu's 2014 evaluation of the implementation of Children's Teams picked up a similar view: "The planning and development element has shown that an extensive change process is required to introduce a robust and workable integrated service approach, whereas a partnership governance model to drive these changes has been difficult to establish because commitment to a shared vision and agenda has been slow to establish."

A number of those interviewed had ideas to resolve this issue, including basing performance reviews more on progress towards defined, shared outcomes, giving agencies flexibility to deliver services in new, innovative ways, and rewarding agencies for success in working together – for example, by not being required to give up savings to the centre.

The difficulty in commissioning cross-agency interventions comes back to the accountability structure within the public sector. It's hard to make people put their respective agency 'hats' to one side in order to meet an outcome that, in the current environment, does not meet the objectives of their agency or their Minister.

Government agencies are weak in social contract management

Examples of public sector contracts ending poorly abound. In 2015, Serco was stripped of its contract to run Mt Eden Prison. That same year, Relationships Aotearoa was found to have deep-seated financial management problems. That's not to say all contracts are managed poorly. The Treasury's Managing Government Investment Projects 2014/15 and Major Projects Performance Information Release November 2015, show a number of large projects performing well, including the Ministry of Education's Early Learning Information System.

Nevertheless, the Major Projects Assessment Panel notes agencies are often optimistic about assessing costs and schedule risks. Agencies generally do not take a portfolio approach, meaning the impact their project has on the resources, time, and costs for other public sector projects is not taken into account.

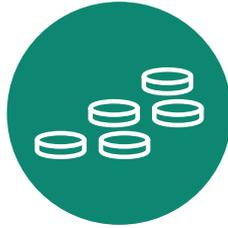
"As the Productivity Commission notes, agencies can improve in contract management," says Hon. Bill English. "We need to see finances, risks and outcomes."

Fear of failure hamstrings agencies and providers

Spending taxpayers' money means accountability needs to be in place. But such is the focus on compliance, for both agencies and services providers, that the appetite for taking risks and being experimental in order to find and drive the best outcomes for those in need is not the top priority.

And would a service provider want to risk their funding when they face a battery of agency measurement, audits and the threat of contract loss? The political intolerance to failure and the role of the media in bringing to light incidents of perceived misspending of money or misfiring of a programme, also dampen the will to take risks.

Risk is understood and managed in commercial contexts, but there's not the same tolerance in social services. New Zealand used to be at the cutting edge of state sector reform in the 1980s (English, 2015). If we want to be so again, there needs to be room to try, fail and learn. Social investment is set up for this, with the use of targeted interventions, measurable outcomes and feedback loops to assess success and adjust accordingly.



Principle 5

Evaluation and evidence-based feedback loops

There are insufficient incentives to test, learn and adapt

Today's political dialogue allows limited tolerance for the fact that Ministers and senior decision-makers might not know the best way to solve a given social problem. The appetite is for certainty and clarity of action.

Social investment advocates a staged approach, which gives Ministers and government the licence to test and trial. Ideally, programmes would start by comparing a series of smaller-scale trials to determine 'what works best,' perhaps through operating a portfolio of programmes varying across regions, using multiple service providers or employing a range of methods. Successful investments would continue to be supported and grow while underperforming interventions are reprioritised in favour of new initiatives.

However, the mere presence of multiple approaches risks criticism that decision-makers don't in fact know the best way to solve a problem. Social investment invites governments and policy-makers to take this as a starting point, and instead embark on a process of continuous, incremental improvement. This incremental approach requires a commitment of faith over terms of government, not dissimilar to what has until recently been a bipartisan approach to trade negotiations, for example.

There are insufficient incentives to measure and report on performance

Over the years, New Zealand's governments have made promises to show the public that spending equals action. The Labour Government's 2005 election promise of interest-free student loans was forecast, at the time, to cost several hundreds of millions of dollars in operating costs each year, while the National Government's \$790 million child hardship package was the flagship announcement of Budget 2015. A government's commitment to health, justice, or regional economic development is often measured by the size of its investment and media coverage.

Social investment calls for investment in programmes and interventions on the basis of 'what works,' which requires performance evaluation, to work out what difference the dollars made. However, in the current environment, it's easy to see why the incentives for the public service to measure the performance of existing programmes is weak. At best, the performance results support the fact that the programme met the expectations touted at its launch. More likely is that there has been some shortfall in the programme's performance – even if it were largely successful – that the media or opposition parties can use to cast doubt over the approach or the administration of the programme, or that officials can use to axe funding.

The Auditor-General's review of Whanau Ora prompted questions about money spent on evaluation and the funding of particular initiatives (New Zealand Parliament, House of Representatives, May 7, 2015). Looking further back, the Community Employment Group's social entrepreneur fund was axed in 2004 following concerns around contracts and money spent on a 'hip hop tour' of Hawaii (New Zealand Press Association, 2004).

Social investment means funding programmes and initiatives on the basis of what works

There can also be resistance to measurement within service delivery organisations. One service provider we spoke to cited a loss of three-quarters of its workforce over its three-year implementation of performance measurement and accountability systems for its social workers.

As such, we see too few rigorous examples of evaluation of programmes or approaches, such as integrated service delivery (Superu, 2015). The report notes that while fragmented service delivery is not ideal, very few studies have been undertaken in New Zealand to assess the effectiveness of integrated service delivery, leaving a gap in the evidence base for social investment.

That is not to say monitoring and open reporting of performance and results doesn't happen. Our research found those public sector organisations further from day-to-day policy and funding direction of Ministers, including Crown entities like Pharmac, were often the most open about their performance and the decision-making process behind the results.

