In 2016, we published our first State of the State report, which focused on the social investment approach to policy development and social service delivery.

Two years on, we wanted to look at the policy development disciplines underpinning this approach, and examine what has worked and what needs to improve as social investment evolves into investing for social wellbeing.

Why? Because regardless of the language wrapped around social and economic policy development disciplines, those disciplines can galvanise the public sector into new ways of working and enrich the already strong practices in place.

It is also important to continually test the link between public sector investment and wellbeing.

Article 3

Paving the way to wellbeing
The evolution of social investment

In partnership with

By Jane Fraser-Jones

Jane’s career has been at the nexus of public policy and politics. She has developed, led and negotiated policy across a range of social and economic portfolios as a former Prime Minister’s senior advisor. Jane now assists clients with strategies, policies, analysis and decision-making driving New Zealand’s public sector.
New Zealand has seen mixed results from increased social sector spending in recent decades. We know there are groups of New Zealanders who experience persistently poor life outcomes (the topic of focus for our next article). If nothing changes, the cycle of intergenerational disadvantage will continue and future generations of New Zealanders will be left with both higher costs and a less fair society.

Finance Minister Grant Robertson said in his Budget speech that the Government will use Treasury’s Living Standards Framework, with its four capitals (human, social, natural and financial) to develop the 2019 Budget and to measure the country’s success.¹

As Treasury Secretary Gabriel Makhlouf said in March, the Framework represents a continuation of the effort in New Zealand to take a more holistic approach towards measuring wellbeing. This approach recognises that traditional economic and financial measures miss some important aspects that contribute to our standard of living, not just for the current generation, but also for future generations.²

In 2016, Deloitte 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 this policy and service delivery discipline.

For this article, we spoke to a small group of public sector leaders and service providers to understand what has changed since 2016, what barriers still remain, and how they view the evolution of social investment to investing for social wellbeing.³

All were either interviewed in 2016, or work for organisations which contributed to the 2016 State of the State report.

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State of the State 2016 findings

We defined social investment as government activity undertaken on the basis of a return on investment justification. Using the investment approach, funding is made available based on:

a. data quantifying the issue or challenge
b. the likelihood of the proposed interventions addressing the issue or challenge
c. measurement and reporting to decision-makers on the outcomes achieved by the interventions to enable calculation of the benefits

Though the approach sounds straightforward, we identified several reasons why its uptake was being hindered back in 2016:

• There was a lack of clarity on the outcomes social sector agencies and service providers should be collectively achieving, and some resistance to having outcomes measured. Developing a single set of priority outcomes was also difficult.
• There were not enough people with the right data skills working in social policy and service design, along with concerns about the potential misuse of sensitive data.
• Our Westminster style of government prioritises accountability for spending over the achievement of outcomes. There was also a fear of failure, dampening the chase for the best outcomes.
• The right incentives were not in place for individuals in the public sector to test and trial interventions rigorously, and report openly on performance in a way that allowed for learning from success or failure.

So two years on, what has changed?

The Treasury’s Deputy Secretary of Budget and Public Services, Struan Little says much has stayed the same. “There is still the need to tackle really complex social issues – though it’s broader than social issues alone. These issues span different parts of government, they link into the work of non-government organisations (NGOs) and they’ve been around for an awfully long time.”

And many interviewees agreed that, to support those complex issues, the evolution of the Social Investment Agency (SIA) into a ‘club good’ (shared benefits) for the public sector and service providers was generally welcomed, as were the tools and thinking the agency had created.

“The SIA has an important shared services component,” says the Ministry of Social Development’s Peter Alsop. “The Social Investment Framework – an overview of the capability required for an effective investment approach – is an example of something that can be built once and used by all agencies.”
Good progress has been made addressing concerns about data use and there are more people with data skills, but...

Data ethics is still a concern for some.

There’s been an increase in social investment outcomes identified and pockets of excellent collaboration, but...

Cross-agency collaboration still isn’t a natural inclination across the public sector.

Agencies are becoming smarter about continuous monitoring rather than point-in-time evaluation, but...

Work is still needed to improve the real-time flow of information to the frontline.

Accountability for spending remains prioritised over the achievement of outcomes, hampering flexibility and innovation.

Accountability & flexibility

Instances of risk taking for innovative projects exist but...

The overall public sector incentive structure remains risk averse and not supportive of greater knowledge through trial and error.

Targets for outcomes for vulnerable people established, but...

Further gains can be made through embedding a data- and evidence-focused approach to strengthen policy development and service delivery.

The development of social investment over the past two years has had positive impacts for how the public sector and NGOs operate, but...

Structural reconfiguration and culture change regarding risk and collaboration are still needed across the public sector.

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TRIAL ERROR

Collaboration for outcomes

Monitoring & evaluation

Incentives

Accountability & flexibility

Future

Coming to fruition

How is social investment sowing the seeds for wellbeing and what still needs to happen?
The theme of organisational culture and its impact on collaborating for outcomes came up repeatedly during our interviews.

Collaboration for outcomes
In 2016, we found the proliferation of social investment outcomes or targets made choosing the ‘right’ ones to focus on tricky, particularly when the links between outcomes frameworks at programme, agency or sector level were unclear or muddled. This frustrated collaboration between and across agencies, hampered by our Westminster style of government, with funds and accountability tagged against individual ministers and agencies.

In 2018, the Ministry of Justice’s Deputy Chief Executive - Sector, Colin Lynch, said the issue was more subtle than that.

“It’s always been hard to collaborate on outcomes. It works when people want it to work. If cross-sector work is seen as important, that’s where people will spend their time.”

The theme of organisational culture and its impact on collaborating for outcomes came up repeatedly during our interviews. If the will and political impetus existed, then effective collaboration could happen – but it wasn’t a natural inclination.

The people we spoke to largely felt there were pockets of excellent collaboration. Some agencies were consistently cited as examples of good practice – the Department of Corrections was one.

Data
As well as an inadequate number of social policy staff with appropriate data analytics skills, the people we spoke to in 2016 also cited concerns about data insecurity, data quality and the use of data to ‘pick winners’. While some of these concerns still remain, progress has been made.

“We’re using data even more,” said the Methodist Mission’s Laura Black. “We’re also thinking further and further ahead. Statistics New Zealand data shows Central Otago will have 60,000 more people living there in 10 years’ time. We need to plan now – we know rapid housing development, combined with lower quality buildings, may lead to poorer housing standards, and other unintended social impacts like social isolation and increased domestic violence.

“It’s the combination of data and robust intervention models and wisdom – the inculcated wisdom that comes from doing the work for a while – where it really has an impact.”

Laura Black said a more mature use of data had increased the Methodist Mission’s impact and efficacy over the past two years, with rigorous assessment to measure resiliency among adults and milestone reporting for children at Mission-run early childhood education centres.

Concerns remain for some about the use of personal data. The New Zealand Public Service Association (PSA) said data-driven social investment policy used blunt measures that looked at quantitative data not qualitative. Data collection was too focused on certain individuals and households and it was important the bigger picture was not lost in policy development.

“Complex problems can’t always be captured by numbers and this is problematic in terms of developing meaningful policy,” said Glenn Barclay, PSA National Secretary.

Several interviewees said investing for social wellbeing would mean striking the right balance between hard data and people’s experiences.

There were differing opinions around data privacy and ethics. Ethics were still a concern for the PSA, which hoped the current European Union General Data Protection Regulation (GDPR) could provide guidance for New Zealand policymakers.

Colin Lynch said agencies were now better at understanding the value of data and using it appropriately, including the Integrated Data Infrastructure (IDI). At the same time, he saw the social licence to use data also maturing, and believed New Zealanders would require greater transparency from public organisations.

A consistent theme did emerge from our interviews - the scarcity of people with the right data skills is less of an issue than it was two years ago. Agencies are recruiting from a more diverse skill set than they used to for traditional ‘policy’ roles. In fact, the PSA felt the occupational composition of the public service had changed, with more information people and fewer administrators being employed.

“Social investment tends to undervalue the skills and contribution of frontline workers but in practice it hasn’t really changed the working lives of people on the ground,” says Glenn Barclay.

The Treasury’s Deputy Secretary of Budget and Public Services, Struan Little, said there had been a “quantum jump” upwards in the quality and use of data. “There’s still a long way to go, but things have improved.”

A consistent theme did emerge from our interviews - the scarcity of people with the right data skills is less of an issue than it was two years ago.
Monitoring and evaluation
Data collection and analysis goes hand-in-hand with monitoring and evaluating programmes. A number of people we spoke to advocated for milestone monitoring along a programme’s lifetime, so it could be adjusted or changed in flight if necessary. Agencies were becoming smarter about continuous monitoring, rather than point-in-time evaluation.

“We have to be clear about the data that needs to be monitored along the way in order to provide insight. These can be used as proxies to see if you’re going in the right direction,” says Colin Lynch.

But one aspect of data and monitoring not discussed in 2016 was the need to get data to the frontline, and allow decision-making to be made there. Community and frontline service providers needed to be empowered to make decisions, rather than be assessed by central decision-makers.

Greater involvement from communities, iwi and businesses in determining wellbeing throughout the country also speaks to this point.

The Ministry of Social Development, through its ‘Analytics to the Frontline’ project, was looking to improve the real-time flow of information to case managers, to support them to make the best possible decisions for clients.

“Use of data and analytics in this way, provided it is used responsibly and ethically, has the potential to significantly improve social outcomes. Considerable work is also underway to further build public trust in data use, such as through the Ministry’s Privacy, Human Rights and Ethics (PHRaE) framework, and SIA’s work and wide public engagement on a Data Use and Protection Policy,” says Peter Alsop.

Treasury Deputy Secretary of Budget and Public Services, Struan Little, said there had been a “quantum jump” upwards in the quality and use of data. “There’s still a long way to go, but things have improved”

Accountability and flexibility
In 2016, we found that accountability for spending was prioritised over the achievement of outcomes. In 2018, that aversion to risk was still pervasive.

“If you want certainty of outcomes, it’s hard to find the balance to give flexibility for innovation,” says Struan Little.

“What is the acceptable risk? Regardless of philosophy or approach, there needs to be partnerships and new ways of working, and this needs to marry back up with the culture and behaviour side of public sector organisations.”

Incentives
Incentives to try untested approaches are still perceived as weak, as they were in 2016, with a focus on minimising risk even if it means impacting on success. While there were instances of risk-taking around innovative projects in the pursuit of positive outcomes, this is only happening in isolation.

“Senior individuals need to be seen to be taking risk – that’s part of the spirit of service,” says Struan Little.

The short-term funding cycle for NGOs also affects the appetite to take risks - where risk can be avoided - as well as the ability to plan strategically. Within government agencies, the need to get ministerial approval can have the same impact.

The State Sector Act has created a ‘quasi-contractor arrangement’ between ministries and CEOs which, in turn, leads to a risk-averse climate where frank advice or reporting is either not delivered in the first place or ignored.

One agency said it would help address this by using data analytics to help frame a robust, evidence-based approach to free and frank policy advice for Ministers. But overall it was agreed that the current public sector incentive structure does not support greater knowledge through trial and error.

The future
It is clear that in just two years, the development of social investment and its evolution to investing for social wellbeing has had positive impacts for how the public sector and NGOs operate.

It has strengthened advice and enabled pockets in organisations to better measure and evaluate their programmes, and in doing so, deliver on wellbeing.

The people we interviewed were enthusiastic about the further gains that could be made as they embedded a data- and evidence-focused approach to strengthen policy development and service delivery.

They see opportunities to continue to drive collaboration across the sector. A number of interviewees felt a wellbeing approach could be embedded in policy development if it became more than a Budget device, for example, baking it into public sector management tools like business cases and Cabinet papers.
With such a range of views, clear direction-setting from Ministers and senior officials is needed to empower a new way of working, and shift the risk-averse culture that permeates the public sector to enable it to trial and innovate where it’s appropriate to do so.

**Big challenges remain**

While overall interviewees were positive about collaboration, they also identified a range of barriers.

Some felt there is little legislative or regulatory changes can do to encourage effective cross-agency collaboration, while others thought amendments to the State Sector Act and the Public Finance Act, along with directives in chief executive contracts, would help.

Others felt there is simply false optimism around the benefits of collaboration, with risk aversion and the single focus on departmental objectives hampering collaboration.

With such a range of views, clear direction-setting from Ministers and senior officials is needed to empower a new way of working, and shift the risk-averse culture that permeates the public sector to enable it to trial and innovate where it’s appropriate to do so.

The shift calls on social sector ministers and agencies to coalesce around the opportunity and reimagine how they:

- engage with providers and customers
- can be enabled to take some quantified risks for how they collaborate and deliver
- embed wellbeing in policy development in a way that is more than a Budget tool

Looking back on our recommendations from two years ago, some have borne fruit, such as establishing targets for vulnerable people. Some recommendations around structural reconfiguration of the system, such as establishing a new agency to commission specialist social services for people at risk of poor life outcomes, are probably too radical at this point in time. But the need for cultural change and shift in attitudes around risk and collaboration might also be equally confronting.

**End notes**

Stay tuned for more
Article 4 coming soon

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