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Let it go

Devolving power and resources to improve lives

NZIER public discussion paper

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Key points

New Zealand's social assistance system does not meet the needs of people experiencing persistent disadvantage.

Problem statement

For these people, the issue is not only that many of them have low levels of material resources. They also have limited conversion factors, by which we mean a low ability to convert the resources they have into a life they value. A modest increase in resources is unlikely to significantly affect conversion factors or outcomes. People experiencing persistent disadvantage need something different.

Government departments are not set up to increase conversion factors or improve outcomes at a personal level. They mostly focus on directly delivering cash and services that address a single presenting symptom (a health issue, lack of housing, etc).

This approach works well for most people but demonstrably fails a small but significant minority. Our best estimate is that the group experiencing the most severe and enduring disadvantage might number around 15,000 people. Other people facing less serious or ongoing challenges might also benefit from a different approach. However, the focus in this paper is the least well-off members of society, who we argue urgently require a highly tailored approach.

For people experiencing persistent disadvantage, there is a fundamental mismatch between what is required to help them improve their lives and how government departments operate. The result is that the type of support they need is often not available to them. Navigators cannot help people find something that does not exist.

Solution statement

For people with multiple, complex needs, the answer is not just to give them more resources. What is required is a combination of improving the responsiveness of existing systems, better navigation, and increased resourcing for adaptive, more effective approaches.

The government should introduce a deliberate strategy of using a people-centred, devolved approach to address persistent advantage. The twin aims of devolution are to support people to make changes in their lives that will enable them to convert their material resources into what they regard as a good life and to ensure that people have the level of resources they need.

Specifically, the design and delivery of assistance should be led by people experiencing persistent disadvantage and those walking with them on a journey of change.

Increasing conversion factors involves a process of what in the literature is called 'co-production'. Working with providers of assistance, people experiencing persistent disadvantage identify goals and plans and make changes that lead to them being able to live a better life. They are unlikely to improve their lives if they are passive recipients of services designed and delivered by others.

We envisage a network of non-government organisations will carry out these tasks. They should support each other and hold each other accountable for being positive forces for change.

For our target group, this strategy will represent a significant structural realignment by government and departments. But, the evidence we have suggests that it will be necessary to enable people experiencing persistent disadvantage to live lives they value and have reason to value.

Devolution is different

Devolution is not a system based on contracts which fund organisations to undertake the activities the Crown has decided should be provided.

Under a devolved system, power over what to do, when, how and even why rests with the people experiencing disadvantage and the organisations helping them build a better life. These organisations are directly accountable to individuals, their families and their communities. They are also accountable to the professional networks within which they operate and the Crown as funder for operating effectively, ethically and legally.

The Crown's role in this context is to set broad objectives for outcomes, provide funding, and encourage learning.

Why devolution?

There are three main reasons why a strategy of devolution is likely to finally make progress on addressing one of our most pressing social challenges.

Devolution is more effective. Small-scale, nimble organisations that take time to build trust can help people feel safe, revealing the true extent of their needs. They are better placed to identify the changes that individuals and their families want to make to their lives. Through a process of co-production, organisations and people experiencing persistent disadvantage can work together to design and deliver the personalised assistance they need.

Related to this, secondly, devolution is a more effective approach to addressing the needs of people from diverse communities. Devolved organisations can operate in ways that are tailored to the culture of the people with whom they are working.

Third, while providing uniform services to a homogeneous population is often a low-average-cost delivery mechanism, economies of scale are unlikely to exist when addressing persistent disadvantage. An adequately funded devolved alternative may cost more in the short run, particularly as it helps surface unmet needs. But if it effectively addresses those needs, it will save money in the long term, freeing up resources for other priorities.

Process

We suggest that the government adopt an iterative approach, initially partnering with existing providers with a track record of working with people experiencing persistent disadvantage and expanding over time, building on experience. The amounts of funding allocated should be realistic, based on the experience of these providers and the complex needs of the communities they serve. Rather than providing an exact estimate of what an organisation should receive, we propose starting with an amount that is clearly in the ballpark. An amount of \$50,000 per person enrolled per year, with a guarantee of five years



of funding, would be a reasonable place to start. If the target group is about 15,000 people, this would mean an expenditure of about \$750 million annually.

The skill mix of the people working in these organisations is likely to vary. Some specialised capabilities will be required, such as clinical support for addressing addictions. For others, empathy, lack of judgment and the ability to connect deeply with individuals and their families and the wider community will be paramount. This may necessitate changes to workforce development.

We suggest that there be a variety of such organisations with overlapping catchments, and there should be deliberate in-built flexibility to allow for unmet needs to be addressed when they are identified. A positive culture of ongoing learning is essential to 'close the loop' on identified systems issues and improve effectiveness over time.

Above all, these organisations must be accountable to the individuals and families they are helping. Accountability to the Crown, as the eventual funder, should be based on delivering outcomes, not outputs or inputs. But even here, the outcomes sought – better lives – need to be specified by the people being helped.

The Crown will need to accept that these proposed changes to devolution and accountability will result in a higher-risk, higher-reward model. It should manage this risk by building a wide portfolio of providers who can step in and take over if something bad happens.

This is a long-term exercise, and the benefits will take time to become apparent. Any assessment of costs and benefits must occur over an equally long timeframe.



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1 Introduction

Most people in New Zealand are well-served by the welfare system.¹ Comprehensive, increasingly automated central government programmes redistribute significant resources to people with simple or limited needs.²

But there remains a group of people experiencing persistent, sometimes inter-generational, disadvantage. For these people, a combination of factors, including longstanding joblessness, severe disabilities, current or historical experiences of homelessness discrimination, institutional racism, a history of state care as a child, dispossession, and trauma due to sexual and family violence, often experienced over multiple generations, has resulted in them living stressful and precarious lives.

Various estimates suggest this group of people might number between 5,000 and 15,000 (Productivity Commission 2023b; Rashbrooke 2023).³

Successive governments have struggled to address the more complex needs of people experiencing persistent disadvantage using a centralised approach.

We have shown elsewhere that one common aspect distinguishing people experiencing persistent disadvantage from others is their limited ability to convert their material resources into a life they value (Wilson and Fry 2019).⁴ Policies like Working for Families tax credits and the minimum wage have helped increase the real resources available to people, but responding to persistent disadvantage is not just about money and jobs.⁵ It is about addressing needs that are going unmet in the current social welfare system because of how assistance is provided (Wilson and Fry 2019) and the failure of the system to listen and learn. As the Productivity Commission noted in its *More Effective Social Services* inquiry report in 2015:

Dealing with vulnerable individuals and families with multiple and inter-related needs is a particular challenge and is where the current system markedly underperforms. This challenge is not unique to New Zealand, and defies simple solutions. What is clear is that well-intentioned people are attempting to solve complex problems in somewhat of a vacuum of information about what works, why it works, how well it works, who it works for and how much it costs.

It is also clear that exhortation – calls to “do better”, “collaborate more” or “innovate” – is insufficient to drive behavioural or system change. Change initiatives need to be properly grounded in an understanding of people, the

¹ Terms like social welfare, social security, social services and the welfare state appear frequently in the literature and in popular discourse and are often used interchangeably, especially when describing government organisations. The Productivity Commission defines social services as “services dedicated to enhancing people’s economic and social wellbeing by helping them lead more stable, healthy, self-sufficient and fulfilling lives” (Productivity Commission 2015, 27). The Commission noted that under this definition, social services are provided by a mix of government, for-profit and not-for-profit providers.

² We have limited data on precisely how many people with less complex needs are well-served by the social services system. The Productivity Commission put the figure at “millions” (ibid., 51). We return to this issue in section 1.2.

³ This figure may appear low, but it represents the results of careful study of the available data by experts. Better data may emerge as a result of providing people with services that better address their needs. See section 3.2 for a discussion.

⁴ In the literature, capabilities are the effective opportunities (real choices) people have to be the person they want to be and be able to do the things they want to do (Robeyns 2005; 2017). Social, personal and environmental factors – collectively conversions factors – determine the ability of people to transform resources into a good life (Oosterlaken 2020).

⁵ The minimum wage, in particular, is not a very effective tool for addressing household disadvantage (Wilson and Fry 2021).

organisations in which people work and the incentives that those people face.
(Productivity Commission 2015, 99)

In our view, social justice demands that greater attention be given to these people who are living lives far from their aspirations.⁶

The new government should move quickly to adopt a strategy to better address persistent disadvantage.⁷ We offer one proposal for consideration and action.

Our proposed approach may also generate solutions that improve the provision of services more generally. If so, these solutions should be expanded as appropriate. But we stress that in this paper, we are focusing on addressing the needs of a specific group of people. We are confident that any government can advance its many objectives across a range of policy areas.⁸ Giving priority to addressing persistent disadvantage threatens no one else's wellbeing.

1.1 What is persistent disadvantage?

Poverty and disadvantage have often been largely regarded as the same thing.

While much discussed in the literature and in official reports, there is no official definition in New Zealand of either disadvantage or persistent, nor are there any official statistics that track the number or circumstances of people experiencing persistent disadvantage (J. Smith 2023, 16).

In a ground-breaking study of the living conditions of working people in the north of England in the early 1900s, Seebohm Rowntree defined poverty in terms of not having enough income "to obtain the minimum necessities for the maintenance of merely physical efficiency": essentially, the amount required to allow someone to live (Rowntree 1902, X). More recently, Jonathon Boston and Simon Chapple defined poverty as a "lack of money or insufficient resources" (Boston and Chapple 2014, 21).

Under this formulation, the main assistance people experiencing poverty require is a boost in income or resources (for example, a better-paying job, higher cash benefits, a state-provided house or subsidised access to health care). In the jargon of economics, assistance here is an input: something people take and use to improve their lives.⁹

Research and policy have increasingly moved beyond the idea of income or resource poverty to a wider concept: disadvantage. Disadvantage brings in notions of people facing

⁶ See The Treasury (2022a) and the accompanying background paper (Thompson (2022)) for a discussion of the different theories of social justice. In their terms, we are applying the maximin approach to social justice to make this statement. Under the maximin approach, "what matters most is the absolute position of the people who are worst off, not how badly they are off compared to others" (The Treasury 2022a, 43). An alternative approach, sufficientarianism, has a goal that everyone has enough, or sufficient wellbeing, without being concerned about the distribution of wellbeing (Alcantud, Mariotti, and Veneziani 2022, 1530). In a practical sense, sufficientarianism is behind several social programmes in New Zealand and elsewhere. For example, the public health system provides a basic layer of universal care for everyone, with those who take out private health insurance being able to access additional or quicker services.

⁷ Given the deep-seated nature of some of the causes of persistent disadvantage, addressing it will not be a something that can be achieved immediately. This raises the issue of commitment. In New Zealand, where there is no written constitution or Bill of Rights that limits Parliament's power (Palmer and Knight 2022, 6), there is no outside power that can command a government once elected to keep its promises. Legislation passed by one Parliament can be repealed by another. There are, however, some examples in New Zealand where the short-term commitment problem is addressed by taking decision-making out of the hands of ministers and placing it with officials. The Reserve Bank's independent monetary policy is an example (Buckle 2018).

⁸ As economists, we emphasise that governments cannot do everything that might be socially valuable because resources are limited. They must make choices. In our view, addressing persistent disadvantage should have a higher call on New Zealand's resources.

⁹ Amartya Sen argues that possessing resources or income is not valuable itself. What is valuable is the life that people can lead with the possessions they have (Sen 1998, 2).



barriers, being deprived of opportunities, and not having the means to achieve their potential or live lives that they value.

Disadvantage, therefore, is associated with more than insufficient income (or consumption); the test is primarily about insufficient outcomes (wellbeing or living standards). (McLachlan, Gilfillan, and Gordon 2013, 37)

Persistent disadvantage speaks to situations where these challenges endure over extended periods.¹⁰ It highlights issues of ongoing social injustice but also choices that governments can make to remove barriers and help people lead improved lives.

Thought of this way, persistent disadvantage is about not living a good life. ‘Living a good life’ is a short-hand version of Amartya Sen’s idea that human development should be understood as the freedom to live a life you value and have reason to value. This is a key underpinning of much modern work on using wellbeing as a policy framework.¹¹ Different names have been associated with this concept of disadvantage: deprivation, low capabilities or social exclusion. All of these ideas:

[P]rovide different lenses through which to view and measure the multi-dimensional and complex nature of disadvantage and the experiences that people cope with (including less tangible matters, such as perceptions of personal security and subjective wellbeing). (ibid., 31)

Another common term in studies of social policy is the idea of need. Need is, however, a difficult word to define precisely, especially when trying to distinguish between needs and wants.¹² Needs can be understood in terms of deprivation and potential. When considering deprivation, needs are often thought of as physiological in nature and, when lacking, are “acutely felt” (Max-Neef, Hevia, and Hopenhayn 1989, 26). This harks back to Seebom Rowntree’s idea of “maintenance of merely physical efficiency” (Rowntree 1902, X). It also relates to Abraham Maslow’s idea of deficiency needs, which are the bottom four categories in his hierarchy (Maslow 1943). In terms of potential, meeting needs is the prerequisite for human growth (Helne and Hirvilammi 2017).

In our view, a capabilities approach to human development that focuses on addressing the specific barriers to people living a good life, rather than simply providing a higher income and expecting people to use that to build a good life, should guide the Government’s strategy for addressing persistent disadvantage.

Government departments are not set up to focus on increasing conversion factors. They focus on delivering cash and services that address a presenting symptom (a health issue, lack of housing, etc.). The assumption is that by receiving cash and services directly, many people will lead better lives.¹³ That is, departments assume that people can convert

¹⁰ For example, the Productivity Commission has distinguished between temporary disadvantage, which is when disadvantage occurs over a timeframe of less than two years; persistent disadvantage, which is when disadvantage occurs for more than two years; and intergenerational disadvantage, where persistent disadvantage occurs across generations (Productivity Commission 2023b, 20). Due to data limitations, they were only able to determine if disadvantage occurred at two points of time (the 2013 and 2018 Censuses), and not whether disadvantage also occurred in the intervening period, or whether it occurred intergenerationally. The Commission called for new data sources to enable policy makers to better measure all forms of disadvantage.

¹¹ See Section 1.3 of Wilson and Fry (2023, 2 ff) for an expanded discussion.

¹² Mainstream economics proceeds on the basis that when confronted with limited resources, people will make choices based on their preferences (Mas-Colell, Whinston, and Green 1995, 41). It does not classify those choices into categories like ‘necessities’ or ‘discretionary spending’. While preferences cannot be observed, observing what people do reveals their preferences.

¹³ Providing benefits in kind, rather than giving people cash and allowing them to follow their preferences and choose their own consumption bundle can be justified on a number of grounds. The first is economy: it may cheaper for the Government to provide a

resources into a good life, and thus, what is needed is more resources combined with effective delivery. While this is true for the majority of people in New Zealand, in that departments and their contracted service providers routinely deliver a good service that improves the lives of most of the people they are working with, it is not true for a sizeable minority of people (Productivity Commission 2023a; Warren 2021).¹⁴ Of course, more generally, there is room for improvement in the design, delivery and funding of services.

People experiencing persistent disadvantage may have one or more of the following characteristics:

- severe disabilities
- extreme mental health or substance abuse problems
- extensive criminal records
- current or historical experiences of homelessness
- longstanding joblessness
- gang membership
- history of sexual or family violence victimisation
- history of state care as a child.¹⁵

Some people experiencing persistent disadvantage exhibit anti-social behaviour. We do not consider this to be disqualifying when it comes to helping them change their lives. It may add to the complexity of working with them. But everyone in New Zealand deserves to live a valuable life, and it is a fundamental role of the state to provide the social infrastructure to allow that to happen.

In summary, effectively addressing persistent disadvantage requires directly addressing the social, environmental and personal factors that will enable people to convert the resources available to them into a life they value and have reason to value. Just increasing the level of resources provided will be, at best, a partial solution. Ongoing learning and assessment of effectiveness are also critical because people's needs and the contexts they face are not static and will continue to evolve.

1.2 The evidence

We have known for decades that too many people in New Zealand live lives they do not value (The Treasury 1987, 375).

service, rather than have a range of private sector providers do the same thing. One aspect of this is information costs. It may be costly for people to gather then information they need to choose between a range of services. Public provision can reduce the overall cost of deciding what to do. Another is equity, in that society might decide that everyone should get a standardised level of service. Public health is an example. However, care needs to be taken to ensure that provision in kind does not impose the preferences of the state on its citizens:

People, even irrational and confused ones, are normally better judges of what is good for them than others. In most cases, people's judgment of what is in their best interest is best. It is a safeguard against authoritarian government, Overruling the choices that citizens—even confused, time-inconsistent, and downright irrational ones—make places tremendous responsibility on the benevolence of decision makers. (McCaffery and Slemrod 2005)

¹⁴ As just one example, the Mana Whaikaha enabling good lives disability support pilot by the former Midcentral Health DHB, which aimed to increase choice and control for people with disabilities and their families was heavily oversubscribed from day one, leading to an initial waitlist of more than 400 families (Lovelock 2020, 2).

¹⁵ We thank an anonymous reviewer for this list.

One perennial question is the extent of persistent disadvantage today. The available data paints a mixed picture. At the level of national averages, wellbeing in New Zealand is high and growing:

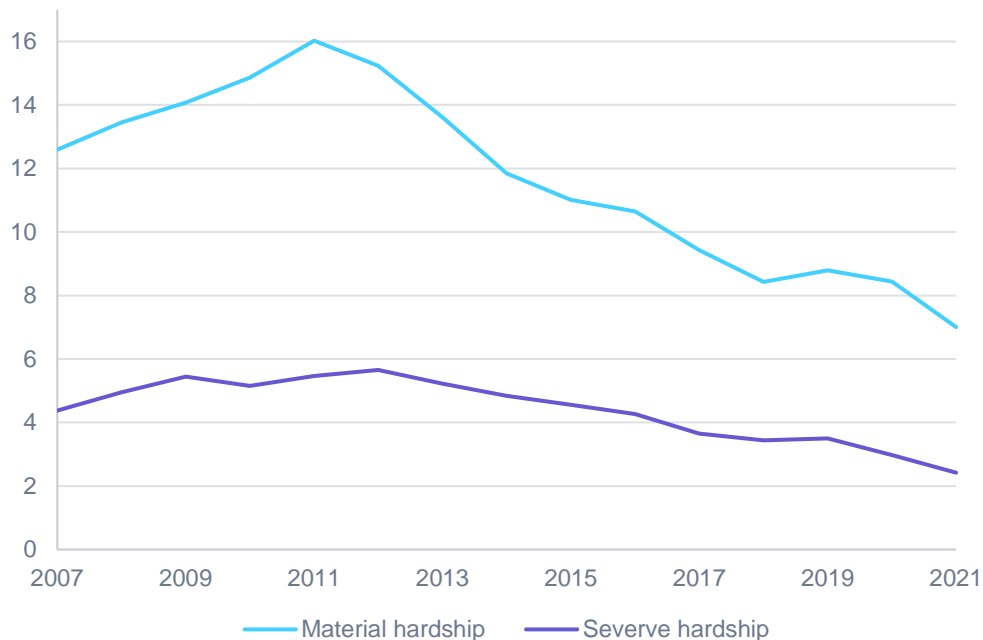
New Zealand performs well in many dimensions of well-being relative to other countries in the Better Life Index. New Zealand outperforms the average in income, jobs, education, health, environmental quality, social connections, civic engagement and life satisfaction. (OECD 2020)

More granular data across several domains of wellbeing support this conclusion:

- Reported health status is high and increasing for most of the population: in 2022, 88.4% of adults said they were 'in good health', and parents reported that 98% of children were also in good health (Ministry of Health 2022)
- While significant gaps between ethnic groups remain, life expectancy in New Zealand is increasing (Stats NZ 2023)¹⁶
- Labour force participation is currently at record high levels in New Zealand, especially for women (Ministry for Women 2023)¹⁷
- Income inequality is at least stable, if not falling (Perry 2019a; 2019b; T. Hughes 2022)
- The number of people experiencing material disadvantage has also fallen.

Figure 1 The number of people living in hardship is falling

Percentage of the population living in material hardship or severe hardship



Source: T. Hughes (2022)

¹⁶ Amartya Sen suggests that life expectancy, and its distribution within society is a good indicator of wellbeing (Sen 1998).

¹⁷ As Rae et al. (2019) note, encouraging movement to employment has been a key focus of welfare policy in New Zealand of late.

Using the best available evidence, the Productivity Commission recently examined the number of people in households experiencing disadvantage across three different 'domains' using data from the 2013 and 2018 Censuses.¹⁸ The Commission found that while many more experienced some degree of disadvantage at some point in time, few people were disadvantaged across all three domains in both years:

Only 0.4% of people (15,500) experienced persistent disadvantage in all three domains. (Productivity Commission 2023b, 39)

Separately, Max Rashbrooke recently suggested that between 5,000 and 10,000 people live in what he calls 'extreme poverty' (Rashbrooke 2023).

These two independent findings suggest that the number of people identified as experiencing **persistent** disadvantage is relatively small. This provides important evidence about the size of the task of addressing this issue. The two immediate conclusions we draw from this are that addressing persistent disadvantage may not require a large amount of funding and that funding should not be used as a reason for not proceeding with more effective policies.

We do not have complete information about the precise number, location, and circumstances of all the people experiencing persistent disadvantage. Some people will not be captured in official data because they have withdrawn from the social services system and do not trust the government and its agencies to act in their best interests. But we certainly know enough to conclude that the current social welfare system has struggled to help people experiencing persistent disadvantage to improve their lives.

1.3 The response to date

On average, New Zealand governments have significantly increased the resources they provide to low-income families since the 1980s (Wilson and Fry 2023).¹⁹

Numerous reports have suggested that the solution to addressing persistent disadvantage is to try something different. Each report builds on the list of previous reports that have said the same thing.²⁰

But rather than innovate, governments have largely responded by doing the things that departments are best at doing:

- Increasing cash benefits and transfers (Working for Families) and in-kind services like counselling and housing, targeted by way of often overlapping eligibility thresholds, with little, if any, regard for people's overall needs

¹⁸ The domains are: being left out (excluded or lacking identity, belonging and connection); doing without (deprived or lacking the means to achieve their aspirations); and being income poor (income poverty or lacking prosperity) (Productivity Commission 2023a, 10).

¹⁹ Inflation-adjusted per capita government spending on social assistance has increased from about \$6,000 in 1980 to \$17,000 in 2022. Much of this increase has been in in-kind provision, for example early childhood education subsidies, Kiwisaver subsidies and housing assistance. On the cash transfer side, the introduction of working-for-families (WfF) has greatly increased targeted income transfers to low- and middle-income families with children. It applies to both people in work and those receiving benefits, although there is additional support, via the in-work tax credit, for those working. In the 2022/23 year, a total of \$2,771 million was paid in WfF tax credits (Inland Revenue Department 2023).

²⁰ See Table 2.1 in Productivity Commission (2015) and Warren (2021).

- Seeking to improve coordination across departments at the top, using ministerial groups, executive committees and cross-departmental agencies²¹
- Writing detailed contracts for outputs with NGO providers as a way of imposing accountability.²²

One marked failing is that successive governments have treated iwi-based providers as just another type of contractor rather than as partners exercising rangatiratanga.²³

There have, however, been some positive examples of new approaches at least being considered:

- Tentatively supporting place-based initiatives (PBIs)²⁴
- Modestly supporting Whānau Ora²⁵
- Moderately increasing the stock of public housing²⁶
- Running a small number of trials and pilots and applying conventional, usually expensive and one-off evaluation techniques.²⁷

Even flagship approaches such as Social Sector Commissioning, which seeks “to transform the way social supports and services are commissioned so they best support people, families and whānau to live the lives they value” (Ministry of Social Development 2022a, 6) fall far short of what is needed. More flexible and responsive commissioning is desirable where the solutions being commissioned are likely to be effective. But perpetuating a top-down approach, where contracts focus on outputs and fail to specify the outcomes people need, do not give contracting parties the freedom to innovate and require extensive compliance, is not what is needed to achieve change.

The process of commissioning is not the fundamental problem. What is needed is a new strategy based on devolution. This is not a semantic quibble. Commissioning leaves most power with the centre. Devolution transfers most power to people experiencing persistent disadvantage and those supporting them.

- ²¹ The Public Service Act 2020 has formalised this co-ordination. For a discussion of the rationale, see Hughes and Scott (2021). Recent reports by the Auditor General have suggested that more needs to be done for departmental co-ordination to be effective (Controller and Auditor General 2023b; 2023c).
- ²² The previous Government was developing a more fluid approach to social sector commissioning. See Ministry of Social Development (2020; 2022b) and The Treasury (2020).
- ²³ The Nuka System of health care in Canada is another example of indigenous people providing services based on their cultural norms and aspirations (Southcentral Foundation 2021).
- ²⁴ Manaaki Tairāwhiti and the South Auckland Social Wellbeing Board have been designated as ‘Place-based Initiatives’ by Cabinet and have received some funding for their operations. See section 2.5.10 of Wilson and Fry (2023). A third PBI, Northland-based Kāinga Ora, was discontinued in 2019. Total funding for the PBIs is, however, modest: the SASWB received \$2.5 million per year and Manaaki Tairāwhiti \$1.05 million per year for the period 1 July 2020 to 30 June 2022 (Sepuloni 2020). There are many other community-based, locally-led organisations working with people experiencing disadvantage that receive some government funding, often as a contracted supplier of social services (Fry 2022).
- ²⁵ Funding for Whānau Ora is appropriated to Te Puni Kōkiri, which in turn has engaged three Whānau Ora commissioning bodies, which employ staff and in turn work with partner organisations across New Zealand that provide services to families. Whānau Ora is still very small within the context of the social sector. In the last fiscal year, funding to the three commissioning bodies totalled about \$135 million (The Treasury 2022b). To put this into context, the Winter Energy Payment is budgeted to cost \$518 million (ibid.). The Auditor General recently said more remains to be done by departments to support Whānau Ora and whānau-centred approaches (Controller and Auditor General 2023b).
- ²⁶ For historical data, see Olssen et al. (2010). Recent information is available at Ministry of Housing and Urban Development (2023).
- ²⁷ One common evaluation technique is to compare the outcomes for people participating in a programme with a separate control group who have not been involved. Finding such groups is not always possible and ethical issues arise when a clearly effective approach is denied to a group for the purposes of statistical robustness. Smith et al. (2019) is an example of an evaluation that could not reach any firm conclusions about the effectiveness of two place based initiatives using of this approach.



In summary, there have been few instances of any real willingness to bring to life the Productivity Commission's finding from almost a decade ago:

Lifting the effectiveness of social services in New Zealand will require a system that learns over time about what works, then selects the successful approaches and winds down the approaches that fail to achieve good results. (Productivity Commission 2015, 177)

1.4 Why has addressing persistent disadvantage been so difficult?

In our view, governments have failed to address persistent disadvantage partly because of an over-reliance on government departments as the principal vehicle to deliver assistance directly or through contracting to non-government organisations (NGOs).²⁸

Contracting out and in-house provision are natural approaches for ministers and government agencies because they enable top-down control and management of political risk. But that top-down control comes at a considerable cost – lack of innovation, and frustrated providers who are inhibited in their ability to provide responsive, integrated services. (Productivity Commission 2015, 93)

Gordon Whitaker showed that while we often talk about government officials as agents delivering services to the people they are assisting, they are not always simply delivering a service that can be consumed immediately, as occurs when a person goes to the dentist to get a toothache fixed. Rather, people seeking assistance take what is delivered and use it to make changes in their lives:

Whether it is learning new ideas or new skills, acquiring healthier habits, or changing one's outlook on family or society, only the individual served can accomplish the change. He or she is a vital "coproducer" of any personal transformation that occurs. The agent can supply encouragements, suggest options, illustrate techniques, and provide guidance and advice, but the agent alone cannot bring about the change. Rather than an agent presenting a "finished product" to the citizen, agent and citizen together produce the desired transformation. (Whitaker 1980, 240)²⁹

There is a mismatch between what is required to help people experiencing persistent disadvantage to improve their lives and the ways in which government departments operate. Table 1 sets out the main differences.

²⁸ There is no generally accepted definition of an NGO, other than that they are not directly controlled by a government (Willets 2006). In this paper, we use the term to describe organisations that are not part of New Zealand's central government.

²⁹ Tony Bovaird and his colleagues make the distinction between a relieving logic, which involves professionals providing the service for the customer; and an enabling logic, where clients undertake tasks for themselves. An example of enabling logic is where a dietician provides advice that supports someone to change their diet (Bovaird et al. 2015, 1).



Table 1 What departments deliver and what is required to address persistent disadvantage

What departments do	What effective assistance requires
Address presenting needs, provide services in order that make sense to them	Building long-term relationships, taking time to understand all needs, the context, and individual/community priorities
Deliver standard services with limited differentiation	Developing and delivering highly personalised plans led by people themselves
Operate programme-by-programme eligibility thresholds	Basing eligibility on a holistic understanding of peoples' lives and their needs
Emphasise efficiency, including through online contact	Building trust between frontline staff of providers and recipients at a very personal level
Work to the Government's priorities	Working to the priorities of the individual and their families
Operate subject to the 'vertical' Westminster model of accountability ³⁰	Being accountable to the people they are working with, the network of other providers working in this field, and the Crown

Source: The authors

Standardisation, automation and centralisation are rarely the right tools to address persistent disadvantage. In practice, contracting models have focused on accountability for outputs rather than for achieving outcomes.

Local and overseas experience indicates that grass-roots organisations that are empowered to walk with people on a journey of change can be more effective.³¹ Some common features of these approaches are:

- Working to build trust between providers and the people they are assisting
- Listening to what people say they want to change and then working with them to design and deliver assistance rather than delivering services designed by others and expecting positive outcomes
- Embedding a strong learning culture, where lessons from experience are taken on board, at both the level of individual and family needs and through a wider network of providers and funders (Fry and Wilson 2022).

These approaches put people experiencing persistent disadvantage at the centre of everything: design, delivery, ongoing learning and evaluation.

³⁰ The New Zealand public accountability model is based on a system developed in the United Kingdom. In this model accountability is always up the chain: frontline staff are accountable to managers; managers are accountable to the departmental executive; the executive, especially the Chief Executive, is accountable to the Minister; Ministers are accountable to Parliament and, finally, Parliament is accountable to the electorate. The people being helped do not appear in this chain. Neither does Te Tiriti o Waitangi (but that is another story). See Wilson and Fry (2023) and the references cited therein.

³¹ Mauria Te Pono, Manaaki Tairāwhiti, Ngāpuhi Iwi Social Services and the Wellington City Mission are examples of these types of organisations in New Zealand that are working in different ways to help people experiencing persistent disadvantage. For a more general discussion, with other examples, see Fry and Wilson (2022), Fry (2022) and Wilson and Fry (2023).

In this paper, we make a case for more devolution of social assistance away from central government to frontline organisations that are given the power, authority and funding to deliver what people truly need to live better lives via a process of ‘co-production’.³²

1.5 A diverse population

New Zealand has a very diverse population. A quarter of the population was born overseas, and about 36 percent of the total population reports non-European ethnicities.³³

This diversity means that Anglo-Saxon-style social service provision may not be appropriate for everyone.³⁴

This diversity also highlights the need to avoid stereotypes.

One common misconception is that persistent disadvantage is only an issue for Māori and Pacific peoples. Another is that all Māori and Pacific peoples are disadvantaged. As Simon Chapple commented in 2000 when discussing the then government’s ‘closing the gaps’ strategy:

Popular rhetoric to the contrary, Māori do not share a common experience of socioeconomic disadvantage. The Māori ethnic group is not a group whose boundaries are well defined by socio-economic failure. Socio-economic differences amongst Māori as a group overwhelm socio-economic differences between Māori and other groups. Māori ethnicity is not socio-economic destiny. (Chapple 2000, 11)³⁵

Cycling forward to today, that is still the case:

While some population groups were more likely to be in persistent disadvantage, compared to the average New Zealand population, being part of the group does not mean they are experiencing persistent disadvantage. Approximately two-thirds of sole parents and nearly three-quarters of Māori or Pacific peoples did not experience persistent income poverty or persistent exclusion in 2013 and 2018. (New Zealand Productivity Commission 2022, 38)

We do not have accurate data on the precise socioeconomic makeup of the population experiencing persistent disadvantage. Even if we did, we do not think that would alter the case we are making for devolution. What matters is that a devolved system is more likely to be effective regardless of who it is helping because, by definition and design, it takes people

³² The literature defines co-production as “the voluntary or involuntary involvement of public service users in any of the design, management, delivery and/or evaluation of public services” (Osborne, Radnor, and Strokosch 2016). It is an important element of effective approaches for addressing persistent disadvantage (Wilson and Fry 2023, 44). This does not mean that the partnership is necessarily equal. For example, in a New Zealand context, Te Tiriti ō Waitangi means that iwi may initiate and lead solutions. We are grateful to Moana Eruera for this point.

³³ Of the overseas born population, 44% reported a European ethnicity, 42% Asian and 10% Pacific. Of the New Zealand born population 80 percent said they were European, 22 per cent Māori, 7 percent Pacific and 5 percent Asian. Under current Stats NZ policy, people who specify more than one ethnicity are included in all ethnicities, and thus the total of each ethnicity sum to more than the total population. This is why, for example, 70% of the population identify as European, while 36% identify as non-European.

³⁴ Gøsta Esping-Andersen describes the liberal welfare state as often involving means-tested benefits, modest universal transfers and modest social insurance schemes. The focus is on low-income groups and incentives to work are given special attention. Work is the main vehicle by which people provide for their needs and there is less focus on rights (Esping-Andersen 1990, 26). He cites the US, Canada and Australia as archetypal examples of this model. We would also include the UK and New Zealand.

³⁵ Chapple’s essential point can be illustrated by way of a graph of the distribution of wellbeing comparing Māori and non-Māori populations. Such a graph would show overlapping distributions, rather than a gap between them.

and their families as they are and works with them to change their lives rather than expecting them to benefit from standardised services designed remotely.

The relationship between the Crown and iwi expressed in Te Tiriti o Waitangi does, however, add a unique dimension to social assistance in New Zealand. As Cowley and Tremblay have noted, any discussion of devolution, administrative decentralisation, governance and co-design needs to have regard to the underlying basis of self-determination (Cowley and Tremblay 2023, 9).

2 Our proposal

Our central proposition is that the government needs to adopt a new strategy for addressing persistent disadvantage.

Working with people to improve their ability to convert resources into a better life for them requires a very personalised approach tailored to the goals and aspirations of each person and their family within the context of their community (Wilson and Fry 2019; Fry and Wilson 2022; Fry 2022; Wilson and Fry 2023). Each family will have a different story and will need to develop their own plans for change.

Responsibility for working with people experiencing persistent disadvantage and supporting them to change their lives needs to be moved out of the public sector and placed in the hands of flax-roots organisations, which the Government funds to achieve desired outcomes.

We recommend that the Government create a network of organisations that are resourced and staffed to identify groups of people experiencing persistent disadvantage and then use principles of co-production and ongoing learning to create long-term change, with people at the centre of everything they do.³⁶

We call this approach devolution.

3 What is devolution?

Devolution is about who has the power to make the decisions that will assist people to lead better lives. It involves questions like what to do, when, by whom and how. Necessarily, it also involves decisions about sources and quantum of funding.

Devolution gives decision rights to an organisation by a government, which retains the power to change the terms of devolution.

Devolution is about central government respecting existing authority and agency instead of actively working to bring it into existence. All people have agency when determining how they should live their lives, and that should be respected.

³⁶ This approach is similar to the Ngā Tini Whetū early support prototype involving Te Puni Kōkiri, Oranga Tamariki, ACC and the Whānau Ora Commissioning Agency (Whānau Ora Commissioning Agency 2022). This prototype provides early assistance to 800 families in the North Island. It has a budget of \$42.2 million, spread over two years (Te Puni Kōkiri 2022).

Moving to this new approach should not be seen as a magnanimous act by central government. Rather, it should be acknowledged as a long overdue recognition that the current approach has failed an identifiable group of people.

Devolution will involve a range of different design, delivery and accountability structures.³⁷

3.1 How to devolve power

Under our approach, there will need to be instruments of devolution that transfer power from the Crown to place-based organisations. There are several examples here and overseas that can be drawn on for guidance:

- In the United Kingdom, devolution of political power to Scotland, Wales and Northern Ireland is achieved by way of legislation and a series of political declarations³⁸
- The Deeds of Settlement of Crown breaches of Te Tiriti o Waitangi often establish enduring institutions³⁹
- There are some elements of the Local Government Act that resemble devolution of power to local government.⁴⁰

In Table 2, we set out how devolution would work compared with the status quo.

Table 2 Our proposed operating model

Domain	Current approach	Devolution
Funding	Annual, via the budget. ⁴¹	Ongoing government commitment to support.
Accountability ⁴²	Vertical, Westminster model of accountability. ⁴³ Departments contract NGOs to provide services and, in doing so, use complex contracts to impose a mirror of the	Accountability is outwards, as well as upwards. Organisations are accountable to the people they are assisting and to other

³⁷ In its *More Effective Social Services* report, the Productivity Commission discussed a range of service models that it thought should be considered as alternative approaches to provision of services by departments. Our approach is closest to its ‘trust’ and ‘shared goal’ models (Productivity Commission 2015, sec. 6.4). We note that there has been little practical progress in implementing any of the Commission’s seven models.

³⁸ The Scottish and Welsh people voted in referenda in 1997 on the question of whether a Scottish Parliament and Welsh assembly should be established with powers devolved from the United Kingdom government in Westminster. Devolution was a key element of the Good Friday peace accords in Northern Ireland (Torrance 2023).

³⁹ The Deed of Settlement of Māori fishing claims requires the Crown to allocate 20% of fishing quota to Māori. Under the Auckland Collective Settlement, 14 Maunga (volcanic cones) owned by the Crown were vested in the Tāmaki Collective.

⁴⁰ Section 10 of the Local Government Act states that the purpose of local government includes “to promote the social, economic, environmental, and cultural well-being of communities in the present and for the future” and under section 11, its role includes to “give effect, in relation to its district or region, to the purpose of local government stated in section 10”. Under Section 12, for the purposes of performing its role, a local authority has “full capacity to carry on or undertake any activity or business, do any act, or enter into any transaction”. Thus, Parliament has given local government wide authority to promote the wellbeing of the population. Note however, that in general, this devolution of power is not accompanied by funding. Local government does, however, have the power to levy rates to finance its activities.

⁴¹ Most government spending is authorised via annual appropriations contained in the Estimates of Appropriations, which are presented to Parliament each year as part of the budget. The Public Finance Act does permit multi-year appropriations, although these are not common. Some government expenditure is authorised in other statutes, and these are called permanent appropriations (The Treasury 2019, 25). For example, refunds of income tax are payable under Section 185 of the Tax Administration Act without further appropriation.

⁴² For more details of an alternative accountability regime, see section 4 of Wilson and Fry (2023).

⁴³ See footnote 30 for details.

Domain	Current approach	Devolution
	accountability arrangements applying to them.	providers via a system of network accountability. Other accountability regimes, e.g. the Charities Act, will be used. Accountability to the Crown, as funder, is focused on the effectiveness in delivering outcomes and supporting ongoing system-wide learning.
Governance	Assistance is provided by departments and Crown entities, which are subject to the Public Service Act, the Public Finance Act and the Public Audit Act. Contracting to NGOs is via contracts for outputs.	Enduring instruments of devolution will specify the respective roles of the Crown, people being helped and place-based organisations.
Programme design	Centralised and top-down. Often Cabinet-approved.	People-centred and led, based on principles of co-production. The place-based organisation would facilitate the process.
Delivery	Centralised, top-down, standardised and often automated.	Flexible. Could involve bespoke design by individuals and their families.
Learning and effectiveness	To the extent that it occurs, evaluation is often output-based (were the number of contracted interventions delivered?). Limited assessment of effectiveness, especially for programmes that are incorporated in departmental baselines.	Periodic evaluation is part of a culture of ongoing learning and adaptation designed to improve systems over time.

Source: The authors

Increasing devolution was a particular focus of the *More Effective Social Services* inquiry (Productivity Commission 2015). Julie Fry surveyed local experience with collaborative initiatives, which are one variant (Fry 2022). Her view was that while having considerable potential, the supporting architecture around these approaches inhibited their growth. Jo Smith has recently also recommended a more devolved approach (J. Smith 2023, 20).

Devolution involves a spectrum of approaches rather than being a fixed construct. What is devolved, to whom and under what conditions will likely vary from issue to issue, time to time and even place to place. This diversity of approaches is a strength, not a weakness.

It is likely that to be fully effective, devolution will involve a variety of organisations with overlapping catchments. We are not suggesting the approach we see in general medical practice, where a person is enrolled in one medical centre. There should be deliberate in-built flexibility to allow for unmet needs to be addressed when they are identified.

The skill mix of the people working in devolved organisations is likely to vary. Some specialised capabilities will be required, such as clinical support for addressing addictions. For others, empathy, lack of judgment and the ability to connect deeply with individuals and their whānau, hapu, iwi, faith or community groups will be paramount.



3.2 What does success look like?

We readily admit that it is difficult to accurately describe what the devolution of power to help people lead better lives looks like on the ground. The key is to imagine an organisation with the power and funding to work with people experiencing persistent disadvantage to develop and deliver real changes to their ability to convert resources into a good life and a commitment to achieving systems improvement through ongoing learning.

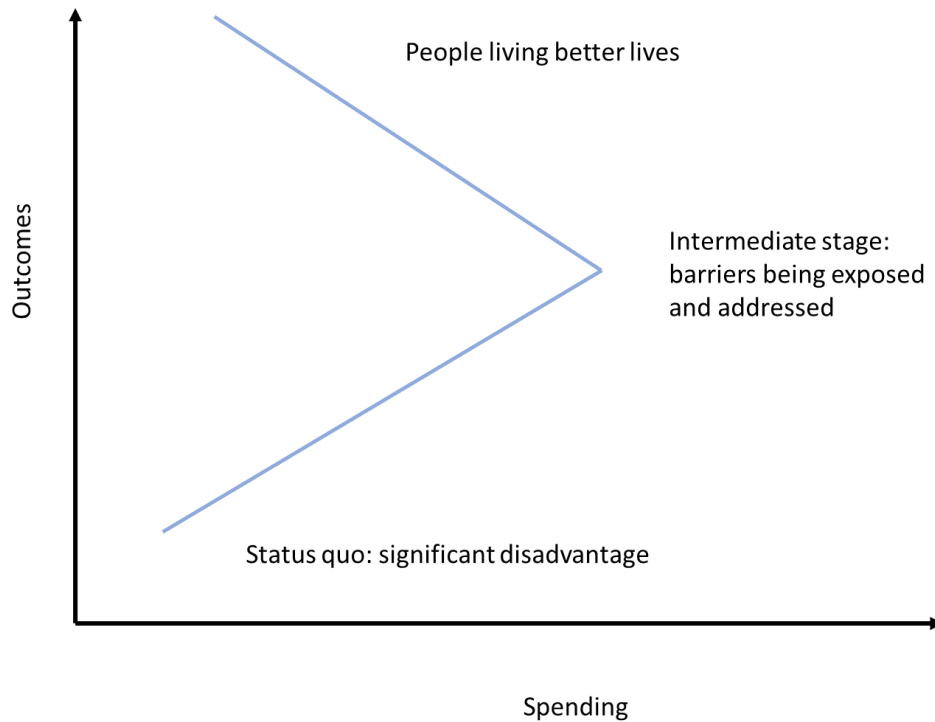
Because we have limited information about the people experiencing persistent disadvantage and their lives, determining success and measuring progress will not be easy, at least initially. One particular issue is that building trust can encourage people to disclose more of the barriers they face, which can increase demand for assistance, at least in the short term.

Figure 2 shows one possible track for devolution. Initially, people have low outcomes and receive a low level of assistance to help them specifically address the barriers they face. As an organisation works with them to build trust and expenditure on making the changes they want increases, more barriers may come to light, requiring more expenditure. Eventually, people's lives may improve, and they could require less assistance (although this will not be the case for some people, and ongoing support will be required).⁴⁴ The dynamics of how people progress towards a better life will need to be understood when assessing the effectiveness of devolution. This idea of increasing short-term assistance as a way of achieving lifetime improvements in wellbeing, and thus reduced lifetime social expenditure, underpinned the New Zealand version of social investment, which was being rolled out during the end of the Key-English government.⁴⁵

⁴⁴ For example, some people with disabilities may require lifelong support and accommodations.

⁴⁵ For a discussion of the why the New Zealand version of social investment had some unique features, see Destremau and Wilson (2016). Gill and Boston (2018) is a book-length discussion.

Figure 2 Exposing more barriers can reduce costs and improve outcomes over time



Source: The authors

4 The case for devolution

Greater devolution is justified on at least three separate grounds.⁴⁶

4.1 Effectiveness

As we have already explained, addressing persistent disadvantage is not just about giving people more resources, although that is often an important first step.

⁴⁶ There is a large economic literature on the issue of the most efficient configuration of government that has some relevance to the devolution question. Part of that literature was initiated in the 1950s with work by Charles Tiebout (Tiebout 1956). Tiebout argued that people would move to local government jurisdictions that provided services and levied taxes that matched their preferences. The result would be a patchwork of local government bodies undertaking a different range of activities and imposing different levels of taxation. This theory would suggest that approaches to addressing persistent disadvantage might also vary across any country. The empirical evidence, which is focused on the United States, suggests however, that people do not relocate in the way Tiebout suggested (Tresch 2022, 490). That said, the idea that addressing persistent disadvantage could be devolved to local government bodies as well as NGOs should not be discounted. The Productivity Commission's *More Effective Social Services* report, however, did sound a note of caution. They noted that local government can be subject to the same political forces that have prevented central government being effective in addressing disadvantage; evidence from countries where local government had a greater role in social welfare than New Zealand did not show materially better outcomes; and that providing social welfare services would require new sources of funding and a significant investment in capability (Productivity Commission 2015, 112). In its *A Fair Chance for All* report, the Commission recommended that the government "should consider how to align the respective roles and responsibilities of local and central government in planning and delivering wellbeing outcomes", while noting that it did not have the capacity to undertake in-depth analysis on this issue (Productivity Commission 2023a, 66). The Commission also noted that the recently released report *Review into the Future for Local Government* (Review into the Future for Local Government 2023) had considered this matter.

The persistence of disadvantage in an otherwise growing and prosperous economy demonstrates that the current approach is ineffective.

For assistance to be effective, it must be capable of bringing about the changes people want to make in their lives. In our taxonomy, it must address conversion factors as well as provide the resources that people need to lead better lives.⁴⁷ This is not just about the Government, departments or even contracted providers defining the required changes. Assistance must work for the person and their family within the context of the community in which they live. Organisations that can develop personalised approaches are currently successful in addressing at least some elements of disadvantage (Fry 2022). So devolution is not necessarily about doing more things; rather, it is about doing the right things more (Locality & Vanguard Consulting 2014). Critically, this involves collecting and analysing data to enable systemic issues to be identified and addressed over time.

4.2 Diversity

As we noted above, the population of New Zealand is becoming more diverse through time.

Programmes designed to reflect the cultural norms of the people they serve are often more effective than ones that assume a homogeneous culture (Meghani et al. 2009).

There are two main ways in which this diversity can be accommodated. The first is to operate large organisations with culturally competent staff servicing large, diverse populations. This approach is increasingly common in health services (Li et al. 2023).

An alternative, which we favour, is to devolve responsibility for assistance to smaller organisations that can focus on the needs of individuals and their families in ways that address their needs within their cultural context. A prime example is having providers who speak the preferred language of their clients rather than having to rely on interpretation. This can be especially effective where what is being provided is the co-production of changes to people's lives. The devolved organisation may not themselves be providing professional services, like health care, but working with people to determine what assistance is required.

4.3 Economy

One argument for large, centralised government provision of social services is economies of scale (Productivity Commission 2015, 10). By operating at scale, the cost of delivery of a service to any single person can be reduced. This can allow more services to be provided for the same budget or free up resources to be used elsewhere. Standardisation also ensures

⁴⁷ Amartya Sen, Martha Nussbaum and others have specifically considered the issue of the conversion factors of people with disabilities. For a survey, see Terzi (2022). In this work, the medical model of disability, which sees disability as a functional limitation due to a physical impairment is compared with a social model of disability, which sees the disadvantage experienced by people with disabilities as being primarily caused by society. Lorella Terzi gives the example of hearing. Under the medical model, difficulty in hearing is due to some physical loss that may or may not be rectified by treatment. Under the social model, the difficulties deaf people have in communicating is due to limitations of the availability resources they need to participate in society, like sign language interpreters and hearing devices (ibid. 547). Within the social approach, what matters is not whether a medical condition can be cured, but how people can participate in society in ways that they value, given who they are. Justice may, therefore, demand that people with disabilities be provided with additional resources to reflect the nature of their conversion factors. Martha Nussbaum, for example, argues that people with cognitive disabilities should be provided with the same minimum entitlement to her ten central human capabilities, including civil and political rights (Nussbaum 2009). In some cases, this might be achieved via mechanisms like guardianship or surrogacy (Terzi 2022, 555). We would add that ensuring that any guardians or surrogates always act in the best interested of their wards is vital.

consistent quality, and repeatedly doing complex tasks often leads to high provider efficiency and effectiveness (surgery being a classic example).

There are two conditions required for economies of scale to exist: high fixed production costs, and the additional (marginal) cost of each individual service delivered is low. In the case of social services, examples of high fixed costs include situations where large administrative and computer systems are needed, facilities with specialised equipment, such as hospitals, or when staff require extensive training. Low additional costs can arise when, for example, one new person is added to an automated payment system or one new child is enrolled in school, up to the point at which it reaches capacity (Fry and Wilson 2022, 22).

Given the variability and complexity of needs, there are unlikely to be economies of scale in helping people experiencing persistent disadvantage to improve their lives, at least outside the benefit system. It is difficult to imagine how a people-centred approach might be streamlined.⁴⁸

One perennial issue is the eligibility criteria for assistance. The Government is divided into multiple departments and agencies, each responsible for addressing particular needs (health, education, police, care and protection of children, social assistance, housing, etc.). As a result, there is an equally diverse range of assistance programmes in place, each with its own set of qualification thresholds, eligibility criteria and assessment tools. However, in practice, many of these programmes use the same criteria, e.g. income, location and household size. This results in duplication of effort as each department and agency collects the same information from the same people.⁴⁹ Worse, it often means that people are frequently re-traumatised, as they are asked to repeatedly revisit painful aspects of their history to prove they are qualified for assistance.

A better approach is to build a personal relationship with individuals and their families that allows a holistic assessment of their lives, taking a social investment approach. That relationship, once established, is likely to allow other needs to be surfaced and addressed as trust builds between frontline staff and individuals and their families.⁵⁰

5 When devolution isn't recommended

There are, however, several circumstances in which devolution from the centre is not recommended (Fry and Wilson 2022).

We have already touched on economies of scale. Where these are truly present, they should be used to reduce the cost of providing services to free up resources for alternative uses. One example is improving the delivery of benefit payments through computerised systems.

⁴⁸ We thank Kayla Hollis for this insight.

⁴⁹ People with multiple, complex needs often experience the 'five cars in the driveway' phenomenon: they will be visited by different agencies, each asking the same questions to get the information they need to do their job. For people who have experienced trauma, this risks multiple triggering events. See Ryall (2010) and Gisborne Herald (2017) for examples. The work of the South Auckland Social Wellbeing Board is an isolated example of a more coordinated approach (South Auckland Social Wellbeing Board 2023).

⁵⁰ While responding to previously unidentified and unaddressed needs may initially involve higher up-front investment in people, it is often more cost effective in the long term to address needs earlier than it is to wait until their consequences have compounded. See Hogan (2017) for a discussion on when early intervention is preferable.

Where it is possible to clearly specify the services that are required in advance, then contracting for outputs can be effective. Community delivery of COVID vaccinations is an example.

A variant of these circumstances is where the Government has decided that relatively homogeneous services should be provided. The standard treatments funded by ACC-approved physiotherapists are an example.

A final example is where the Crown can use professional and occupational regulation to assure that providers can be trusted to act professionally. Many professionals involved in providing care are members of professional bodies. They are subject to occupational licencing regimes that require them to meet certain training requirements to practice and specify standards of behaviour. Thus, requiring providers to employ qualified and regulated employees can be sufficient to promote quality services.

6 Issues to address

Significant devolution of providing assistance to people experiencing persistent disadvantage has yet to occur in New Zealand.

In this section, we discuss some of the issues that will need to be addressed if the approach is to become more widespread. We make some suggestions to guide the debate.

6.1 The domain

In our view, devolution is well suited to addressing persistent disadvantage. As we stated at the beginning of this paper, social justice demands that people with ongoing, multiple, complex needs be given priority. It is likely that devolution will also help other people with unmet needs.

At least at an initial stage, we suggest that the government should be looking to devolve responsibility for working with people experiencing persistent disadvantage to a network of place-based organisations. Section 4.6.3 of Wilson and Fry (2023) sets out a more detailed proposal.

6.2 The interface with the existing system

Many people experiencing persistent disadvantage already engage with multiple state and private agencies. Some are beneficiaries; some live in state housing; many engage with different parts of the public health system; some have a history of ongoing interaction with the care and protection system and the criminal justice system.

There will be an ongoing interface with existing agencies, but one that is different in character.

Put another way, we are not proposing, at least for now, the wholesale devolution of the full range of social services provided to the whole population away from central government to NGOs. The government will still be a significant provider of a range of programmes: social welfare (benefits), housing, community services, health, disability, education, and so on.



Devolution should be about providing **additional or different** assistance to the group of people experiencing persistent disadvantage and collecting and analysing data to facilitate system improvement.

There are some key differences between the current approach and what is likely to be more effective (Wilson and Fry 2023, 38).⁵¹ Those which might require legislative amendments or widespread changes in practice are:

- Multiple different thresholds for assistance under separate programmes should be replaced with holistic assessments of the overall life that a person and their family are living.
- Assistance takes everyone as they are and recognises their needs and preferences rather than requiring recipients to conform to the culture and norms of the dominant group.
- Assistance is provided through ‘listen, test and learn’ approach that builds trust and supports people in addressing needs in the order of priority that matters to them, rather than using standardised approaches.
- The focus is on addressing enduring underlying issues (violence, trauma and discrimination) rather than only the issues that currently offend the sensibilities of the ‘median voter’.⁵²
- Devolved agencies operate a ‘no wrong doors’ approach: people can receive the assistance they require regardless of which agency or provider they contact first.
- Multiple organisations are available to help people change their lives, and there is enough capacity to enable people to choose the type of provider that they prefer (for example, iwi-based, faith-based, local or national providers).

6.3 Accountability

Several recent reports by the Auditor-General and others have discussed the shortcomings in the current system of public accountability, both generally and as it applies to addressing persistent disadvantage.⁵³

Overall, the accountability system in Aotearoa New Zealand is backwards-looking, focused on shifting blame, stifles innovation and confuses voluminous reporting for effective holding to account. In short, it fails to ensure that the assistance provided to people experiencing persistent disadvantage helps them to live better lives. (Wilson and Fry 2023, iv)

Generally, the system puts too much weight on what the literature calls constitutional accountability, which is focused on preventing ‘bad’ behaviour. It involves rules that limit unethical or dishonest activity, especially at the individual level. Less emphasis is placed on democratic accountability (promoting policy and programme effectiveness by requiring

⁵¹ We have not undertaken a cost benefit analysis of these features.

⁵² The concept of the median voter comes from public choice economics, which is the economic study of nonmarket decision making. The idea is that on any issue, voters can be ranked according to their attitudes, from support to oppose. In political systems with majority voting, parties will promote policies that will attract the votes of a majority by focussing on the views of those voters close to the middle of the spectrum, without giving attention to the effects of policies on those at either end.

⁵³ Controller and Auditor-General (2019; 2021a; 2021b; 2021c; 2023a; 2023b; 2023c); Productivity Commission (2023a); Fry (2022), Haemata Limited (2022) and Wilson and Fry (2023).

those exercising power to explain their actions and, especially, why) or using accountability to promote learning (ibid., 55).

One recurring theme, both in New Zealand and the wider literature, is that there is both an accountability deficit, where those exercising power are not required to explain and justify their conduct, and an accountability overload, which sees providers and agencies mired in a complex web of rules and reporting that adds little value (ibid., 48).

Reflecting feedback from many agencies, Julie Fry has suggested that the current accountability overload is a barrier to integrated, holistic services being provided by agencies operating in the social sector (Fry 2022, 24).

We, therefore, suggest that devolved organisations be subject to a purpose-built accountability regime that overcomes the major deficiencies of the current approach. What follows are our high-level suggestions.

According to Mark Bovens, any accountability regime has to answer three questions (Bovens 2007):

- To whom should the organisations be accountable?
- For what should they be accountable?
- How should they be held to account?

6.3.1 To whom should the organisations be accountable?

In a departure from current practice, we propose that devolved organisations should be accountable to:

- The individuals and families with whom they are working
- The networks within which they operate, and
- The Crown.

We do not suggest a direct, personal, contractual relationship between devolved organisations and people experiencing persistent disadvantage. Our suggestion is that agencies and their managers and governors look out to the people they are working with and look up to funders, regulators, and the public. This would involve, for example, organisations asking people and their families how the organisation's activities and approaches will improve their lives. We see a particular role for frontline staff:

A primary accountability relationship is from frontline staff to people experiencing persistent disadvantage. This reflects the importance of empowered, capable frontline workers in the assistance process. Accountability runs both ways because both parties need to act for change to occur. (Wilson and Fry 2023, 93)

Grass-roots organisations already operate within a web of formal and informal ties at the individual and collective levels. These networks offer a powerful additional accountability mechanism:

Informal accountability relationships based on shared norms and facilitative behaviors are important complements to formal accountability relationships; they provide the interorganizational "grease" that enables networks to work through the inevitable rough spots of coordination. (Romzek, LeRoux, and Blackmar 2012, 451)



As the Crown will be devolving much of its power, it should seek less detailed reporting than is currently the case. It should only seek information not provided through network accountability mechanisms and focus on outcomes, effectiveness and learning rather than compliance for its own sake.

6.3.2 Accountable for what?

At a high level, devolved organisations should be held accountable for:

- Setting the outcomes they are seeking to achieve
- The effectiveness of their operations to attain those outcomes and
- Undertaking their operations legally and ethically.

A focus on outcomes is a missing element of much of public sector accountability:

We have found through our work that it has long been unclear to the public and Parliament what outcomes are being achieved with public spending. (Controller and Auditor General 2023a, 1)

We do not expect devolved organisations to solve the problems of the whole accountability system, but we do suggest that they should be in the vanguard of a movement towards a far greater focus on stating and measuring progress towards outcomes. They should ask the people they are working with what changes they want to make in their lives. That is the fundamental outcome. They should also ask people how their lives have changed due to their journey with the devolved organisation. That is the ultimate measure of success.

There is one very important element of accountability that is seriously underweighted in the New Zealand system, and that is the accountability to prevent abuse of people being assisted. People experiencing persistent disadvantage may be extremely vulnerable, having experienced violence, trauma and discrimination. The harrowing findings of the Royal Commission into Abuse in Care show what can happen if there is insufficient accountability to both prevent abuse and bring abusers to account (Royal Commission of Inquiry into Abuse in Care 2023). Any devolved system must have effective protections against abuse embedded within it.

6.3.3 How should accountability be imposed?

We suggest that accountability should be achieved through:

- **The people-led processes of co-production.** This should ensure devolved organisations focus on what matters and listen to and learn from the people they are helping.
- **Transparency.** Devolved organisations need a culture of openness and willingness to explain what they are doing, how and why.
- **Light-touch reporting of achievements against desired outcomes.** Devolved organisations should produce regular, simple and useful reports to the people with whom they work, their communities, the wider public and Parliament and the Government as funders.
- **A culture of ongoing learning.** This should involve at least the following elements:



- Agencies need to work with people and their families and communities to develop a clearer picture of unmet needs and jointly seek to address barriers to meeting these needs.
- The workforce needs to collect, analyse and present data on barriers and challenges and report these to system leaders.
- System leaders need to examine this data, validate or disprove it, and then act to achieve change.

6.4 Assignment of risk

One of the barriers to contracting for outcomes is that the contracts do not clearly specify who is to carry what risks. As we have seen recently, an unexpected period of high inflation can crystallise the risks faced by providers who have entered into fixed-price contracts for the provision of services.

As a general principle, devolution should be based on risks being assigned to the party with the greatest ability to mitigate the risk.

In practice, the Crown should take macro-economic risks (inflation, average wage movements) and the direct consequences of regulation (e.g. pay equity). That is, devolution should be accompanied by funding contracts that automatically provide for increases in payments that are the agreed responsibility of the Crown.

The organisation to whom power is being devolved should be responsible for the day-to-day management of their operations and be free to adopt a business model that is best for them. They should specifically be responsible for things like recruitment, pay and management of staff (although, as noted above, the Crown should be able to specify that suitably qualified staff are employed⁵⁴).

These organisations should also generally take responsibility for achieving desired outcomes. Rather than seeking the impossible standard of a perfect contract for outcomes, devolution should involve a deliberate determination of common barriers to outcomes being achieved and ensure that the terms of any devolution address those barriers.

Successful application of an outcomes approach requires several issues to be settled early (Wilson and Fry 2023, 7). The UK Government Outcomes Lab has suggested the more important issues are:

- A clear purpose for devolution should be established, and that purpose should be understood by all parties to the contract, the people being supported and wider stakeholders.
- Devolution should be designed carefully, based on the circumstances of the case in question, rather than using generic templates.
- Devolution should include transitional provisions to allow the new approach to be phased in over an agreed timeframe rather than being introduced via a ‘big bang’.

⁵⁴ Who decides what suitable qualifications are in the case of organisations that are using approaches based on non-European ways of thinking and acting, like kaupapa Māori, will also need to be addressed. The resolution of this issue is outside the scope of this paper.

- Evaluation should be built into any contract, agreed in advance, and then conducted transparently with a learning focus in mind (Government Outcomes Lab 2023, 8).⁵⁵

To this list, we would add a commitment to ongoing learning and systems improvement for all those involved.

6.5 How much funding?

Inevitably, addressing persistent disadvantage costs money. Devolving power without providing adequate, stable funding is pointless.

At the same time, the Government's resources are finite, so funding must occur within some limits.

Ken Warren has suggested that the Treasury and a new collective investment management team should be responsible for making individual devolution decisions from within a separate Budget allocation, using data from the Integrated Data Infrastructure (IDI) and traditional approaches to cost/benefit analysis (Warren 2021, 32–33).

We agree with the idea of a separate Budget allocation, which reinforces the point that addressing persistent disadvantage is additional to, but supportive of, existing programmes. We are less sure that cost/benefit analysis is the right tool, at least in its more formal sense. Expecting potential providers to be able to specify in advance the benefits of their approach to the degree of granularity that would allow a formal assessment against costs is, we think, unrealistic, at least at an early stage of a shift of paradigms to devolution.

We suggest that the government adopt an iterative approach, selecting a number of existing providers with a track record of working with people experiencing persistent disadvantage with which to partner. The amounts allocated should be realistic, based on the experience of these providers and the complex needs of the communities they are serving. Rather than providing an exact estimate of what an organisation should receive, we propose starting with an amount that is clearly in the ballpark.

The precise level of funding will, of course, need to be based on evidence. The Productivity Commission's study of the costs of persistent disadvantage could be used to benchmark the appropriate level of funding (Timmins 2022).⁵⁶

An amount of \$50,000 per person enrolled per year, with a guarantee of five years of funding, would be a reasonable place to start.⁵⁷ If the initial target group is about 15,000

⁵⁵ An important part of economic analysis is the idea of the counterfactual. To determine the effect of a policy or intervention, analysis should look at with and without situations, as opposed to before and after. Beginning in the 1960s, social policy has increasingly used the methods of medicine to inform decisions about what interventions to introduce. Randomised controlled trials (RCTs), where the effects of an intervention on a trial group is compared with a control group that was not treated has become common in evidence-based policy (Baron 2018). The control group is the counterfactual. However, some interventions produce such clear results that detailed evaluation using RCT is not necessary. In these cases, denying the intervention to the control group is likely to be unethical. For example, many major advances in public health, like improving urban water quality and treating waste, were introduced without first conducting a RCT (G. D. Smith 2002; Tulchinsky 2018). Where a programme is clearly improving peoples' lives, that may in itself be enough to warrant continuing the programme. RCTs are often better reserved for cases that only have the prospect of making marginal improvements against existing approaches.

⁵⁶ In its *More Effective Social Services* report, the Productivity Commission noted that the 10,000 highest cost recipients of benefits from the social welfare system would generate costs to the Crown over their lifetime of over \$500,000 each (Productivity Commission 2015, 3). Jo Smith recently suggest that this would represent a total of about \$8 billion at today's prices (J. Smith 2023, 20). This provides another benchmark for assessing funding levels.

⁵⁷ Given the current state of knowledge about how to address persistent disadvantage, we freely acknowledge that this figure is a rough estimate. Considering the make-up of this funding, two hours per week with a counsellor who charges \$100 per hour, for example, would cost \$10,400 per year. Under the August 2023 proposed Care and Support Worker Wage Increase Proposals, the

people, this would mean an annual expenditure of \$750 million.⁵⁸ The advanced evaluation and learning process we suggested above should, in the early stages, include a specific programme of assessment of the adequacy of funding and the track record of the approach.

Given that billions of dollars have already been spent on social assistance, with limited progress in addressing persistent disadvantage, we see little to be lost and much to be gained from trying an approach that at least has the prospect of success. The alternative is to continue to fund an approach that has been shown to fail people who experience persistent disadvantage.

7 Conclusion

The case for devolution is clear.

Indeed, it has been clear for years, and yet successive governments have shown little appetite to share their power and resources. Contracting for outputs, within highly prescriptive and high compliance cost accountability requirements, has often been the limit of what governments have been prepared to do.

Wide-scale devolution will only happen if a government is prepared to admit that centralisation is not working as well as a clear alternative might.

Rather than waiting for that to happen, we encourage existing grass-roots organisations seeking to expand their operations or increase their effectiveness to do so using whatever suitable sources of funding are available. They need no one's permission to find better ways of helping people.

They should be vocal in demonstrating how they are already working with people experiencing persistent disadvantage outside the current contract-based, centralised system of government funding.

Other communities should seek to build new organisations to spread the benefits of devolution across New Zealand, and they should challenge the Government to walk with them on a journey to discover the possibilities of devolution.

When dealing with the Crown (or any other funder), if NGOs are proactive in proposing moving beyond contractual terms to a true sharing of power and resources, then funders will need to respond. As a first step, they should seek to expressly state what risks they are prepared to take and which ones should lie with the Crown or other funders. They should push against fixed price contracts, which require them to assume macroeconomic and policy risks.

In the end, and this will have clear implications for the people they support, organisations may need to consider declining funding that imposes conditions that limit their ability to effectively work with people experiencing persistent disadvantage.

minimum hourly rate for the most experienced and qualified care would be \$29.10 per hour. Employing someone full-time at this rate would cost \$60,528 a year. For context, the current rate of combined New Zealand Superannuation is \$45,738.16 per year.

⁵⁸ This is a smaller amount than total spending in 2023/24 for Vote Corrections, which is estimated to be \$2.6 billion; Vote Courts (\$1 billion); and Oranga Tamariki (\$1.5 billion) (The Treasury 2023).

Justice demands devolution. Experience demonstrates how devolution can work. It is not a perfect system because no human-designed system can be. But it is a much better approach than the status quo.



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