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PRESERVATION

SUBMISSION TO THE ROYAL COMMISSION
ON SOCIAL POLICY

BY R G LAKING
DEPUTY DIRECTOR-GENERAL
(POLICY & SERVICES)
DEPARTMENT OF SOCIAL WELFARE

MADE AT INVERCARGILL

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Date Due _____

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Introduction

Mr Chairman and Members of the Commission.

- 1 This submission is made in response to the invitation in your letter to us of 21 April 1987 (Annex A). In that letter you asked the department to make a preliminary early submission to you which:

- "(1) gave relevant background information about the department's role;
- (2) identified particular issues;
- (3) outlined the department's programme for further development of those issues;
- (4) made recommendations about the conduct of the enquiry."

We are here speaking to you today in response to that invitation.

- 2 Mr Chairman, it scarcely needs saying that the matters contained in your Warrant are of the utmost significance to my department. Your findings may well determine our future as an organisation. The senior management of the department, whom I represent, is therefore anxious to give you the fullest possible co-operation during the course of your enquiry and in particular intends to make a much fuller submission to you in due course.
- 3 To help us, we have set up a task force in Head Office to prepare papers for presentation to you. Mr Alan Jones, who is with me here today, convenes that group. You may also receive submissions direct from individual members and groups of our staff. We do not seek to hinder that process in any way, but our submissions will represent the official view of the management of the department. As is customary, we will inform our Minister of their content before presenting them but, as is also customary, they will represent the department's views rather than the Minister's.
- 4 We have, however, only just begun to think about what we would eventually want to say to you. We are certainly not able today to offer you any clear statement of the department's views on the many weighty questions in your terms of reference. We have instead tried to reflect on our own recent experience, and particularly on our extensive public consultations of the last three years, to identify some of the social policy questions which are of current public and departmental concern.
- 5 Our list is not exhaustive. We will, however, try to give you some idea of the sorts of questions we have been asking ourselves in recent times and to raise from those questions a few general social policy issues. They are questions and issues which we will address at greater length in our later submissions.

The Role of the Department of Social Welfare in Implementing Social Policy

- 6 By any measure the Department of Social Welfare is a large and highly visible agent of government social policy. In 1986/87 we spent \$6.2 billion: the biggest Vote of any department. We employ over 6,000 people in 73 offices from Kaitaia to Invercargill.
- 7 \$5.8 billion or 94% of what we spent last year was on monetary benefits, reflecting the importance of direct cash transfers in the government's social policy. In the last year the department processed about 300,000 new applications, and currently is paying more than 1.1 million benefits.
- 8 The department also helps individuals and families in stress through its extensive social work service. It administers the Children and Young Persons' Act which provides the statutory basis for work in relation to young offenders and children in need of care or protection. There are currently 6,000 children in the care of the department.
- 9 The department's direct social services are complemented by its extensive support for community-based welfare activities. Last year we spent some \$80 million on grants to a wide range of voluntary welfare agencies and community groups through almost forty different subsidy programmes.
- 10 The most obvious and generally most contentious activities of the department are when it intervenes in a crisis in individual or family life. But not all our work is reactive. We are shifting the balance towards more positive welfare initiatives through such programmes as Maatua Whangai, family violence prevention and the "stepping out" programme for long-term beneficiaries.
- 11 Much of what we do involves us in a very direct and personal way in the lives of many New Zealanders. We face three major challenges in discharging our responsibilities with skill and sensitivity.
- 12 The first is our sheer size and spread. The Department of Social Welfare is organised as a classic bureaucracy. It has a formal chain of command extending down from the Minister to the Permanent Head and on to the benefits clerks and social workers who deal directly with the people we serve. It is frequently and sometimes justly accused of the sort of sclerotic rule-bound inflexibility that can afflict such large organisations: an inability to respond quickly and effectively to the real needs of its customers.
- 13 The second challenge is the enormous variety of our clientele. We see the very old and the very young; white and brown; rural and urban; well and poorly educated; employed and unemployed; those who are angry and those who are apathetic; the confident and the anxious; articulate and silent. The diversity of the people we serve is the diversity of New Zealand itself.

- 14 The third is the complexity of our task. Much of what we do is apparently mechanistic: the payment of benefits to those eligible under government policy. Even these supposedly determinate rules frequently change and require constant interpretation. Much of our work, particularly social work, has objectives which are much more difficult to pin down with precision and outcomes which are hard to assess.
- 15 Our very size, together with the variety of our customers and our tasks makes it necessary for our staff to have a good deal of discretion in how they carry out their roles. We cannot write a rule-book which covers every human situation our staff will encounter. The way they respond will often be critical to the results our clients achieve. Our benefits staff for example can have a great deal of effect on the outcome of a particular enquiry through how much information they give to the person making it; in what form they present the information; what priority they give to following it up; the manner they adopt in responding to the enquirer and so on.
- 16 What can be said for benefits administration can be said with equal or greater force for all other aspects of our work. In short the quality and quantity of the service we deliver is very greatly determined by the way we carry out our tasks in the many thousands of our daily encounters with the people we serve. Social services cannot be delivered effectively by mechanically administering a set of rules.
- 17 For these reasons our first-ever formal management plan, issued in 1986, committed the department explicitly to couple skill and sensitivity with technical efficiency in the delivery of services. The plan set out our commitment to "maintain a department which is efficient and flexible in operation, ethical and sensitive to the needs of clientele and staff and which provides services which are culturally appropriate." If these words are to be more than platitudes we need the management skills and staff training to back them up.
- 18 Over the past few years the department has had to look very closely at its ability to deliver on these objectives. It has at times been a painful experience for us. We have had brought forcibly home to us the frustrations that many of our clients have with dealing with us and of our staff in trying to serve them.
- 19 The consequence, however, has been positive. There has been a significant reshaping of the department's methods and objectives. We have shifted much decision power from Wellington to our district offices to give more effective local services. New legislation this year will provide for local communities to participate directly in the running of our local offices and institutions. A Social Welfare Commission will provide a similar community input into our policy at Head Office. We have explicitly recognised the diversity of our clientele and in particular the needs and aspirations of Maori people

through our bicultural commitment, of which I will have more to say later in this submission.

- 20 There is much more to be done. The Royal Commission gives us the opportunity to reflect further on the changes that are required.

A Brief Agenda of Some Specific Topics and Issues

- 21 Mr Chairman, you invited us to identify some specific topics and issues which are relevant to your Warrant. I now turn to this aspect. The specific topics discussed here are central to the work of our department but we believe they are also of wider concern.

Partnership Between Government and Community

- 22 The department's experience of "partnership" in the delivery of social services comes from a close working relationship with community groups and organisations. "Community" can mean many things. In this context it means individuals, groups and organisations who deliver or receive social services but who are not formally employed by the government.
- 23 Our relationship with community groups which provide services takes a variety of forms. We fund and support a wide variety of social service organisations; we contract services to some agencies; we work with national umbrella organisations to plan and co-ordinate social services; and we supervise and support individuals such as foster parents and volunteers.
- 24 We are looking at new ways of involving both consumers and providers in planning and evaluating services. I have already mentioned community involvement in our district offices through District Executive Committees. These committees will participate in decisions on funding local organisations as we decentralise grant-making decisions within national policy rules.
- 25 The department's experience raises questions about the shape and nature of the partnership:
- (a) How can consumers directly influence the quality and appropriateness of social services?
 - (b) What should be the respective roles of government and community in the funding, planning, co-ordination and delivery of social services?

Community or Institutional Care

- 26 The word "community" can also be used to characterise care for people by family, friends or neighbours or in their own homes rather than in residential institutions. Historically, residential institutions have had an important role in providing care for the elderly, for

disabled people, for children whose parents cannot care for them and for young people for whom some form of social control is necessary. But as early as the 1920's, New Zealand adopted policies for community care of state wards on the grounds that residential care encouraged dependency and that growing up in the community was closer to normal. The same philosophy has more recently been extended to other groups. Community care is believed to help rehabilitation and encourage independence.

- 27 This view has been reinforced by concern at the high cost of institutional care. Care in and by the community is not necessarily cheaper, however. If disabled people, for example, are to live independently and move about freely, housing, public buildings and public transport need adaptation. The costs of care borne by families and other informal caregivers can be unacceptable unless they are offset by both financial support and services such as home help, relief care and day care.
- 28 In some cases the personal and financial costs of informal care in the community may outweigh the benefits - whether the person needing care is a sick, elderly relative or a disturbed, delinquent teenager. The move to community care does not mean that there is no place for residential institutions.
- 29 The move back to community care raises the following issues:
 - (a) To what extent should the groups, families and individuals who pick up the costs previously borne by residential services, be compensated by the government?
 - (b) What are the proper limits to a policy of community care and what circumstances still call for the use of residential institutions?

The Role of Government in Intervening in Whanau or Family Life

- 30 The abuse and neglect of children by their parents has long been seen to justify intervention on the basis of the rights of dependent children to minimum standards of care. But the high incidence of domestic violence, usually assaults by men on women, is now widely acknowledged also as a major social problem requiring government and community action.
- 31 In recent years the department has begun to support the casualties of domestic violence, for example by funding Women's Refuges. It is now also looking to address the causes of family violence more directly by preventive education of families and communities and by encouraging perpetrators to learn how to manage their anger. In addition much more specific child protection measures are proposed in the Children and Young Persons Bill.

- 32 These new initiatives, however, raise in varying degrees the question of the right of the government to intervene in the decisions of families or whanau even when family members are at risk to injury or abuse. To increase the extent of the government's involvement assumes some agreement on the causes of violence or neglect and considerable faith in the efficacy of education and treatment. It assumes also that extended families or wider groups cannot themselves deal with these matters. These assumptions do not go unchallenged.

A New Structure for Benefits?

- 33 There are significant differences in eligibility rules between the various benefits that the department administers. The system is complex. Some people may not know of their entitlements; others may know but not apply. If this is so, the evenhandedness of the benefits system, as well as its predictability and ease of administration are called into question. There have been many calls for a simpler and more accessible system.
- 34 Two options for changing the benefit system are:
- (a) simplify the system by amalgamating existing benefits while keeping the present structure in which eligibility is based on distinct categories of presumed need.
 - (b) dispense with the different benefit categories and assess need solely on the basis of income, delivering payment through the personal income tax system. This is often called a negative income tax system. It would, of course, mean the end of the benefit system as we know it.
- 35 Option (b) would legitimate the transfer of income to people receiving income below a certain amount from wages or other sources. The same results could be achieved by paying a guaranteed minimum income to all through the benefit system.
- 36 A critical issue to be faced whatever option is selected is the unit of assessment. Are individuals to be treated as independent, without assuming some responsibility on the part of partners or families to maintain them? Such an approach could, for example, mean paying a minimum income to all individuals on the basis of their citizenship. Or, are material needs to be assessed at the level of the family or the household?

Assistance to Families with Children

- 37 Governments have traditionally seen it as their role to assist parents with their child-rearing responsibilities. Financial contributions are of two types:
- . Payments to all Parents with Dependent Children: The family benefit is a payment made regardless of the level of parental

income and in that sense it is universal. The family benefit is an acknowledgment of the costs associated with child rearing.

- . Payments "Targeted" by Parental Income: The main programme is family support and is based on the recognition that those with children and low incomes are more likely to experience material deprivation.

- 38 The balance between these two types of family assistance has changed over time. Recent policy changes have emphasised targeted benefits; the "universal" proportion of child-related payments to parents is rapidly decreasing. A second change has been the use of the tax system, wherever possible, to deliver family assistance.
- 39 Questions about the existing structure of family assistance which need to be considered include:
 - (a) Which child-rearing costs, or what proportion of child-rearing costs, is it appropriate for the government to provide?
 - (b) Should a mixed system of family assistance (part "universal", part "targeted") be continued?
 - (c) To whom should family assistance be paid - to both parents or solely to the principal carer?
 - (d) What is the best way to deliver family assistance - through the benefit system or tax system?

The Appropriate Role of Government in Meeting Cost of Life Changes

- 40 Life changes such as old age or a disabling illness reduce people's ability to maintain themselves. Some people may, for example, have to cease paid employment. The issue of life changes has been brought into prominence by the expected demographic changes which will result in a greater proportion of dependent elderly people.
- 41 Many people save or insure in anticipation of the demands of the more universal life changes such as ageing. Other risks are at least in principle insurable but the costs of insurance may fall very unevenly on individuals.
- 42 The government meets some of the costs of life changes through a variety of benefits such as for widows, the sick, the invalided, the orphaned, the disabled and through national superannuation. The role of government in meeting these costs raises issues about the effect of government intervention, and the principles which should underlie it.
- 43 We can do no more than list some of the issues here.
 - (a) What life change costs should government meet?

manage their social and economic development, even to dispense justice.

- 48 For our department a bicultural approach raises a number of important questions.
- (a) Can a single social policy and organisation be flexible enough to accommodate both Maori and European values?
 - (b) What aspects of our policies are specifically bicultural and what are appropriate to all cultures?
 - (c) When should control of resources and policies be a partnership with the department and when should it be fully devolved to Maori or other communities?

Some Broader Issues

- 49 Mr Chairman, I would like to conclude this submission by looking at some broader issues of social policy which are implicit in the discussion so far.
- 50 First, there is the problem of evaluating the outcome of social policies.
- 51 This requirement is fundamental to establishing an effective policy development process. Only if an effort is made to discover actual outcomes (as distinguished from anticipated or hoped-for outcomes) can policies be evaluated in terms of their purposes, and rational decisions made about the need for the policies to be modified or replaced when the outcomes prove to be different from those intended.
- 52 The issue of how policies can affect people's behaviour is important in many policy areas. For example, the outcomes of income-redistributive policies may bear little resemblance to their initial impact because people alter their behaviour in response to the new mixture of incentives and penalties.
- 53 It is important to know whether a policy will have significant "perverse effects" which undermine or offset its benefits. For example, news media attention has focused on claims that the present basis for social security payments to unemployed persons and sole parents may produce induced dependency by impairing the recipient's self-confidence and capacity to respond effectively to opportunities to become self-supporting. Another example is the possibility that the provision of emergency shelters may lead to an increased number of young people living on the streets.
- 54 While it is not hard to find people with firm opinions on such questions, there is little empirical evidence. Indeed, it sometimes appears that the degree of intensity of beliefs about social issues is inversely related to the amount of evidence available. The

dilemma posed for policymakers when faced with little knowledge of the outcome of a policy change is to decide when the change is appropriate. This reinforces the need for continuing evaluation and assessment of social policy.

- 55 A second general issue is whether the pursuit of welfare objectives exacts a cost in the form of reduced economic efficiency.
- 56 Not surprisingly, our submissions will probably conclude that income redistribution is a legitimate activity of government. Nevertheless, redistributive policies can also affect economic efficiency through their impact on incentives to work and save. If there are such costs, what are their magnitudes? If the magnitudes are substantial, what criteria are appropriate for determining the value to be placed on the advancement of fundamental welfare objectives relative to the "efficiency" costs which are incurred? What criteria enable a judgement to be made about the appropriate "trade-off" between the conflicting goals indicated?
- 57 Third, there is the issue of what processes of accountability most appropriately apply to social policy.
- 58 This issue is the focus of an increasingly vigorous and at times acrimonious debate, particularly between administrators who see themselves working in a conventional public service chain of command and community workers who are more inclined to regard themselves as answerable to their clients. Are public servants in social services agencies solely responsible to their Ministers, or are clients able to call service providers to account directly? If those responsible for implementing social policy are accountable in a variety of ways to a variety of different sources, how are conflicting demands on them to be reconciled?
- 59 Fourth there is the thorny ethical issue of the appropriate basis for the provision (or subsidisation) of goods and services.
- 60 The main question here in essence is whether people should be given what they need (as specified by others) or what they themselves indicate they want. A second significant issue relates to the type of delivery system appropriate to meeting wants or needs. Many social services - whether support for families or for the elderly infirm or the physically or mentally disabled - have traditionally been provided by supposedly benevolent government agencies. This model is being called into question by people who say that the more power those who in the end stand to win or lose from a particular policy have in the delivery of that policy the more "efficient" the delivery is likely to be. Ultimately the implication of this view is that those who are deemed fully competent to decide their own futures - the elderly and the physically disabled for example - should simply be given a sum of money related in some way to the costs of their dependency and allowed to choose for themselves how to spend it.

- 61 Such an approach assumes that people have the information to make good decisions and that the market will respond to their demands. It also begs the questions of how to decide who is competent to make their own decisions and how to know when the market is responding properly.
- 62 Where the provision of services is a collective decision rather than a matter of individual consumer choice there is a strong school of thought that "efficiency" (in the correct sense of best serving the needs of consumers) is best served by giving the power of decision to "funders" and "consumers" of services rather than "providers". The issue is most pertinent for us in the care of the elderly and disabled.

Conclusion

- 63 Mr Chairman, I am aware that we have not addressed all the questions you put to us in your letter. My purpose in this paper has been primarily to concentrate on my department's role in social policy and the sort of issues that we have been considering. We will, as I said, be preparing a further substantive submission on some of the questions I have raised today. We will need to discuss the timing of that submission with your Secretariat.
- 64 We have also had the opportunity to discuss your procedures informally both with you and your Secretariat. Perhaps our main contribution on this topic can be to share with you our experiences of public consultation which we have found to be time-consuming, but we believe are a necessary part of the formulation of major policy changes of whatever sort.
- 65 Finally, again as I noted at the outset, we believe your deliberations to be of great importance to our own department and to the country as a whole. We wish you well and assure you of every support that we can provide.

R G Laking
Deputy Director-General
Policy and Services

6 May 1987