A fair chance for all

Breaking the cycle of persistent disadvantage

Interim report | Mahuru (September) 2022

NEW ZEALAND
PRODUCTIVITY COMMISSION
Te Kōmihana Whai Hua o Aotearoa

The Productivity Commission aims to provide insightful, well-informed and accessible advice that leads to the best possible improvement in the wellbeing of New Zealanders. We wish to gather ideas, opinions, evidence and information to ensure that our inquiries are well-informed and relevant. The Commission is seeking submissions on the interim findings and recommendations and the questions contained in this report by 11 November 2022.

A fair chance for all interim report

Breaking the cycle of persistent disadvantage

Mahuru (September) 2022

The New Zealand Productivity Commission

Te Kōmihana Whai Hua o Aotearoa[1]

The Commission – an independent Crown entity – completes in-depth inquiry reports on topics selected by the Government, carries out productivity-related research and promotes understanding of productivity issues. The Commission aims to provide insightful, well-informed and accessible advice that leads to the best possible improvement in the wellbeing of New Zealanders. The New Zealand Productivity Commission Act 2010 guides and binds the Commission.

You can find information on the Commission at www.productivity.govt.nz or by calling +64 4 903 5150.

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[1] The Commission that pursues abundance for New Zealand.

Foreword

E ngā iwi, e ngā mana, e ngā reo, e rau Rangatira ma, tēnā koutou te inanahi, te ināianei, me te āpōpō. Tēnā koutou, tēnā koutou, tēnā koutou katoa.

Ko Ganesh Nana toku ingoa. I am a first-generation New Zealander and I wish to greet the people of the past, the present and the future. And I acknowledge Māori as tangata whenua of Aotearoa.

As Chair of the Productivity Commission Te Kōmihana Whai Hua o Aotearoa, I am humbled to present our interim report on breaking the cycle of persistent disadvantage. In doing so, I am intensely aware of the many previous reviews and initiatives seeking to address these matters and am frustrated that this stain stubbornly remains on our nation and its communities. However, I have also seen examples of how people within their whānau and communities can overcome constraints, how people within provider organisations can support them to achieve their aspirations, and how government agencies can address the underlying inequities that create disadvantage in the first place. These examples have given me a glimpse of a future where all New Zealanders can lead fulfilling lives.

This report poses some searching questions we believe to be at the heart of shifting the barriers embedded in our systems that keep many trapped in a cycle of disadvantage. While topics such as colonisation and institutional racism might feel confronting, these are conversations we must continue to have until they are no longer the source of disadvantage. In a future without disadvantage everyone will feel proud of their cultural identity, will feel they belong, and will be supported to achieve their aspirations.

It is clear that our systems and social safety net do not meet the needs of people and communities with multiple complex needs facing persistent disadvantage. And despite the Crown's obligations under Te Tiriti o Waitangi, they fail to provide equitable outcomes for Māori.

As proposed at the start of this inquiry we have drawn on He Ara Waiora, a tikanga framework built on te ao Māori knowledge and based on evidence about wellbeing that applies to everyone. In short, people and whānau thrive when they have access to resources, are empowered to grow and develop on their own terms, and feel a sense of belonging within their communities. We acknowledge that mātauranga Māori belongs to Māori, and we will continue to seek feedback and guidance on its proposed application throughout this inquiry.

The Productivity Commission's mandated purpose is to provide advice on improving productivity to support the overall wellbeing of all New Zealanders. Consistent with this purpose, and alongside a te ao Māori lens, productivity follows from mauri ora. Healthy people, supported by a healthy culture, living within a healthy environment.

Persistent disadvantage is a complex topic and a reality experienced by far too many people and their communities. With this interim report we do not claim to provide comprehensive solutions – rather, we sketch out a pathway to identify and break the system barriers that have frustrated many for so long. We invite you to help us build a clearer picture of this pathway. What are the critical questions, challenges and opportunities you can see along such a pathway?

I express my thanks to the many people and organisations who helped inform the terms of reference for this inquiry, and their ongoing input. I look forward to further kōrero, as we move to finalise our findings and recommendations over the coming months.

Nāku, i roto i ngā mihi, nā

Chair, Te Kōmihana Whai Hua o Aotearoa New Zealand Productivity Commission
Mahuru 2022

Terms of reference

New Zealand Productivity Commission Inquiry into Economic Inclusion and Social Mobility – A Fair Chance for All

Issued by the Ministers of Finance, Child Poverty Reduction, Māori Development, Pacific Peoples, Revenue, and Social Development and Employment.

Pursuant to sections 9 and 11 of the New Zealand Productivity Commission Act 2010, we hereby request that the New Zealand Productivity Commission ("the Commission") undertakes an inquiry into economic inclusion and social mobility, focusing on the drivers and underlying dynamics of persistent disadvantage.

Context

The trends in indicators of economic inclusion and social mobility in New Zealand are not widely understood. This includes understanding how trends in economic inclusion and social mobility impact on individuals, different population groups and wider society, and how these impacts link to productivity and economic performance. In addition, some trends in New Zealand differ from other countries, such as the United Kingdom and United States. A robust, authoritative narrative about the New Zealand situation is lacking from public discourse.

A key gap in the existing New Zealand evidence is measurement and analysis of persistent disadvantage, and its dynamics across lifetimes and generations. Available evidence points to significant and growing disadvantage in the bottom income deciles, particularly in the context of rising housing costs. Covid-19 may exacerbate these trends. Children growing up in these households face the prospect of entrenched disadvantage.

The inquiry will focus on the persistence of disadvantage, which will bring together the two concepts of economic inclusion and social mobility.

The purpose of this inquiry is to:

- generate new insights about the dynamics and drivers of persistent disadvantage, and the incidence/impacts across different population groups, including social and economic factors;
- develop recommendations for actions and system changes to break or mitigate the cycle of disadvantage (both within a person's lifetime and intergenerationally); and
- help raise public awareness and understanding of trends in economic inclusion and social mobility (with a focus on persistent disadvantage) in New Zealand.

Scope

The work will promote a strengths-based approach, looking to make recommendations that would help individuals, families, whānau and communities realise their potential, and enhance their mana and wellbeing. It will recognise the importance of the Treaty of Waitangi as a key founding document of Aotearoa New Zealand.

To inform the inquiry's recommendations, the Commission should:

- bring together and build on the considerable existing evidence and many knowledge bases across a range of disciplines, including work undertaken for previous major reviews and inquiries (such as the Welfare Expert Advisory Group (WEAG), the Tax Working Group, the Expert Advisory Group on Solutions to Child Poverty and the Commission's inquiry into 'More Effective Social Services');
- establish definitions of economic inclusion, social mobility and persistent disadvantage;
- undertake research and analysis to better understand the dynamics and drivers of persistent disadvantage, applying relevant frameworks such as He Ara Waiora;

- draw on te ao Māori and Pacific approaches, including applying a collective as well as an individual lens to research and analysis, and the principles of mana motuhake (collective/self-reliance), rangatiratanga (independence) and mātauranga Māori (Māori-specific knowledge);
- explore how realising people's potential (through reducing persistent disadvantage) translates into direct increases in wellbeing, as well as higher productivity and better economic performance. Greater success for Māori and Pacific peoples is particularly important given their increasing proportion of the working age population in future years;
- create a clear, authoritative and accessible narrative about the trends in economic inclusion and social mobility in New Zealand; and
- take into account any relevant insights and findings from other Commission inquiries, including its current inquiry into immigration settings, as well as work under way across government (including relevant reforms and work programmes, such as Just Transitions and the Disability Action Plan).

Based on the above, the Commission will develop recommendations for effective actions and systems changes to help break or mitigate the cycle of disadvantage. This may include investigating:

- improvements to current measurement and data collection systems;
- the way public services are designed, commissioned, funded and delivered.

The inquiry will take a system-wide and whole-of-government perspective, look at life course and intergenerational outcomes, and consider a broad set of impacts on, and measures of, wellbeing.

Out of scope

To avoid duplicating parts of other major inquiries (such as WEAG and the Tax Working Group) the inquiry will focus on non-income policies. This will not, however, preclude the inquiry from identifying income levers in its recommendations.

Constitutional reform is out of scope.

Engagement requirements

In undertaking this inquiry, the Commission should:

- engage with key interest groups, organisations and practitioners across the public, private, not-for-profit and philanthropic sectors;
- collaborate with iwi and Māori, Pacific peoples and disabled people to explore barriers to reducing persistent disadvantage, and ways to support Māori- and Pacific-led solutions;
- draw on the lived experience of different people, groups and communities who may be affected by, or have overcome persistent disadvantage, including Māori, Pacific peoples, women, tamariki and rangatahi, sole parents, disabled people and their families, rural, provincial and urban communities, and the intersection across groups;
- partner with relevant government agencies, researchers, experts and practitioners across a range of disciplines and sectors; and
- use a wide range of modes and products (eg, short reports, videos, graphics), including accessible modes and alternative formats, to maximise reach and engagement with a wide range of voices.

Timeframe

The Commission must publish a draft report on the inquiry for public comment, followed by a final report or reports, which must be submitted to each of the referring Ministers by 31 March 2023.

About the interim report

This report asks questions and then gives interim findings and recommendations. The Commission welcomes information and comment on any part of this report and on any issues that participants consider relevant to the inquiry's terms of reference.

Key inquiry dates

Submissions due on the interim report	11 November 2022
Engagement with interested parties on the interim report	29 September to 11 November 2022
Final report to the Government	31 March 2023

Why you should register your interest

The Commission seeks your help in gathering ideas, opinions and information to ensure this inquiry is well informed and relevant. The Commission will keep registered participants informed as the inquiry progresses.

You can register for updates at www.productivity.govt.nz/have your say/subscribe, or by emailing your contact details to info@productivity.govt.nz.

Why you should make a submission

Submissions provide information to the inquiry and help shape the Commission's recommendations in the final report to the Government. Inquiry reports will quote or refer to relevant information from submissions.

How to make a submission

The due date for submissions in response to this report is Friday 11 November 2022. Late submissions will be accepted, but lateness may limit the Commission's ability to consider them fully.

Anyone can make a submission. Your submission may be written or in electronic or audio format. A submission may range from a short letter on one issue to a substantial response covering multiple issues. Please provide relevant facts, figures, data, examples and documents where possible to support your views. The Commission welcomes all submissions, but multiple, identical submissions will not carry more weight than the merits of your arguments. Your submission may incorporate relevant material provided to other reviews or inquiries.

Your submission should include your name and contact details and the details of any organisation you represent. The Commission will not accept submissions that, in its opinion, contain inappropriate or defamatory content.

Sending in your submission

The Commission appreciates receiving submissions in a searchable PDF format. Please make a submission via www.productivty.govt.nz/have-your-say/make-a-submission.

What the Commission will do with the submissions

The Commission seeks to have as much information as possible on the public record. Submissions will become publicly available documents on the Commission's website. This will occur shortly after receipt, unless your submission is marked "in confidence" or you wish to delay its release for a short time. Please contact the Commission before submitting "in confidence" material, as it can only accept such material under special circumstances.

Other ways you can participate

The Commission welcomes feedback about its inquiry. Please email your feedback to info@productivity.govt.nz or contact the Commission to arrange a meeting with inquiry staff.

Acknowledgements

Special thanks to:

Haemata Limited for the reports provided and for ongoing cultural support.

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Contents

Tables

Figures

KEY

Q Question text goes here.

F Finding text goes here.

R Recommendation text goes here.

Commonly used terms

Term	Description
Assumptions	For the inquiry, assumptions are the things that are generally accepted to be "true" but are usually based on theory, rather than facts. These "assumptions" are shaped by our history, our values and our cultural background.
Capabilities	The ability of a person to convert a set of means (eg, resources, goods, skills, attitudes) into a life they find fulfilling.
Central Agencies	In the New Zealand public sector, the Central Agencies provide overall leadership for the public sector. They include Te Kawa Mataaho Public Service Commission (PSC), the Treasury and the Department of the Prime Minister and Cabinet (DPMC).
Commissioning	Commissioning refers to the interrelated activities, including (but not limited to) planning, engagement, funding, procurement, monitoring and evaluation that need to be undertaken through third-party providers to ensure individuals, families, whānau and communities who need support get what they need for their wellbeing. (Ministry of Social Development, 2022).
Devolve	Generally taken to mean the transfer or delegation of power (and funding) to a lower level of government, especially from central government to local or regional administration. Can also involve devolving to individual entities, such as non-governmental organisations (NGOs) or individuals.
Disadvantage	Disadvantage (mauri noho or languishing) is not simply income poverty or low income, but rather the absence of mauri ora. Our definition of disadvantage sets out three domains that align with the absence of mauri ora: • left out (exclusion or lacking identity, belonging and connection); • doing without (deprivation/material hardship or lacking aspiration and capability); and • income poor (income poverty or lacking prosperity).
He Ara Waiora	A tikanga framework that conceptualises a Māori perspective on wellbeing.
Intergenerational disadvantage	Persistent disadvantage that occurs across the life course of an individual or family can spill over to the next generation as intergenerational disadvantage. That is, children born into persistent disadvantage may get stuck there into adulthood.
Mauri ora	A Māori concept of wellbeing that roughly equates to "thriving". Mauri is sometimes referred to as a "life force".
Mental model	The personal internal representation of reality based on life experiences and beliefs through which we interact with the world.
Mindset	An attitude or approach through which a person interprets and responds to problems and situations.
Non-governmental organisations (NGOs)	A non-profit organisation that operates largely or entirely independently of government and can operate at a local, regional, national or international level. NGOs can also be affiliated to iwi, hapū and Māori groups or adopt kaupapa Māori approaches. The goals of NGOs are often focused on creating social and/or economic value for wider communities. (Ministry of Social Development, 2022).

Paradigm	A paradigm is a set of concepts and theories that form a way of thinking that is shared by a group of people. In the context of this inquiry, it is the shared values and assumptions underlying policy goals, the nature of policy problems, and the instruments to address them.
Persistent disadvantage	For this inquiry we define this as when disadvantage is ongoing - for two or more years.
Power dynamics	Power dynamics describes how power affects a relationship between two or more people, or between different groups of people.
Public accountability (system)	The Auditor-General describes "public accountability" as being about public organisations demonstrating to Parliament and the public their competence, reliability and honesty in their use of public money and other public resources. And that the "public accountability system" helps provide the "social licence" needed for the public management system to deliver public services. The public accountability system also supports the development of trust within the public management system by establishing expectations for people (and teams of people), providing the necessary checks and balances, and encouraging proper behaviours and cultures.
Public management system (the system)	By "public management system" we mean: • the (evolving) set of organisations within government, and their functions and mandates; • the policymaking process; and the public policy settings (eg, legislation, regulations and non-statutory frameworks) that are created and maintained by the public service; • system-wide governance, accountability and funding arrangements; and • how the public service works together through relationships and partnerships to deliver results for Ministers and the public, including for specific populations. More broadly, this also includes the influence the public management system has on the private sector, communities, families and individuals. Sometimes also referred to as the system of public administration, or the public sector.
Public sector	We use the term "public sector" to mean the government of the day and its agencies, but for the purposes of this report, not local government and its agencies.
"Relational approach" to social sector commissioning	This is about shifting the nature and approach to commissioning conversations towards building relationships based on respect and trust. A relational approach to commissioning places trusted, meaningful relationships at the centre to ensure activity delivers wellbeing outcomes for individuals, families, whānau and communities (Ministry of Social Development, 2022).
Silos	This describes a situation where individual government institutions focus more on their own goals and objectives, rather than collective ones. This can lead to limited coordination and collaboration.
Social norms	Social norms are the implicit, unwritten rules, beliefs, attitudes and behaviours that are considered acceptable in a particular social group or culture. Norms provide us with an expected idea of how to behave and function to provide order and predictability in society.
Social, economic and political context	"Context" is broadly defined to include all social, economic and political mechanisms that influence the exposure and vulnerability to persistent disadvantage. This includes: the labour market; the educational system; political institutions; and other cultural and societal norms and values.

System barriers	In the context of this inquiry, the factors (eg, explicit or implicit rules, laws, policies, values, assumptions and mindsets) that show up in the public management system and make it difficult or impossible for persistent disadvantage to be effectively addressed.
System levels	A multi-level perspective of systems sees process and functions at different scales. Fine-scale relationships and interactions happen at a micro level, mid-scale at the meso level and large-scale at a macro level.
System settings	The set of "rules" or guardrails for the design and operation of the public management system.
Systems thinking	Systems thinking is a best practice approach to understanding the complexity of the "real world" systems we live in. It helps to explain how things interact with each other, and how these interactions affect the system as a whole.
The Office of the Auditor-General (OAG)	The OAG carries out strategic audit planning, sets policy and standards, appoints auditors and oversees their performance, carries out performance audits, provides reporting and advice to Parliament, and carries out inquiries and other special studies. Staff in the Office are employed by the Auditor-General, an Officer of Parliament.

Overview: breaking the cycle of persistent disadvantage

The Government has asked the Productivity Commission to undertake an inquiry into economic inclusion and social mobility – A fair chance for all – with a focus on helping those experiencing persistent disadvantage. This report brings together our interim findings on this wide-ranging and complex topic and seeks public comment and feedback on a way forward.

While many of us are thriving, there are too many in Aotearoa New Zealand who are not

We all want to live fulfilling lives where we have a strong sense of identity, are able to contribute to our families and communities, have the things we need to realise our aspirations, and grow the next generation of New Zealanders. As New Zealanders, justice and caring for others is part of our cultural identity. We all share a responsibility for looking out for each other and not leaving anyone behind.

While many of us are thriving, there are too many in New Zealand who are not. About 17% (724 000) of New Zealanders experienced persistent disadvantage in both 2013 and 2018. Young people, families and whānau can face multiple disadvantages that hold them back, which can turn into a cycle of persistent or intergenerational disadvantage. People and families face impossible choices every day, just trying to get by.

Our interim recommendations focus on the overall settings of the "public management system"

Rather than recommending sector-specific policy changes or how individuals, communities and society in general can achieve change, we have asked the question: what are the "upstream" system settings that hold persistent disadvantage in place and what would enable change? To do so, we have looked across the whole public management system to understand what is creating the inequities in people's lives in the first place and why certain groups are more vulnerable to disadvantage in New Zealand, and the public management system's contribution to that.

As you will see, we identify four barriers to addressing persistent disadvantage that exist throughout the public management system and impact all sectors and all institutions. One of these barriers is the fragmented and siloed nature of government, which challenges the idea that making improvements in individual sectors will be sufficient for addressing persistent disadvantage.

A future without persistent disadvantage is within grasp

The seeds of change are already there. Working collectively, the people of New Zealand, the Government and the public service can remove system barriers to unlock opportunities for those living in persistent disadvantage.

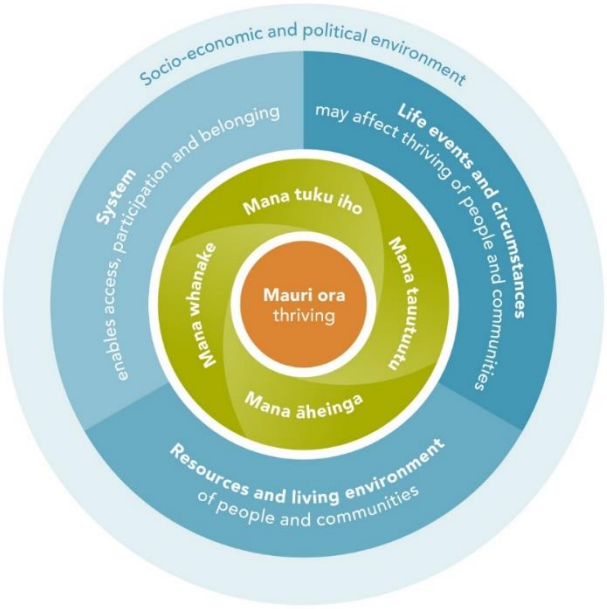
To get to that more equitable and productive future, we need to be brave and discuss some confronting issues like the ongoing impacts of colonisation, institutional and systemic racism, and who holds power. We also need to ask some fundamental questions about the purpose and nature of our public services. It is time to take a step back and reconsider some of the embedded "assumptions" that underpin the way we think about these issues.

New values must be grounded in te ao Māori in recognition of Te Tiriti o Waitangi (Te Tiriti) as the foundational document of Aotearoa New Zealand. We have adapted the He Ara Waiora wellbeing framework already in use across the public sector as one way to both ground this report in te ao Māori, and to recognise our responsibility to engage with Māori and understand Māori perspectives.

We have a broad vision of social inclusion that has strong links with Māori and Pacific peoples' perspectives on wellbeing

Inherent in our vision is the principle of equity, which recognises that each person has different circumstances and needs, and gives them access to the resources, capabilities and opportunities they need to thrive.

Below is a visual representation of our Mauri Ora approach, which we developed after considering a range of feedback and research. In this, we draw on four dimensions of wellbeing set out in He Ara Waiora – a tikanga framework that conceptualises a Māori perspective on wellbeing that is applicable to all.[2] These are: mana tuku iho (identity and belonging); mana tauutuutu (connection and balance); mana āheinga (aspiration and capability); and mana whanake (prosperity). We use mauri ora (thriving) to describe the ultimate wellbeing and productivity outcomes we are seeking for New Zealanders.



People and communities achieve mauri ora (thriving) when they are included and mobile. That is they experience:

- **Mana tuku iho** – have a strong sense of identity and belonging
- **Mana tauutuutu** – participate and connect within their communities, including fulfilling their rights and obligations
- **Mana āheinga** – have the capability to decide on their aspirations and opportunities to realise them in the context of their own unique circumstances
- **Mana whanake** – have the power to grow sustainable, intergenerational prosperity

What the Commission found in this inquiry

Disadvantage is not simply being income poor

In spite of the innate strengths and ability of people and communities to withstand life's challenges, not everyone is thriving or attaining mauri ora. We describe this state as being in "disadvantage" or in a state of "mauri noho", or languishing. When disadvantage is ongoing, whether for two or more years, over a life course, or across generations (intergenerational disadvantage), we define this as persistent disadvantage.

Disadvantage is not simply about being income poor, but about not being able to experience all the "mana" as described in He Ara Waiora. In trying to quantify this, we use a definition of disadvantage that sets out three domains that align with the absence of mauri ora:

- left out (exclusion or lacking identity, belonging and connection);
- doing without (deprivation/material hardship or lacking aspiration and capability); and
- income poor (income poverty or lacking the foundations to grow prosperity).

[2]For a fuller description of He Ara Waiora, refer to https://www.treasury.govt.nz/information-and-services/nz-economy/higher-living-standards/he-ara-waiora

Eliminating persistent disadvantage would create substantial social and economic benefits and improve wellbeing for all

People freed from disadvantage can lead better lives and the benefits will ripple widely. If we were to reduce the incidence of persistent disadvantage, we would raise New Zealand's productivity and increase the contribution people make to their communities through paid work and unpaid work (New Zealand Productivity Commission, 2022). For example, living with a health condition can create significant disadvantage in the lives of people and their communities. It is estimated that each year, type 2 diabetes creates $562 million in lost wages and reduces the amount of unpaid work (eg, caring for others and volunteering) carried out by the equivalent of $334 million (PwC, 2021). While illustrating only one aspect of disadvantage, this estimate no doubt understates the potential impact on wellbeing should such disadvantage become intergenerational.

Reducing persistent disadvantage would mean that communities would benefit from having more individuals being able to engage in their local community, such as participating in community groups and helping others grow their cultural capability and feel a sense of belonging (The New Zealand Treasury, 2021). It would also be easier for people in our communities to build relationships with each other and support our children to get a great start in life.

Some groups are more likely to experience persistent disadvantage

The data shows us that sole parents, people from families with no high school qualifications, Māori, Pacific peoples and disabled people were generally between one-and-a-half and three times more likely to experience persistent disadvantage in one or both of the two domains[3] than the average New Zealand population under 65 years. The regions with the highest levels of persistent disadvantage in one or two domains were Northland, Gisborne and Manukau (a sub-area within Auckland City).

People with low incomes may also find it difficult to change their situation. We found that 38% of New Zealanders with the lowest incomes in 2007 were in the same position in 2018.

Alongside life events or inherent capabilities, power dynamics have a large influence

There are some key life events that are associated with becoming disadvantaged: relationship breakdown and change in family formation; living with a long-term physical or mental illness or being injured; and important life transitions. Conversely, there are factors that can protect people from becoming persistently disadvantaged. These include: adequate income, housing, health and social connection; cultural identity and belonging; knowledge and skills; access to employment; stable families; and effective government policies and supports.

Getting a good start in life is critical for building the capabilities an individual needs to avoid and respond to disadvantage. The evidence points to the importance of the early years (first 1 000 days), but also the benefits of supporting children throughout childhood.

The social, economic and political context also has an influence on the extent to which particular groups of New Zealanders are more exposed and vulnerable to disadvantage in their lives. What we see is people being stratified according to societal power dynamics, which in turn is influenced by Aotearoa New Zealand's history. The public management system can reinforce this stratification.

In response to this complexity our public management system has been evolving to take a more joined-up and collaborative approach

Over the last 20 years there have been several initiatives to improve the coordination of government in enhancing the lives of New Zealanders. There have also been recent reforms to the design and operation of the public sector with the new Public Service Act 2020 (PSA 2020) and updates to the Public Finance Act

[3] In the interim report, we were only able to measure two domains: being income poor and being left out. In the final report, we anticipate including analysis on persistent disadvantage across all three domains.

1989 (PFA 1989). The aim of these reforms has broadly been to create a more adaptive and collaborative public service, and more specifically "to address complex issues that span agency boundaries, and to provide wrap-around services based on New Zealanders' needs, rather than agency convenience" (Public Service Legislation Bill, 2019).

There has also been recognition that the way public finances are allocated needs to change. In 2019, the Government introduced the first "Wellbeing Budget". At the heart of the Wellbeing Budgets is the idea that GDP is not a sufficient measure of the quality of life. But four Budget cycles on, the Government acknowledges that there is much more to do to broaden and embed a wellbeing approach.

Many people have told us more fundamental change is needed

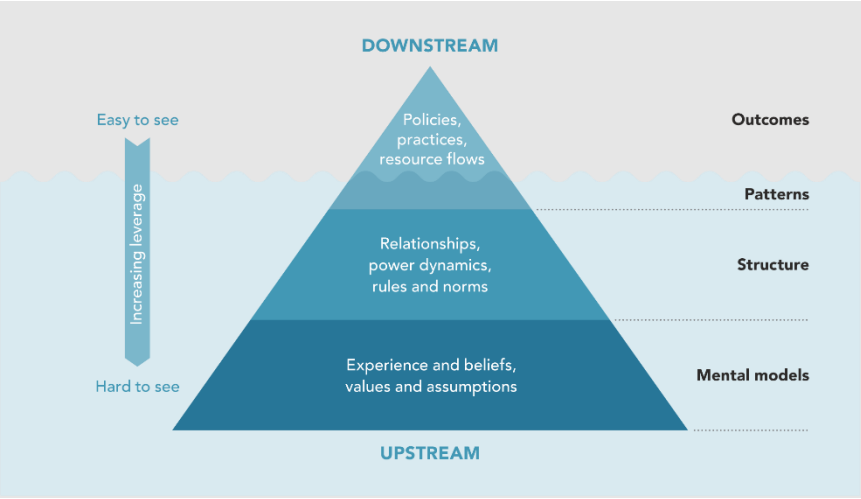
Submitters have told us that more needs to be done. In particular, they wanted us to look at what the Government can do better to support individuals, their families, whānau and communities to thrive; and to support providers

We also heard from submitters and others we engaged with, including many public servants, that the current system constrains those trying to do the right thing for people in persistent disadvantage. Tinkering around the edges is not going to be sufficient and that more fundamental systems change, which challenges our existing concepts of what "public value" is, is needed:

> The current welfare system is broken and no longer fit-for-purpose. Our system that is meant to stop people moving into persistent disadvantage was designed for a different environment and reflects a world view that is not reflective of our Te Tiriti o Waitangi honouring commitment. Related to this lack of a vital role of people/communities experiencing disadvantage to be agents for their change. The current system supports the status quo (persistent advantage). The current policy approach is not geared to embrace the interconnection between environmental, economic, social, cultural and political domains and how they support wellbeing. (Wesley Community Action, sub. 45, p. 1)

Four system barriers are holding back change

We have sought to use a "systems thinking" approach to try to understand the contribution the public management system makes to persistent disadvantage at the population level. This is represented by the "iceberg model" below. The things "below the surface", like changing our collective values and assumptions, give us more "leverage", than changing policies, practices and resource flows. The latter are much easier to see, but are the outcomes and outputs of upstream processes.



In trying to understand these hidden parts of the "iceberg", we have reflected on the influence of our history as a colonial nation and the choices successive governments have made about what to invest in.

Our hypothesis is that persistent disadvantage stems from these "below the surface" values and assumptions that underpin our societal, political and economic systems. And so we see that despite the adoption of a wellbeing approach, old assumptions and mindsets remain entrenched and GDP growth retains a dominant place in discourse and policy analysis. This "paradigm", or way of thinking, creates barriers that contribute to some people in Aotearoa New Zealand experiencing much more disadvantage in

their lives than other people, and inhibits the public management system from being able to sufficiently address persistent disadvantage. We simplify and summarise the barriers as:

- Power imbalances – These shape government systems and policies. Policy responsiveness is strongly skewed toward those who have political and economic power, which entrenches the cycle of disadvantage.
- Discrimination and the ongoing impact of colonisation – As people of European descent became the ethnic majority in Aotearoa New Zealand, they introduced policies that benefited some of them at the expense of Māori. Prejudiced and paternalistic attitudes toward Māori continue to shape policies impacting Māori. Discrimination against other groups is also prevalent, including towards Pacific peoples, women, migrants and disabled people.
- Siloed and fragmented government – Our public services are organised through ministries and agencies focused on separate sectors (eg, education, health and welfare) that provide standardised services to individual people. This approach works until people's needs become more complex. Despite reforms to get the public sector to work across these "silos", there is a way to go yet to achieve a truly integrated and system-wide approach to tackling issues.
- Short-termism and status quo bias – Government planning and decision making is not sufficiently focused on long-term goals. There is a tendency to be risk-averse and to favour the status quo and make only incremental changes.

These barriers (and the underlying assumptions that help to give rise to them) are part of the reason why previous attempts to address inequities or realise wellbeing for all have not been fully realised. Collectively, the barriers and assumptions constrain the public management system from acting in a way that supports individuals, their families, whānau and communities achieving mauri ora. For example: power imbalances prevent tikanga (decisions being made by the right decision makers, processes and values) being followed in the public management system; discrimination prevents manaakitanga (care and respect) from occurring; a siloed and fragmented government makes kotahitanga (unity) hard to achieve; and short-termism makes tiakitanga (guardianship and stewardship) more difficult to implement.

We can take inspiration for these changes from local and international examples

We have considered a range of promising initiatives that demonstrate it is possible to address persistent disadvantage if we also address the underlying system barriers.

The insights from these examples include:

- Power imbalances can be addressed by reorientating the system around the needs of whānau. Whānau-centred and mana-enhancing approaches prioritise the voice, needs and aspirations of people experiencing disadvantage. We will need a broad social and political consensus to secure the long-term commitment required to address persistent and intergenerational disadvantage.
- Discrimination and the ongoing impact of colonisation can be addressed through an equity approach, which seeks equality of outcomes through complementary but distinct initiatives for disadvantaged groups. Culturally safe environments and culturally responsive organisations are important enablers of an equity approach.
- Whānau and rangatahi can be supported to lead the way on intergenerational wellbeing and equity, while support organisations can learn how to apply a strengths-based approach to help them achieve their aspirations.
- Government silos and fragmentation can be addressed by setting clear goals backed by a transparent and legislated measurement and accountability framework, integrated with the Budget process.
- Learning, improvement and accountability are critical for building the trust and confidence needed to drive transformative change. Accountability and trust are interdependent, and both must be reciprocal.

- The success of mana-enhancing and empowering initiatives has been demonstrated in multiple sectors and these can be scaled with government support. Iwi and Māori should be involved at the start as Māori often make up a significant proportion of affected citizens.
- Short-termism and the status quo bias can be overcome by taking a more future-focused and long-term view. For instance, the Finnish Government has introduced an experimental ethos, while Wales has legislated for the needs of future generations through its Well-being Act (2015).

Our interim recommendations for achieving a fair chance for all

To address the barriers, we propose further changes are needed to the design and operation of our public management system

While reforms in discrete areas of policy, such as those in the health sector, show promise for making a difference, we believe more fundamental change to the "macro"-level settings of the public management system is required.

A core thread is the broad application of He Ara Waiora (and other indigenous frameworks such as the Pacific Wellbeing Strategy) organised around the goal of mauri ora. We support the idea that He Ara Waiora should be used as an overarching framework for public policy in Aotearoa New Zealand.

We characterise the system shifts that are needed as to:

- Re-think overall system settings to prioritise equity, wellbeing and social inclusion – If we are to achieve change that makes the biggest difference for people, whānau, families and communities living in persistent disadvantage, we need to interrogate the purpose, values and assumptions of our public management system more closely, and adopt new values and new assumptions that prioritise social inclusion and mauri ora for everyone. This shift underpins all the others.
- Re-focus public accountability settings to activate a wellbeing approach – There is no agency tasked with the leadership and stewardship of our public accountability settings. As such, these settings are out of step with a wellbeing approach and wider public sector and public finance reforms. Current accountability settings maintain unbalanced power dynamics, encourage short-termism and siloed government, constrain more effective whānau-centred commissioning and services, and do not accommodate relational, inter-generational and indigenous views of accountability.
- Broaden and embed a wellbeing approach across policymaking and funding frameworks – Persistent disadvantage cuts across government sectors and requires a joined-up response to policy design and delivery that is Te Tiriti-led, guided by He Ara Waiora, embraces equity, and takes an intergenerational lens. A comprehensive policy commitment to wellbeing should be backed up by the reprioritisation of expenditure towards wellbeing goals and by supportive funding processes.
- Enable system learning and improvement through monitoring and evaluation – Evaluation is an essential part of tackling complex problems as it supports an adaptive "learning by doing" approach. While many initiatives tackling aspects of persistent disadvantage are evaluated, there is currently a lack of system leadership for monitoring, evaluation and learning, limiting uptake of applicable lessons by the centre. Also, monitoring and evaluation methods employed tend to mirror the one-directional accountability settings in place, meaning evaluations are commissioned and framed by the Government, rather than representing an opportunity for whānau and those experiencing persistent advantage to have agency as commissioners and leaders of evaluation.

1 About this inquiry

Key points

- The Commission has been asked to undertake an inquiry into economic inclusion and social mobility – A fair chance for all. This report brings together our interim findings and seeks public comment and feedback on a way forward.
- Trying to break the cycle of disadvantage is not new. Many people who submitted to the inquiry's terms of reference pointed out that a lot of research has already been done, dating back at least to the Royal Commission on Social Security in 1972.
- We have deliberately taken a systems focus. Rather than recommending particular sector-specific policy changes, we have asked the question: what are the "upstream" system settings that hold persistent disadvantage in place and stymie change?

1.1 A fair chance for all – our vision for the future

We all want to live fulfilling lives where we have a strong sense of identity, are able to contribute to our families, whānau and communities, have the things we need to realise our aspirations, and grow the next generation of New Zealanders. As New Zealanders, justice and caring for others is part of our cultural identity. We all share a responsibility for looking out for each other and not leaving anyone behind.

Out-of-date social, political and economic assumptions are getting in the way of a fair chance for all

While many of us are thriving, there are too many in New Zealand who are not. Young people, families and whānau can face multiple disadvantages that hold them back, which can turn into a cycle of persistent or intergenerational disadvantage. People and families face impossible choices every day, just trying to get by.

Our history as a colonial nation and the choices successive governments have made about what to invest in have contributed to this. Our siloed approach to services may not provide the right support at the right time, while power imbalances mean that people and families may be treated as problems instead of people. Government decisions focus more on managing costs and deliverables in the short term instead of supporting people over the longer term to achieve their aspirations. Politicians and public servants are committed to improving the lives of all New Zealanders, but are constrained by a system grounded in out-of-date social, political and economic assumptions. These factors may make things worse for people experiencing persistent disadvantage, not better.

The seeds of system change are grounded in new values

Transforming our public management system (the system) to address persistent disadvantage will not occur without deliberate policy intervention – system-wide change is needed, starting with re-thinking the values and assumptions the system is built on. As demonstrated in this report, the seeds of change are already there. Working collectively, the peoples of New Zealand, the Government and the public service can remove system barriers to unlock opportunities for those living in persistent disadvantage.

New values must be grounded in te ao Māori in recognition of Te Tiriti o Waitangi (Te Tiriti) as the foundational document of Aotearoa New Zealand. The PSA 2020 recognises the public service's role in supporting the Crown in its relationships with Māori under Te Tiriti. As a public service entity, we draw on the He Ara Waiora wellbeing framework already in use across the public sector as one way to both ground this report in te ao Māori, and to recognise our responsibility to engage with Māori and understand Māori perspectives.

Box 1.1 **Reducing persistent disadvantage creates substantial social and economic benefits and improves wellbeing for all**

People freed from disadvantage can lead better lives and the benefits will ripple widely (New Zealand Productivity Commission, 2022). The main social and economic benefits of reducing persistent disadvantage (seen through the lens of He Ara Waiora – see Chapter 2) include:

- Enhanced prosperity (mana whanake) through an increase in economic output, productivity and contribution to our communities through paid work and unpaid work;
- Greater intergenerational prosperity and system stewardship (mana whanake) through better use of public resources by freeing up government investment to support prevention, instead of dealing with emergencies that arise from people exposed to disadvantage;
- Enhanced capabilities and opportunities (mana āheinga) through more resources available to support future social and economic wellbeing, including increased support within communities, investment in skills and knowledge, new technologies, and innovation;
- Enhanced identity and belonging (mana tuku iho) through greater social cohesion and trust within communities;
- Enhanced connectedness (mana tautuutuu) through stronger democratic processes by giving more people a voice in decision making.

A New Zealand study in 2011 estimated that child poverty costs New Zealand $8 billion per year (Pearce, 2011), which is equivalent to 4.5% of GDP (in 2011). A further breakdown of these estimates reveals that if child poverty was eradicated, around one-third of the benefit goes directly to the individual through higher employment income. However, two-thirds of the economic benefit would accrue to the broader community in the form of increased taxes (from the increased employment income), lower preventable expenditure by government on welfare, health and justice, and the benefits of avoiding the costs of overcrowded health services and crime in people's day-to-day lives (Holzer et al., 2008).

1.2 Trying to break the cycle of persistent disadvantage is not new

The Government and public service have commissioned many reviews and studies over the past 50 years and implemented various reforms related to how the public management system operates to improve the lives of New Zealanders. As the starting point for this report, we have reflected on the findings and recommendations of previous reviews and the reforms and policies that followed.

Common findings of reviews include: a lack of coordination and cooperation across sectors, such as health, welfare and education, and between agencies providing services to the same people; that the system is failing to meet performance and cost expectations; and the system is failing particular groups of people (eg, Māori, Pacific peoples and people with multiple complex needs).

As discussed later in this report, as a complex and interconnected issue, persistent disadvantage cannot be addressed within the scope of any one agency or sector. However, many reviews are sector-specific, putting cross-sector responses out of scope. For example, at the end of its report, WEAG commented that it is not enough to change the welfare system alone:

> People often come to need welfare support after common life shocks such as relationship breakdowns, major illness, closure of industry and natural disasters. These shocks are often multifaceted, involving a complex interplay of factors (for example, intergenerational trauma, poor mental and/or physical health, addictions, disability, relationship breakdowns, unemployment, justice sector involvement, educational

> barriers, and insecure and unsuitable housing). These factors cannot be prevented or mitigated by the welfare system alone. (Kiro et al., 2019)

The need for a cross-sector approach was not a new observation. In the early 2000s, the 'Reducing inequalities policy' was a whole-of-government policy that encompassed social and economic initiatives.[4] Ministers agreed a work programme that targeted outcomes, such as health inequities and improving participation in the labour market.

The inequalities targeted by the policies of the early 2000s remain unresolved. The New Zealand Health Strategy identified reducing health inequalities as a focus area, along with the need for "intersectoral approaches" and "prevention strategies with a population health focus" (Ministry of Health, 2000, p. 4). Twenty years later the Health and Disability System review recognised that the health and disability system had failed Māori (Simpson et al., 2020). This was despite a Māori Health Strategy (He Korowai Oranga) that sought to address the systemic barriers and institutional racism creating health inequalities for Māori (Ministry of Health, 2002).

Learning from previous reviews, reforms and policies is difficult

Reflecting on progress from reviews, reforms and policies is not straightforward. Reviews are often followed by an official response from the Government making it easy to see whether or not recommendations were accepted. However, evidence that accepted recommendations have been implemented or what progress was made is harder to find. The lack of information or consistency of information makes it difficult for the public sector to learn from the past, provide clearer evidence to inform government decisions, and build public trust and confidence. Public accountability, along with monitoring, evaluation and learning, are discussed in later chapters of this report.

We now have more collaborative and devolved models for addressing complex and interconnected issues

The Government introduced Whānau Ora in 2010 in response to the lack of progress improving outcomes for whānau Māori. The aim of the programme is to coordinate support for whānau across different service providers. It involves navigators (Kaiārahi) who work closely with whānau to build trust and confidence, identify specific needs and aspirations, support whānau to plan, and then connect whānau with the support they need to achieve their goals (Fry, 2022). Te Puni Kōkiri (TPK), the Ministry of Māori Development, devolves funding for this to local providers through commissioning agencies.

The New Zealand social services sector and government agencies are finding better ways to work together,[5] and the State Services Commission has formalised a range of options in its toolkit for shared problems.[6] These new ways of working are reflected in the new PSA 2020 and updates to the PFA 1989. These reforms aim to create a more adaptive and collaborative public service and, more specifically, "to address complex issues that span agency boundaries, and to provide wrap-around services based on New Zealanders' needs, rather than agency convenience" (New Zealand Legislation, 2019).

Wellbeing Budgets have started to broaden the criteria for allocating public funding

The PFA 1989 changes were part of the introduction of the Government's Wellbeing Budgets. At the heart of this approach is the idea that GDP is not a sufficient measure of quality of life:

> The purpose of government spending is to ensure citizens' health and life satisfaction, and that – not wealth or economic growth –is the metric by which a country's progress should be measured. GDP alone does not guarantee improvement to our living standards and does not take into account who benefits and who is left out. (Prime Minister Jacinda Ardern's Wellbeing Budget Speech, 2019)

Four Budget cycles on there is more to do to realise the full potential of a wellbeing approach. The difficulty of working across sectors on complex issues persists, along with other regularly identified issues:

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[4] See www.msd.govt.nz/about-msd-and-our-work/publications-resources/monitoring/reducing-inequalities/

[5] See (Fry, 2022) for a description of some of the recent initiatives to improve coordination of services across the social services sector.

[6] See www.publicservice.govt.nz/resources/mog-shared-problems/

> The current system strongly focuses on the marginal new spending decided on each year, with limited attention given to the value that could be gained by reviewing existing expenditure. The system does not adequately support joined-up work on cross-sector issues, particularly complex, intergenerational issues. The annual government reporting and funding cycle is short, and it can be hard for departments and agencies to focus on long-term wellbeing and sustainability. (New Zealand Government, 2022, p. 11)

1.3 Submitters said the Government needs to do better to support people to thrive

We also reflected on what we heard from submitters who told us that more needs to be done. In particular, they wanted us to look at:

- What the government can do better to support individuals, their families, whānau and communities to thrive – Empower communities to support themselves; promote by Māori for Māori solutions; ensure that support is more accessible and consistently helpful; provide "wrap-around" support; build trusted relationships; improve equity; and take a strengths-based approach
- What government can do better to support providers – Make it easier for providers to innovate and demonstrate what is working; simplify accountability requirements and focus them on improving outcomes; improve data sharing; and build the case to promote long-term investments (NZPC, 2021b).

While the need to address complex problems is recognised in the PSA 2020, the public service struggles to provide support to people with multiple complex needs. Other common themes were:

- Persistent disadvantage has underlying causes and protective factors.
- The need to listen to and empower whānau, and take a strengths-based approach.
- The need for a systems approach to identify and address the underlying power dynamics and barriers to change.

Consider deeper causes and protective factors

Several submissions identify underlying causes of persistent disadvantage, including: the impacts of colonisation and the failure of the Crown to honour and meet its obligations under Te Tiriti o Waitangi; institutional racism; discrimination against ethnic, social and cultural cohorts; sexism, ageism and ableism. Multiple disadvantage is an issue, including for disabled people, sole parents, and people of Māori and Pacific descent.

Other issues we noted from submissions include a lack of access to resources, and the resulting toxic stress. Many submissions describe the critical role of safe, warm, secure and affordable housing as a foundation for improving wellbeing. Skills, education, income and health are also important, as are interconnections between environmental, economic, social, cultural and political domains that support wellbeing.

The submissions identify protective factors, including stable, trusted relationships, resilient mental health, culture and identity, connection, and a sense of belonging to a whānau and/or community.

Listen to and empower whānau and take a strengths-based approach

Submissions recognise that people and communities experiencing persistent disadvantage have a vital role as agents for their own change. They recommend centring care on families, whānau and communities, listening to whānau voices, and respecting and building agency and capability in the design and delivery of responses. People and communities who are in persistent disadvantage, and those who have improved their circumstances, have crucial insights we need to learn from. The Government should also draw on available longitudinal data, including that provided by the Growing Up in New Zealand (GUiNZ) longitudinal study.

Efforts should be holistic and focus on strengths not deficits. Submissions pointed to the value of early intervention, providing adequate resourcing, looking over the life course and focusing on key transition

points (such as the first 1 000 days, adolescence, leaving state care or prison and retirement). Submitters wanted fewer "top-down" solutions and more that work from the bottom up.

Some submitters said the Government should identify gaps and overlaps in services to help them use resources better. Funding must be linked to need, and needs may vary for different people in different circumstances (eg, those living in rural and remote areas). Some argued that the Government doesn't know how to design services for particular groups and needs to have more genuine partnerships with providers outside central government, including iwi, NGOs and local government, to deliver better services. This will involve developing, supporting and paying social sector workforces appropriately, and finding new ways to demonstrate accountability – to everyone from recipients to the wider New Zealand society.

Focus on systems change

Submitters said the Government needs to look beyond the roles of individuals and communities and focus on systems. Many suggested that it is important to take a systems approach, recognise complexity, apply the best available data, listen to lived experience and build trust, seek to avoid stigma and experiment/prototype (or put another way, "test, learn and adapt") when designing, delivering and assessing solutions. Submitters also noted that shifting population demographics, climate change and technology are reshaping the future and need to be factored into the solutions that are designed, implemented and assessed.

Submitters also explained that the current system risks triggering further trauma and disadvantage in the people it is trying to help, including through requiring people to explain their problems and issues or justify these in order to access assistance. It has toxic impacts for people working in the system, many of whom come from disadvantage themselves and have experience of addiction, toxic stress and trauma.

There is a strong view expressed in many submissions that the solutions to persistent disadvantage are known (eg, providing more financial and in-kind resources, especially housing; providing more "joined-up" services; and honouring Te Tiriti o Waitangi and addressing underlying structural causes, including colonisation, racism, discrimination, ableism, etc); and that the Government should just get on with it and implement them.

Address barriers to change, including power dynamics

In line with the conclusions of the Commission's earlier 'More effective social services' inquiry, one submitter noted that public service reforms of the 1980s and 1990s, with their emphasis on markets, measurement and management "has concentrated power and control in Wellington-based government institution[s] (that consume a large amount of resources) with an over focus on managing risk and reducing spending at the expense of innovation, supporting emerging ideas and informal agile community networks" (Wesley Community Action, sub. 45).

In summary, while existing policy solutions will work for some people, a significant proportion of the population need a more holistic and personalised approach to help them build better lives.

1.4 Our focus is on systems change in the public management system

> [It is] essential to shift from a Welfare Approach to He Ara Waiora. It is critical that the inquiry does not go down the rabbit hole of picking key policy areas. The strategic shift to a waiora approach and the related reorientated world view will shift the question away from 'what policy issues are most important?' to 'how do we help foster wellbeing, capability and resilience with whānau / hapori?' The focus needs to remain on the whole design of how policy is conceived, designed and implemented. (Wesley Community Action, sub. 45, p. 1)

Persistent disadvantage is a complex problem caused by interconnected factors

Persistent disadvantage is caused by several factors that come from all levels of society. These include the influence of a person's life events and circumstances, their access to resources, the quality of their living environment, and their ability to participate and belong in their communities. These, in turn, are shaped by

their broader social, political and economic environment. We discuss this complex landscape and describe the barriers we see to change in later in this report.

These factors are interconnected, and can compound, which can result in a person becoming persistently disadvantaged. It is challenging to understand how these different factors interact and to distinguish between the causes and symptoms of disadvantage. As suggested by submitters, we need to adopt a "systems thinking" approach to untangle this complex and interconnected web:

> The focus needs to be on the ideology/mind-sets/beliefs which lead to the policies which lead to the structures and practices which trap people in disadvantage. If there is no systems thinking at the core of this systemic problem there can be no hope of understanding this as a 'wicked problem' which needs solutions to reverse the underlying causes of the problem. Dive into the mind-sets, policies and practices of the 1980s 1990s to start the systems map of the problems we face today. (Professor Boyd Swinburn, sub. 18, p. 1)

Key concepts for understanding systems, systems thinking and system change are set out Box 1.2.

Box 1.2 **Understanding systems and systems change**

Systems thinking is a best practice approach to understanding the complexity of the "real world" systems we live in. It helps to explain how things interact with each other, and how these interactions affect the system as a whole. Ideas, objects, people, communities and our environment are interconnected through relationships of action and reaction, cause and effect.

This "non-linear" way of seeing the world is consistent with indigenous worldviews and perspectives, such as mātauranga Māori. This makes systems thinking useful for building shared understandings of the world in the context of Te Tiriti.

> A systems perspective puts great emphasis on understanding the relationships between the components of a system, as it is the pattern of these relationships that determines the characteristics and properties of system behaviour. It is in this focus on relationships and the meanings attributed to these relationships that we see common ground linking Systems Thinking and indigenous Māori knowledge. (Heke et al., 2019, p. 23)

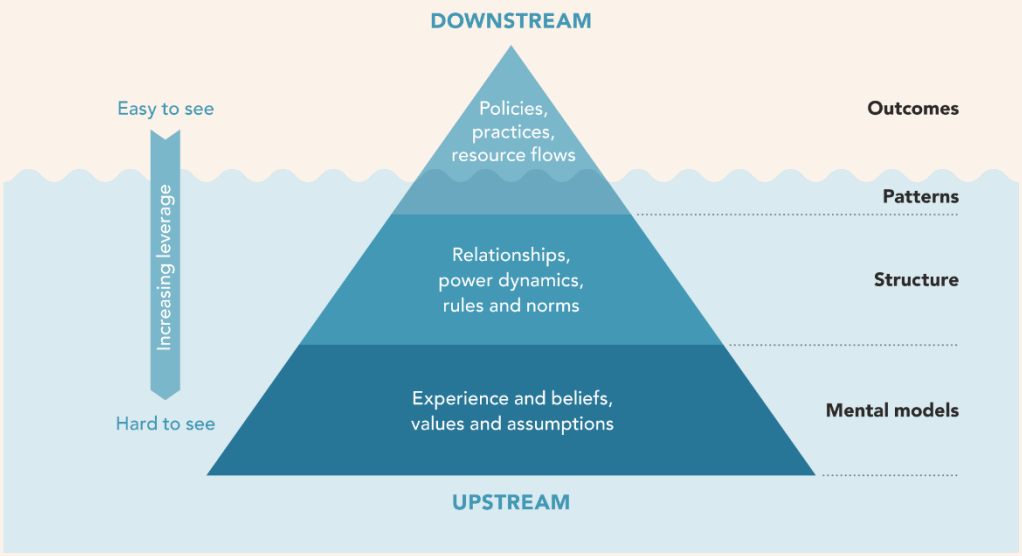
Systems can be visualised using diagrams to show the relationships and patterns that produce functions and outcomes. For example, the iceberg model (Figure 1) helps us to see how to understand systems involving the decisions and behaviour of people. People create systems based on their values, assumptions, personal experiences and beliefs, through processes structured by relationships, connections and power dynamics.

Figure illustrates that while hard to see, changing our collective values and assumptions is further 'upstream' than changing policies, practices and resource flows. The latter are much easier to see, but are the outcomes and outputs of upstream processes.

In this report we also use the terms "macro", "meso" and "micro" for different system levels. Macro refers to the upstream systems settings, as well as the larger-scale networks of interactions, meso is mid-scale and micro is finer-scale interactions. Interconnected systems are also interdependent, which means that for the system to function well as a whole, resources and information need to flow in all directions.

We also use the term "paradigm", which is a set of concepts and theories that form a way of thinking that is shared by a group of people. In the context of this inquiry, it is the shared values and assumptions underlying policy goals, the nature of policy problems and the instruments to address them.

Figure 1 The iceberg model illustrates that changing the way we think has the most leverage for changing system outcomes



Source: Iceberg model adapted from Senge (1990) and Maani & Cavana (2007).

Our public management system has limited ability to respond to persistent disadvantage

By "public management system" we mean:

- the (evolving) set of organisations within government, and their functions and mandates;
- the policymaking process; and the public policy settings (eg, legislation, regulations and non-statutory frameworks) that are created and maintained by the public service;
- system-wide governance, accountability and funding arrangements; and
- how the public service works together through relationships and partnerships to deliver results for Ministers and the public, including for specific populations.

More broadly, this also includes the influence the public management system has on the private sector, communities, families and individuals.

While the root causes of inequities in people's lives mainly lie outside the public management system, the system nonetheless has a huge effect on people's ability to thrive. It has a powerful influence on determining: who gets to be part of setting high-level public policy goals; what information or evidence is drawn on; which approaches and programmes receive funding; what eligibility criteria may be set; how people in the system are held to account; and what information is used to improve the system settings over time. It can also have a large effect on the power imbalances in the wider economy and society.

Our hypothesis is that persistent disadvantage largely stems from values and assumptions that underpin our societal, political and economic systems. These values and assumptions shape the decisions that can mitigate or exacerbate power imbalances, and determine how resources and information flow throughout the system to where they are needed.

The values and assumptions that have shaped Aotearoa New Zealand's public management system have left it with a limited ability to respond to complex problems like persistent disadvantage. While it is important to understand the individual and family characteristics and the life events that may trigger disadvantage, it is more important to ensure programmes and policy responses provided by the public management system can respond to complexity, do not cause further harm, and ultimately that the system continues to learn and improve.

The Commission is better placed to focus on the public management system

We have deliberately taken this whole-of-system view, rather than conducting a detailed assessment of policies and services in one or two government sectors. Our terms of reference take submitters' input into account and direct the Commission to focus on system-level change. Matters of constitutional reform are out of scope for this inquiry.

Recent reviews of government social sectors, such as welfare, health and education, have already made recommendations for reforming these sectors to better support New Zealanders, especially those living in persistent disadvantage. Our terms of reference direct us to avoid duplicating other major inquiries (such as WEAG and the Tax Working Group).

The Commission can add value by looking at the public management system to understand what is creating the inequities in people's lives in the first place, and why some groups are more vulnerable to disadvantage than others.

1.5 The evidence used to support the inquiry

This interim report has been informed by: our own quantitative analysis (see Chapter 3); research and reports we have commissioned (see Table 1.1); submissions and input for the development of the inquiry's terms of reference; and many engagements with stakeholders, subject matter experts and other interested parties. We have also drawn on the New Zealand and international literature spanning many disciplines, including the fields of systems thinking, wellbeing economics, public health and public management.

Internal and external research undertaken for the inquiry

Table 1.1 lists the internal and external research undertaken for the inquiry. The opinions, findings, recommendations and conclusions expressed in the externally commissioned papers do not necessarily reflect those of the Commission. The reports are, or will be, available on the Commission's website.

Table 1.1 Inquiry research reports

Publication	Description
Creedy, J & Ta, Q (2022) *Income Mobility in New Zealand 2007–2020: Combining Household Survey and Census Data*	A report (in partnership with Victoria University of Wellington) that describes income mobility patterns in New Zealand over the short-to-medium term. It uses a special dataset that tracks Household Labour Force Surveys over the period from 2007–2020 using 2013 Census data
Fry (2022) *Together alone: A review of joined up social services*	A report (undertaken by an independent consulting economist) that looked at 18 initiatives spanning a broad range of joined-up social services for people in the greatest need. The report found that successful collaboration among social service agencies can build individual, whānau and community capabilities. Joined-up services are the most helpful for people facing many complex barriers to reaching their aspirations.
Haemata Limited (2022) *Colonisation, racism and wellbeing*	A report (undertaken by an external provider) to develop our understanding of persistent disadvantage for Māori and Pacific peoples by exploring the relationship between colonisation, racism and wellbeing.
Prickett et al. (2022) *A fair chance for all? Family resources across the early life course and children's development in Aotearoa New Zealand*	A report (undertaken by an external provider) using the GUiNZ study to examine how resources, such as household income and housing stability, cluster together across early-to-middle childhood for children/tamariki in Aotearoa New Zealand, which children are most likely to experience these different patterns of resources, and whether the level of resource is associated with child wellbeing.
New Zealand Productivity Commission (2022) *Te puna kōrero: Understanding*	A report that provides a better understanding of the experiences of people living in persistent disadvantage.

Publication	Description
persistent disadvantage in Aotearoa New Zealand	
New Zealand Productivity Commission (2022) *The benefits of reducing persistent disadvantage*	A report that provides a summary of the benefits of reducing persistent disadvantage for individuals, families and the wider community.

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2 Our approach to creating a fair chance for all

Key points

- Our vision for Aotearoa New Zealand has strong links with He Ara Waiora, a tikanga framework that conceptualises a Māori perspective on wellbeing, the Pacific Wellbeing Strategy, and builds on earlier Royal Commission reports recommending the Government take a social inclusion approach.
- Inherent in the vision is the principle of equity, which recognises that each person has different circumstances and needs and gives them access to the resources, capabilities and opportunities they need to thrive.
- We have focused on He Ara Waiora in considering how persistent disadvantage might be addressed to create a fair chance for all in Aotearoa New Zealand. Our framework also incorporates elements of the Treasury's Living Standards Framework (LSF) and aligns with the systems approach recommended in the Pacific Wellbeing Strategy.
- Our Mauri Ora framework draws on four dimensions of wellbeing set out in He Ara Waiora: mana tuku iho (identity and belonging); mana tauutuutu (connection and balance); mana āheinga (aspiration and capability); and mana whanake (prosperity). We adapt He Ara Waiora by using mauri ora (thriving) to describe the ultimate wellbeing and productivity outcomes we are seeking for Aotearoa New Zealand.
- Our framework also defines disadvantage. Mauri noho (disadvantage or languishing) is not simply income poverty or low income, but rather the absence of mauri ora. Our definition of disadvantage sets out three domains that align with the absence of the four dimensions of mauri ora:
  - **left out** (exclusion or lacking identity, belonging and connection);
  - **doing without** (deprivation/material hardship or lacking aspiration and capability); and
  - **income poor** (income poverty or lacking the ability to grow prosperity).
- We have defined **persistent disadvantage** as being when disadvantage is ongoing, whether for two or more years over a life course. Disadvantage that persists across multiple generations is defined as intergenerational disadvantage.
- He Ara Waiora sets out a collective model for achieving intergenerational wellbeing of people and the environment, the policymaking and investment implications, which have yet to be fully explored by the public service or the Treasury.
- We consider that the values or "means" of He Ara Waiora provide guidance for resolving complex policy problems, such as persistent disadvantage. As such, we have used He Ara Waiora as a touchstone to inform the system shifts proposed in the final part of this report.
- We also support the idea that He Ara Waiora should be explored as an overarching framework for public policy in Aotearoa New Zealand. This would give rise to a broader economic discussion that prioritises both the wellbeing of people and of the environment for current and future generations.

2.1 Creating a fair chance for all: from persistent disadvantage to thriving

Our vision of social inclusion brings together economic inclusion, social mobility and equity

The terms of reference for this inquiry specifically asked the Commission to define "economic inclusion" and "social mobility". In reviewing the two ideas in the context of persistent disadvantage, we concluded that economic inclusion and social mobility are closely related and connected by the concept of **social inclusion**. Successive New Zealand 'Royal Commission of Inquiry' reports (1967, 1972 and 1988) and the Ministry of Social Development's (MSD's) 2001 'Social Development Approach' developed the concept of social inclusion, emphasising the right of New Zealanders to have a sense of belonging and to participate fully and productively in their communities and lives (Chu, 2017). This includes, among other things, having the economic resources and opportunities (ie, economic inclusion) they need to achieve the outcomes they value.

To fully participate in their communities, people may also need the opportunity to improve their situation (such as through education, getting a better job and/or a higher income, shifting to a better neighbourhood, having access to health and other services) – this is known as "social mobility".[7] Where people do not experience social and economic inclusion (ie, social exclusion) for whatever reason they will also experience a lack of social mobility.

As a result of our review, we adopted a vision of **social inclusion** as the framing for a response to breaking the cycle of persistent disadvantage.

The Commission's vision of **social inclusion** is for all New Zealanders to live fulfilling lives where individuals, their families, whānau and communities have a strong sense of identity, can contribute to their families, whānau and communities, have the things they need to realise their aspirations, and nourish the next generation.

Inherent in this vision is the principle of **equity,** which recognises that individuals, families and communities have different circumstances and starting points in life and, as a result, need access to different resources, capabilities and opportunities to achieve their own version of thriving. Equity means everyone is given an equal chance of succeeding in life (ie, equality of outcomes) (The Treasury, 2015).

Equity is about fairness and justice, while equality of resources requires each individual or group to have the same resources or opportunities, regardless of their specific circumstances or needs (The Treasury, 2015).

Our vision for Aotearoa New Zealand has strong links with He Ara Waiora

There are many different frameworks that can be used for considering how persistent disadvantage might be addressed to enable our vision for social inclusion in Aotearoa New Zealand. The Commission's consultation document proposed using He Ara Waiora[8], a tikanga framework that conceptualises a Māori perspective on wellbeing. Adopting a tikanga framework is a meaningful expression of Te Tiriti o Waitangi as it has the potential to change the values and processes used in the public management system (and more broadly by the Government) (McMeeking et al., 2019b).

As a wellbeing framework, He Ara Waiora can be used to explore the range of barriers people may face to reaching their potential. Submitters expressed widespread support for using this framework.

Taking a strengths-based approach, we have adapted He Ara Waiora, alongside the Treasury's LSF and Pacific Wellbeing Strategy to formulate 'Creating a fair chance for all'. This framework is illustrated in Figure 2. The following sections define the core components of the framework and explain how their interaction can give rise to wellbeing, or alternatively lead to disadvantage.

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[7] The Australian Productivity Commission (McLachlan et al., 2013, p. 122) defined social mobility as "the extent to which, in a given society, individuals' social status changes either within the life-course (intragenerational) or across generations (intergenerational)".

[8] See www.treasury.govt.nz/information-and-services/nz-economy/higher-living-standards/he-ara-waiora

2.2 Our guiding principles

We have been guided by the following principles, as set out in the inquiry's terms of reference:

Mana Motuhake and Rangatiratanga

Respecting the ability of Māori to be self-reliant, both individually and collectively, and to determine and control their own path in life, including being involved in decisions affecting their lives and wellbeing.

Mātauranga Māori

Informed by indigenous knowledge, acknowledging the ownership of this sits with iwi and hapū. We have drawn on He Ara Waiora – centred on a Māori worldview of wellbeing and lived experience to help explain and understand different aspects of our inquiry.

In formulating our framing for this report, we have been mindful of the tensions inherent in adapting a tikanga framework. We understand there is a preference for He Ara Waiora to be applied as a whole, and are grateful for the guidance of members of Ngā Pukenga and the Te Ao Māori Strategy and Policy team at the Treasury to adapt the framework with authenticity to the specific ambit of our Inquiry. We encourage others to also seek guidance in their application. As this is an interim report, we hope that it will provoke further discussion about the use of He Ara Waiora in public management settings before the report is finalised.

Self-determination

Being in control of their own lives, and what is important for wellbeing. Recognises that people experiencing persistent disadvantage have their own definition of what it means to thrive; the barriers experienced in achieving it; and the support they need.

Strengths-based

Respects people's capabilities, strengths and aspirations, and focuses on system solutions, rather than seeing people as problems to be fixed.

2.3 How we have derived our framework

Overcoming persistent disadvantage focuses on achieving mauri ora (thriving)

He Ara Waiora (a pathway towards wellbeing) was initially developed in 2018 for the Tax Working Group by expert iwi and Māori thought leaders, academics and business leaders. It was developed to understand how tikanga Māori could inform a future-focused tax system.

An early version of He Ara Waiora was tested with Māori through a nationwide engagement process in the interim report of the Tax Working Group (McMeeking et al., 2019b). Treasury then adopted a revised model in 2019. Treasury's adaptation focuses on a broader Māori perspective of wellbeing and the opportunity to lift Māori living standards. The Treasury, TPK and Te Arawhiti continue to work with Ngā Pukenga, a group of Māori thought leaders, to develop and pilot practical policy tools to implement He Ara Waiora (Cook et al., 2020).

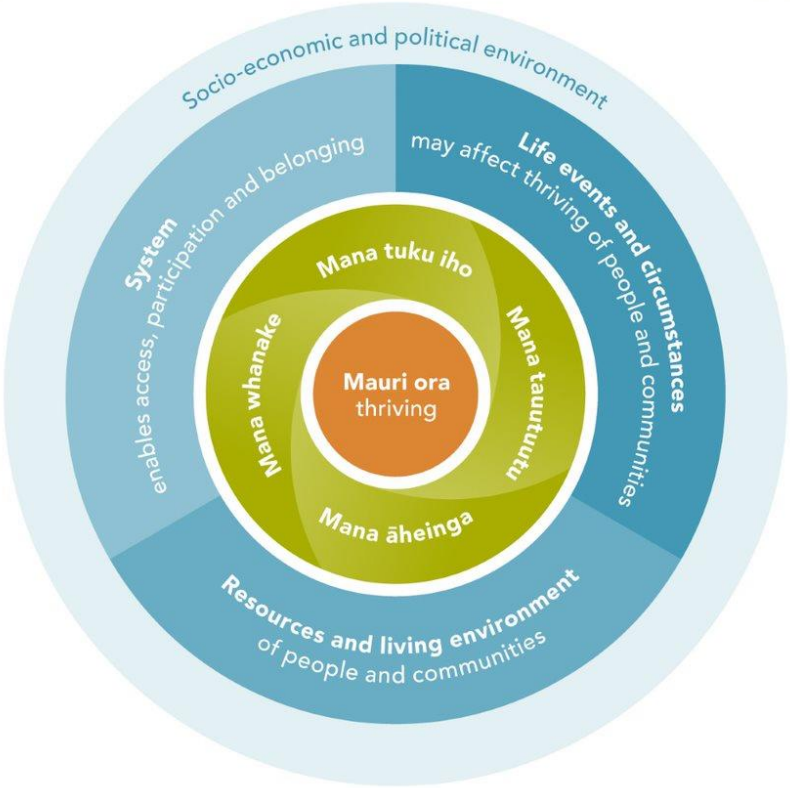
He Ara Waiora illustrates a Māori worldview of intergenerational wellbeing recognising the interconnection of people, both as individuals and as part of "collectives" (families, whānau and communities), and their environment. He Ara Waiora depicts the relationship between Wairua (spirit) as the foundation or source of wellbeing. Te Taiao (environmental wellbeing) comes before Te Ira Tangata (human wellbeing), but all are inextricably linked.

While our focus for this report is on human wellbeing, we acknowledge the significance and interconnectedness of our natural environment. This is particularly important when considering the longer-term challenges Aotearoa New Zealand faces, such as climate change, which is likely to have a disproportionate impact on those experiencing persistent disadvantage (Bennett et al., 2014).

As shown in Figure 2, our development of a Mauri Ora approach draws on Te Ira Tangata domain of He Ara Waiora and uses mauri ora (thriving or flourishing), rather than wairua, to describe the overarching (human)

wellbeing outcome. Mauri is sometimes referred to as a "life force" and can be described as the "essence of a person's character and being" making up the whole person (Durie, 2017, p. 61). Durie (2017) describes ora as being strong and vibrant, healthy and well. Mauri ora is thus a thriving, flourishing or healthy life force, the opposite of which is mauri noho, a life force lacking wellbeing or languishing. Our emphasis is on how enhancing the four dimensions of mauri ora – mana āheinga, mana whanake, mana tauutuutu and mana tuku iho – might support individuals and collectives towards achieving wellbeing.

Figure 2 Mauri Ora approach – creating a fair chance for all



Individuals are shaped by the collectives (such as iwi, whānau/families/aiga and communities) they live within, as well as by their life experiences, culture, resources and living environment. It is through collectives that we access the support we need to thrive. The wellbeing of collectives is therefore vital to the wellbeing of individuals and vice versa.[9]

The socio-economic and political context, system, resources and living environment, and life events and circumstances interact together, and influence how the four dimensions (mana tuku iho, mana tauutuutu, mana āheinga and mana whanake) work together to achieve mauri ora or thriving. Mauri ora is centred on subjective wellbeing, meaning that people and communities can define thriving for themselves.

The four dimensions identify a range of resources, capabilities, skills, knowledge, opportunities and functioning social relationships needed to achieve mauri ora (McMeeking et al., 2019b; Reid, 2021; The Treasury, 2021):

- Mana tuku iho (identity and belonging) – Having a strong sense of identity and belonging and place within a community or communities. For example, children need a strong sense of identity and belonging to develop good mental health, confidence, resilience and emotional intelligence. These, in

[9] For brevity, the Commission uses "people" to include both individuals and collectives, such as whānau or aiga, hapū, iwi and communities. Communities can be based on geographic locations (eg, suburbs or neighbourhoods), or may be a "community of interest" (eg, sports team or club, hobby group, church) or working environment.

turn, are fundamental to wellbeing throughout life. If they do not have a sense of identity and belonging, people can experience "exclusion", and thus be "left out".

- Mana tauutuutu (connection and balance) – Having connection and reciprocity or balance in social and environmental relationships, to ensure beneficial outcomes are equitably distributed (Mika et al., 2022). Mana tauutuutu involves individuals, their families, whānau and communities fulfilling their rights and responsibilities to each other, recognising that feelings of being of service, contributing to whānau, community and place contribute to wellbeing both at an individual and collective level. Mana tauutuutu includes both social and economic participation, such as paid or unpaid employment, or membership of clubs and societies. If they are unable to connect with their communities or join in the same activities as those around them, people can experience being "left out" or exclusion.
- Mana āheinga (aspiration and capability) – Having aspirations and the resources, capabilities and opportunities to realise their aspirations whatever their unique circumstances. People having basic resources (such as quality housing, transport, access to health care and education) may experience "material wellbeing". A lack of basic resources, poor quality living environments and/or an absence of capabilities for an acceptable standard of living is known as deprivation, material hardship or "doing without".
- Mana whanake (prosperity) – Having the ability and resources to grow sustainable, intergenerational prosperity includes (but is not necessarily restricted to) financial resources, such as income and wealth. Having insufficient income or other financial resources is known as being "income poor".

Socio-economic and political context influences our lives and communities

The social, economic and political context shapes our communities, businesses, political and public sector institutions and organisations, and how we view, trust and interact with each other and those institutions. In Aotearoa New Zealand, our context is influenced by: our history, such as colonisation and its ongoing impacts; historical changes in how we govern or are governed; and even the current Covid-19 pandemic. Cultural and social values influence our mindsets and create "social norms" or shared standards of acceptable behaviour within and between different groups. The ways in which this context contributes to persistent disadvantage is discussed in more detail in Chapter 4.

Life events and circumstances and resources and living environment influence thriving or mauri ora

Some life events and circumstances experienced by individuals and their whānau or families may leave them vulnerable to disadvantage. Examples of such life events or circumstances include:

- Having a disability.
- Having a long-term/chronic physical or mental illness or injury.
- Experiencing an unexpected life event (eg, violence or abuse, being fired or made redundant, divorce, health shocks, changes to housing circumstances).
- Transitioning from one stage of the life course to the next (eg, from school to work, starting a family, retirement).
- Experiencing discrimination or racism.
- Being a sole parent, particularly having children at a young age.
- Being incarcerated or having other contact with the justice system.
- Being affected by harmful alcohol, drug or gambling use.

We acknowledge the view that the LSF is "incapable of integrating mātauranga Māori sourced understandings of wellbeing while retaining the integrity of Māori worldviews" (McMeeking et al., 2019a, p. 36), and we also note that the Treasury has made a conscious decision not to integrate the frameworks

together. However, in the absence of appropriate measures for monitoring the state of wellbeing through He Ara Waiora, we have drawn on the LSF for descriptions of wellbeing domains and outcomes associated with the "resources and living environment" that people and communities draw on to enhance mauri ora (see Table 2.1).

The purpose of the LSF is to support advice on wellbeing priorities, but it is not prescriptive about how or whether the Government should intervene to promote wellbeing. It is a framework to understand the domains of wellbeing and to consider the broader impacts of our policy advice in a systematic and evidenced way. The advantage of drawing on the LSF is that there has been an extensive effort to measure and track changes in wellbeing outcomes over the last few years, and the wellbeing outcomes have been integrated into the Government's Wellbeing Budgets.

TPK and the Treasury are working to identify bespoke indicators for measuring the state of wellbeing in accordance with He Ara Waiora. If these are available, the Commission will use them in our final report.

Our conceptualisation of social inclusion discussed above aligns well with, *but is not a substitute for*, te ao Māori as expressed through He Ara Waiora.

Table 2.1 Description of what wellbeing looks like based on Living Standards Framework

Individual and community wellbeing domain	What wellbeing looks like
Health	Being in good mental and physical health and exhibiting health-related behaviours and lifestyles that reduce morbidity and mortality, such as eating well and keeping active.
Knowledge and skills	Having knowledge and skills appropriate to one's life stage and continuing to learn through formal and informal channels.
Cultural capability & belonging	Having the language, knowledge, connection and sense of belonging necessary to participate fully in one's culture or cultures, and helping others grow their cultural capability and feel a sense of belonging.
Work, care and volunteering	Directly or indirectly producing goods and services for the benefit of others, with or without compensation.
Engagement and voice	Participating in democratic debate and governance at a national, regional or local level, such as through membership of a charitable society, political party or school board.
Income, consumption and wealth	Using income or in-kind transfers to meet today's needs and save for future needs, as well as being protected from future shocks by adequate wealth, private insurance and public insurance (the social safety net).
Housing	Having a place to call home that is healthy, suitable, affordable and stable.
Environmental amenity	Having access to and benefiting from a quality natural and built environment, including clean air and water, green space, forests and parks, wild fish and game stocks, recreational facilities and transport networks.
Leisure and play	Using free time to rest, recharge and engage in personal or shared pursuits.
Family and friends	Loving and supporting close friends, family and community members and being loved and supported in turn
Safety	Being safe from harm and the fear of harm and keeping oneself and others safe from harm
Subjective wellbeing	Being satisfied with one's life overall, having a sense of meaning and purpose, and feeling positive emotions (such as happiness and contentment) and not feeling negative emotions.

Source: LSF, accessed July 2022 from www.treasury.govt.nz/publications/tp/living-standards-framework-2021

The absence of mauri ora is mauri noho – disadvantage

According to Durie (2017) the opposite of mauri ora is mauri noho – "languishing" or "sitting dormant". In other words: **disadvantage**. Mauri noho is an apt description of those living in disadvantage, who are experiencing barriers to thriving and not able to live the lives they want to live.

As indicated in the discussion above, disadvantage is more than just being income poor because of the absence of the foundations for growing prosperity or mana whanake. In this inquiry, we have adopted a definition of disadvantage that includes three domains. In addition to being income poor, people may be disadvantaged by being left out in their communities and society because of the absence of or diminished mana tauutuutu or mana tuku iho. Alternatively, they may be doing without due to the absence of resources and capabilities, which relates to mana āheinga. The complexity of disadvantage has been described elsewhere as:

> …about more than income poverty. It is a shorthand term for what can happen when people or areas face a combination of linked problems such as unemployment, discrimination, poor skills, low incomes, poor housing, high crime, bad health and family breakdown. These problems are linked and mutually reinforcing so that they can create a vicious cycle in people's lives. (United Kingdom Social Exclusion Unit (2004) cited in (McLachlan et al., 2013, p. 7))

In addition to the three domains (income poor, left out and doing without), we also consider mauri noho or disadvantage as having a temporal dimension. "Temporary" disadvantage is short term, occurring over a timeframe of less than two years. When disadvantage is ongoing, whether for two or more years, or over a life course (intragenerational), we refer to that as persistent disadvantage. Intergenerational disadvantage occurs across generations. We discuss how we arrived at these distinctions in the next chapter.

2.4 The five values of He Ara Waiora set out *how* to achieve mauri ora for all New Zealanders

He Ara Waiora identifies five values that set out how to achieve interdependent wellbeing (McMeeking et al., 2019b; The Treasury, 2021). We have extended this notion for our framework, to describe **how** the public management system should act responsibly to support individuals, their families, whānau and communities, to achieve mauri ora:

- **Kotahitanga (unity)** – Encourages the public management system to work in an aligned and coordinated way (eg, overcome existing silo mentality). Kotahitanga fosters strong relationships and networks for the benefit of all, driven by a shared purpose and shared aspirations. It includes sharing data, insights, evidence and ideas to create holistic and culturally sensitive understanding of issues (eg, incorporating both mātauranga Māori and western science)

- **Whanaungatanga (positive relationships)** – Encourages the public management system to strengthen trusting relationships, particularly with iwi and Māori, to develop solutions addressing the challenge of persistent disadvantage and enhancing the mana of individuals and communities. Whanaungatanga promotes communication, understanding and respect to strengthen the connectivity, resilience and cohesion of individuals, families and communities, and national solidarity.

- **Manaakitanga (care and respect)** – Encourages the public management system to build a deeper understanding of the imperatives and aspirations of those affected by policy, to demonstrate an ethic of care that gives effect to this value. Manaakitanga emphasises reciprocity, nurturing and collaboration in designing solutions that enhance the mana of people, particularly those affected by persistent disadvantage.

- **Tikanga (protocol)** – Encourages the public management system to ensure that decisions are made by the right decision maker, following the right process, according to the right values. It is vital to work visibly in partnership with communities, and to communicate in ways that resonate with those communities.

- **Tiakitanga (guardianship or stewardship)** – Encourages the public management system to have careful and responsible management of Te Taio, Wairua and Te Ira Tangata, to enhance their interdependent

wellbeing. Tiakitanga requires taking an intergenerational view, looking ahead, and providing advice on challenges and opportunities in the medium-to-long term to supporting wellbeing.

He Ara Waiora and the Pacific Wellbeing Strategy (Ministry for Pacific Peoples, 2022) provide similar guidance on how the public management system can support New Zealanders to achieve mauri ora or thriving. As discussed in Box 2.1, the Pacific Wellbeing Strategy also focuses on "the systems of Government" in achieving thriving and prosperous Pacific peoples and communities:

> And finally, we asked the community what success looks like when the system and Government is working well for them. They told us – come together into our world, come to us often, listen, work together, be consistent and achieve the results. (Ministry for Pacific Peoples, 2022, p. 11)

Box 2.1 **Links between He Ara Wairora and the Pacific Wellbeing Strategy**

The Pacific Wellbeing Strategy focuses on how the Government, particularly the public management system, can support Pacific peoples to achieve their vision: "We are confident in our endeavours, we are a thriving, resilient and prosperous Pacific Aotearoa." While there is some overlap within the four goals of the strategy, they align well with the descriptions of mana in He Ara Waiora.

He Ara Waiora mana	Pacific Wellbeing Strategy goals
Mana whanake (prosperity)	Prosperous Pacific communities
Mana tuku iho (identity and belonging)	Thriving Pacific languages, cultures and identities
Mana tauutuutu (connection and balance)	Resilient and healthy Pacific peoples Confident, thriving and resilient Pacific young people
Mana āheinga (aspiration and capability)	Resilient and healthy Pacific peoples Thriving Pacific languages, cultures and identities

Whereas He Ara Waiora identifies five "means", the Pacific Wellbeing Strategy has seven "Pacific cultural values", as shown below. While there are important differences in Māori and Pacific cultures, there are similarities, which are mapped in a stylised way below.

He Ara Waiora means (or values)	Pacific Wellbeing Strategy values
Kotahitanga (unity)	Piri'anga (collectivism) Ola fetufaaki (reciprocity)
Whanaungatanga (relationships)	Magafaoa (family)
Manaakitanga (care and respect)	Aro'a (love) Fakalilifu (respect) Ola fetufaaki (reciprocity)
Tikanga (protocol)	Soalaupule (consensus)
Tiakitanga (guardianship or stewardship)	Tāpuakiga (spirituality) Ola fetufaaki (reciprocity)

Source: Pacific Wellbeing Strategy (Ministry for Pacific Peoples, 2022).

Q2.1 Do you support our framing of wellbeing and how disadvantage can arise from a lack or break down in one or more of the four dimensions? Are there any core factors or

elements missing that would help us to understand and break the cycle of persistent disadvantage?

He Ara Waiora should drive how the public management system acts to achieve mauri ora for all New Zealanders

We agree that He Ara Waiora provides "practical guidance for implementing recent public policy literature and discourse about complex adaptive systems and systems-thinking to address 'wicked' policy problems" (McMeeking et al., 2019b). Furthermore, McMeeking et al. (2019b) assert adopting a tikanga framework, such as He Ara Waiora, has the potential to significantly advance the extent to which the Crown gives effect to Te Tiriti o Waitangi. Consequently, we have drawn on He Ara Waiora to inform the system shifts we propose in the final part of this report.

In particular, we focus on how the public management system can enhance mauri ora by adopting (and being held accountable for) the five means or values, and better achieve a fair chance for all, especially those experiencing persistent disadvantage.

We support the idea that He Ara Waiora should be explored and further developed as an overarching framework for public policy in Aotearoa New Zealand. This would give rise to a broader economic discussion that prioritises both the wellbeing of people and of the environment for current and future generations.

F2.1 The Living Standards Framework cannot integrate mātauranga Māori-sourced understandings of wellbeing while retaining the integrity of Māori worldviews. In the absence of suitable measures for He Ara Waiora, we have had to draw on the Living Standards Framework for descriptions of wellbeing domains and outcomes associated with the resources and living environment that contribute to enhancing the four dimensions of mauri ora.

R2.1 We recommend that Te Puni Kōkiri, the Treasury and other relevant agencies finalise develop and publish a bespoke indicators framework for measuring the state of wellbeing in accordance with He Ara Waiora, as this is critical to its successful use in policymaking.

3 Measuring persistent disadvantage in Aotearoa New Zealand

Key points

- Living in persistent disadvantage can be more than just having low income. Our definition of disadvantage has three interrelated domains: being income poor, doing without and being left out.
- With limited evidence on intergenerational disadvantage, we focus on persistent disadvantage within an individual's life course and use administrative and survey data to develop a novel approach to quantifying its prevalence. In this interim report, we are only able to report on persistent disadvantage across two domains: income poor and being left out.
- About 17% (724 000) of New Zealanders were persistently disadvantaged in at least one of these two domains in 2013–2018. Of these, 179 000 people were in both domains. Nearly half of those experiencing persistent disadvantage in both domains were Māori (66 000) or Pacific peoples (23 000).
- Sole parents, people from families with no high school qualifications, Māori, Pacific peoples and disabled people were generally between one-and-a-half and three times more likely to experience persistent disadvantage in one or both domains than the average New Zealander.
- Population groups experiencing persistent disadvantage tend to be clustered by location. The regions with the highest levels of persistent disadvantage in one or two domains were Northland, Gisborne and Manukau (a sub-area within Auckland Council).
- People with low incomes may find it difficult to change their situation. Our analysis found that over one-third (37%) of New Zealanders with the lowest incomes in 2007 also had low income in 2018.

3.1 It is not easy to measure persistent disadvantage in Aotearoa New Zealand

New Zealand has a poor record of collecting information on persistent disadvantage

In New Zealand, most of the public discourse around disadvantage is based on cross-sectional data collected through annual or biennial (occurring every two years) surveys. Cross-sectional means that new groups of individuals are interviewed when the survey is repeated, and disadvantage is thus measured and reported at a given point in time. For example, the data collected for Statistics New Zealand Ngā Tūtohu Aotearoa – Wellbeing indicators, child poverty statistics and the Treasury's LSF is done so at a point in time. These data collections are unable to say whether disadvantage in people's lives is temporary or more persistent.

Aotearoa New Zealand has limited longitudinal data following the same people, families or communities over time that could be used to measure persistent disadvantage. This makes it difficult to know which people are experiencing temporary disadvantage, who is stuck in disadvantage and why they can't get out. Where there is longitudinal information, it is mainly collected by developmental and health studies, such as the 1972 Dunedin Multidisciplinary Health and Development Study, the 1977 Christchurch Health and Development Study and, most recently, the 2009 GUiNZ study. These studies mainly monitor health and development for a small cohort of New Zealanders born in the same year and collect relatively little information on disadvantage and persistent disadvantage.

In addition to the developmental and health studies, Statistics New Zealand ran a short-lived Survey of Families, Income and Employment between 2002–2009. Since then, the only other source of longitudinal data has been from the Statistics New Zealand's Integrated Data Infrastructure (IDI) project that matches a person's data from different administration and survey datasets over time. However, the IDI lacks important details about a person's life course, including important events and circumstances, and the impacts on their wellbeing or mauri ora.

All of this means that the data collected to measure income poverty, deprivation and exclusion in New Zealand usually provides a snapshot of a person's life at a single point in time and gives no indication of persistence.

F3.1 Aotearoa New Zealand has a poor track record in collecting longitudinal data that could assist in assessing and reporting on persistent disadvantage, whether this be for individuals, families or households.

More investment is needed to collect information about wellbeing over the life course in New Zealand

To meet the requirements of the Child Poverty Reduction Act 2018, Statistics New Zealand is making changes to the way it collects some information on disadvantage. The Living in Aotearoa survey will run a rotating six-year panel, giving some information on the persistence of income poverty and "material hardship". Reporting on material hardship includes measures of being left out (exclusion) and doing without (deprivation). First results will be reported in 2025. However, there is still limited information that can be used to establish trends in wellbeing frameworks being developed by the Government, such as He Ara Waiora, which we discussed in Chapter 2.

R3.1 The Government should commit to long-term investment in the Living in Aotearoa survey (or another survey), to expand its measures and set up longer-term panels to allow wellbeing and disadvantage to be measured over the life course and between generations.

The Commission also recommends that the Government establish a new (or expand an existing) cohort study to specifically examine the complexity of persistent disadvantage, with a view to identifying and understanding underlying causes and interrelationships.

3.2 Developing a quantitative approach to understanding persistent disadvantage

There is no agreed definition of "persistent disadvantage"

Describing the level of persistent disadvantage in Aotearoa New Zealand is important for understanding who is most likely to experience it during their life, and whether persistent disadvantage is getting better or worse over time.

'Persistent disadvantage' is not a term commonly found in the literature. For this inquiry, we developed both a conceptual and data-driven definition of persistent disadvantage, which combines a time dimension (to measure persistence) and the three disadvantage domains that were outlined in Chapter 2 (being left out, doing without and income poor).

We have used elements that we can quantify and that meet the scope of this inquiry, but acknowledge that there are other possible ways to define persistent disadvantage. We have been unable to quantify intergenerational disadvantage from the available data.

The remainder of this chapter can be broken down into three parts:

- The first part (sections 3.3-3.5) focuses on our novel approach to defining and measuring persistent disadvantage. This approach involves explaining the time dimension of disadvantage (point in time, intragenerational and intergenerational) followed by definitions of the three domains of disadvantage. The three domains are considered in the context of the four dimensions of mauri ora, and a "Venn diagram" model is used to show how the domains and dimensions are related. Finally, we outline the measurement methods we have adopted to address the data limitations we describe above.
- Part two (sections 3.6-3.9) presents the results of our initial analysis to estimate the number of people in Aotearoa New Zealand who are persistently disadvantaged in the income poor domain, being left out domain or both domains. We did not have data available to assess the doing without domain for the interim report. We also analyse a range of demographic, geographic and other characteristics to identify whether particular population groups are more likely to experience persistent disadvantage.
- In part three (section 3.10), we discuss the experience of intergenerational disadvantage in Aotearoa New Zealand and elsewhere, drawing from the literature and from recent New Zealand studies.

Box 3.1 **We acknowledge the tensions between quantifying deficits and taking a strengths-based approach**

An overly-narrow focus on resources, especially as determined by proxy measures in administrative and survey data, is simplistic and can lead to stigmatising views of people and their experiences. In particular, a deficit approach doesn't recognise that people may be making choices to be in (what appears to be) disadvantage (eg, to not be working because they have decided to support and spend time with their young child at home).

A "strengths-based" approach can also unintentionally de-emphasise that some people and families are denied access to effective supports to help them thrive (Davies et al., 2022). Access is often not equal or equitable due to various factors, such as discrimination, a lack of transport or its cost. Controlling access to resources is an important way that the public management system transmits inequity between generations.

Measuring disadvantage focuses on a person's deficits (what they are lacking), rather than on their strengths (what they have to build on). This report is focused not on merely describing persistent disadvantage, but rather how it affects wellbeing and how it can be improved, and so we take an approach that draws on the strengths-based He Ara Waiora, and the Pacific Wellbeing Strategy and Living Standards Framework, as outlined in Chapter 2. In particular, we focus on how the public management system can enhance the four dimensions to achieve mauri ora for all, especially for those experiencing persistent disadvantage.

3.3 Not all disadvantage is persistent

Our consideration of disadvantage has a time dimension because we are concerned with breaking the cycle of **persistent disadvantage**. We have identified three temporal characteristics: temporary; intragenerational disadvantage (persisting over an individual's or family's life course); and intergenerational disadvantage (occurring across multiple generations of a family or community).

Some people may experience a cycle of disadvantage, which could include experiencing disadvantage in one or more domains for a year or two, at multiple times in their life.

"Temporary" disadvantage

We define temporary disadvantage as occurring for a limited period of time (less than two years). We have evidence to suggest that it is fairly common for people in Aotearoa New Zealand to experience temporary disadvantage at some point in their lifetime. For example, about one-half of all individuals experienced one

or more periods of being income poor during the seven years they were surveyed as part of the Survey of Family Income and Employment (SoFIE) from 2002–2009 (K. Carter & Gunasekara, 2012). The SoFIE analysis also found that many of these people did not suffer from deprivation and/or exclusion (reported as material hardship in the study) at the same time. For the rest of the report we will use "disadvantage" to mean disadvantage for a limited time (less than two years).

We use the term "persistent disadvantage" to refer to intragenerational disadvantage

Persistent disadvantage may occur within a life course (intragenerational) or across generations (intergenerational). In this inquiry we use the term "persistent disadvantage" to refer to what could be called intragenerational persistent disadvantage. Thus, persistent disadvantage endures for at least two years, but often it lasts across the life course of an individual or their family. We use "intergenerational disadvantage" to refer to persistent disadvantage that occurs across generations.

Our definition is in line with the OECD (2007), which defines people with low income in three years over a three-year period as the persistently poor, while the European Union considers that a person who was poor in at least two of the three preceding years to be persistently poor.

In future years, data from the Living in Aotearoa survey could be used to construct measures of "persistence" based on the number of consecutive periods an individual is below a particular threshold in each disadvantage domain, or the number of periods spent below the threshold within a specified length of time (up to six years). For this inquiry, we do not have that information available in Aotearoa New Zealand, although some has been collected previously by the SoFIE from 2002–2009 (K. Carter & Gunasekara, 2012).

In the meantime, our approach to measuring persistence follows Borooah and Creedy (1998), who decompose measures taken in two different years (such as the 2013 and 2018 Censuses[10]) into temporary and longer-term components. The temporary or short-term component of a measure, such as low (annual) income, captures those individuals whose incomes are below a given threshold in one year only. Low income is defined as being less than or equal to 50% of median equivalised taxable family income per person before housing costs. The longer-term component captures those individuals whose incomes are below a given threshold in both years.

While Borooah and Creedy (1998), and others (eg, Creedy & Ta, 2022a), have used this approach mainly to measure low income, we have adopted a similar approach for our exclusion measures and intend to extend it further to include deprivation measures in the final report. Further, we were able to expand our low income analysis to include three periods by incorporating one data point from the Household Labour Force Survey, as well as data from the 2013 and 2018 Censuses.

Using the data for the 2013 and 2018 Censuses does not provide information about the intervening years (2014, 2015, 2016 and 2017), so can only be considered as indicative of the prevalence of persistent disadvantage in Aotearoa New Zealand.

Intergenerational disadvantage

Persistent disadvantage that occurs across the life course of an individual or family can spill over to the next generation as intergenerational disadvantage. That is, children born into persistent disadvantage may get stuck there into adulthood. Intergenerational disadvantage occurs in situations where:

> …multiple generations of the same family experience high and persisting levels of social exclusion, material and human capital impoverishment, and restrictions on the opportunities and expectations that would otherwise widen their capability to make choices. (Hancock et al., 2013, p. 43)

[10] Due to a change in methodology, the collection response rate for the 2018 Census was lower than expected, and disproportionately excluded responses from some ethnicities and more deprived neighbourhoods. To remedy this, Statistics New Zealand undertook new methods to add additional administrative and other data to the Census datasets which they, and an expert panel advising them, consider led to significant improvements. Refer to www.stats.govt.nz/2018-census/data-quality-for-2018-census for various documents outlining the changes and their impacts. We have accepted their statement of quality in choosing to use the 2018 Census dataset.

As discussed above, Aotearoa New Zealand currently has limited evidence on the prevalence or extent of intergenerational disadvantage, as no consistent longitudinal administrative or survey data is available.

People may cycle in and out of disadvantage

There is evidence that some people will move in and out of disadvantage over a period of time in Aoterora New Zealand. Based on a different set of measures,[11] the GUiNZ longitudinal study of more than 6 000 children in Auckland and Waikato recently demonstrated that approximately 20% of families cycled in and out of disadvantage over an eight-year period (Prickett et al., 2022).

Similarly, the SOFIE found about 40% of all respondents experienced low income, which is less than 50% of median equivalised household income per person (before housing costs), at some point over a seven-year period from 2002–2009. Eleven percent were in low income for four or more years and 2% for six to seven years (K. Carter & Gunasekara, 2012).

While the evidence from Prickett et al. (2022), and Carter and Gunasekara (2012), shows that many New Zealanders cycle in and out of disadvantage without it persisting, it also shows that a significant group experience persistent disadvantage. We seek to quantify this proportion and explore the characteristics of those who remain in persistent disadvantage in our analysis below.

3.4 We examine three domains of disadvantage: being income poor, doing without and left out

We adopt a concept of disadvantage that covers three different, but related, domains. In this model, disadvantage can occur in one, two or all three domains, or affect multiple factors within one domain. Where multiple factors of disadvantage, whether in one or more domains, are experienced, this is sometimes called **multiple disadvantage**. Figure 3 identifies three domains of disadvantage and relates these to the absence of one or more of the four dimensions of mauri ora as outlined in section 2.3.

Figure 3 Domains of disadvantage and their relationship with the four dimensions of mauri ora

Source: Venn diagram concept drawn from MacLachlan et al. (2013, p. 79).

[11] GUiNZ researchers grouped children based on the level of resources (including household income, material hardship, home ownership, parental work, neighbourhood deprivation, frequency of moves of address and overcrowding) relative to other children. Children were identified as having above average levels of resources (advantaged), average and below average (disadvantaged). Low levels in one resource (eg, income) were found to be strongly correlated with disadvantage in other resources. Disadvantaged children were typically below average in six out of the seven resources included in the study.

Submitters to the terms of reference were very clear that people experiencing disadvantage or social exclusion were not only (or even necessarily) "income poor", a view which is consistent with He Ara Waiora. Our model of disadvantage with one income (income poor) and two non-income (deprivation and exclusion) domains aligns with that of the Australian Productivity Commission working paper '*Deep and Persistent Disadvantage in Australia'* (McLachlan et al., 2013). While labelled differently, Whelan and Nolan (as cited in (Michalos, 2014) identified three similar domains (poverty, living standards or material hardship, and what they called "social exclusion").

The overlapping segments of the Venn diagram indicate that people may experience a total of seven segments or "types" of disadvantage (each of the three domains, plus three combinations of two domains and a combination of all three domains). This seven-segment typology shows that individuals, their families, whānau and communities in disadvantage face a diverse range of issues in attempting to enhance and the four dimensions of mauri ora.

Income poor (poverty)

> It's just terrible, you know. You see amazing changes within families when someone has got a job and it's for a reasonable income and I'm not talking about $60- or $70,000, I'm talking well below that, but if they've got work and it's regular and they can afford to maintain their family, I mean the change within the family is remarkable. – Lawyer, Samantha (Lambie et al., 2022, p. 141)

Income poverty can be defined in absolute or relative terms. The World Bank defines the International Poverty Line for extreme (absolute) income poverty – the level at which people cannot fulfil their minimum daily needs – as US$1.90 a day in low-income countries, US$21.70 (around NZ$34.44) a day in high-income countries.[12]

In high-income countries, such as Aotearoa New Zealand, it is more common to use a relative measure to define income poor. In this inquiry, we define income poverty when income is equal to or less than 50% of median equivalised taxable family income per person before housing costs.[13] We also include an additional measure of income poverty (income is equal to or less than 60% of median equivalised taxable family income) to test the sensitivity of the measure to different income thresholds.

While income poverty is probably the most commonly reported measure of this domain, it is considered by many to be insufficient on its own. Perry (2021a, p. 89) noted that low income measures do not "measure wealth or poverty, but low income in comparison to other residents in that country which does not necessarily imply a low standard of living" and that the association between current income and material hardship or deprivation is "far from perfect" Perry (2021a, p. 89). Saunders and Wong (2012) also observed that low income increases the risk of poverty, but may not always result in poverty, and recommends that consideration of being in disadvantage includes identifying unacceptable living standards (deprivation) and whether someone is able to participate in social and economic activities (exclusion or isolation).

Doing without (deprivation)

> To achieve a healthy standard of living people need access to essential resources such as good quality food, transport, healthcare, and secure, warm housing. (Quoted in (NZPC, 2021b, p. 9))

[12] The World Bank set the current international poverty line and the related national poverty lines in 2017 (see https://blogs.worldbank.org/developmenttalk/richer-array-international-poverty-lines). In April 2022, the World Bank announced updated values of US$2.15 and US$24.36 to take effect in the last quarter of 2022 (see https://blogs.worldbank.org/opendata/updating-international-poverty-line-2017-ppps).

[13] It should be noted that this varies from the low income measure used by Statistics New Zealand in reporting on child poverty in three distinct ways. While both are applied to an individual as the "income unit", rather than a family equivalised taxable income, Statistics New Zealand bases its measure on household equivalised disposable income. Thus, for Statistics New Zealand, the accumulated income of all adults (aged 15 and over), regardless of their relationship, is shared among all household members living at the same address. Our family-based measure shares the accumulated income among family members (one or two adult partners with/without dependent children) living at the same address. Adult children living at the same address are treated as separate adult family units, as are any other individuals, couples, or families at the same address. Secondly, Statistics New Zealand uses disposable income, including all taxable sources of income and benefits, plus re-distributive non-taxable income such as Working for Families tax credits and the accommodation supplement. Our measure is focused on taxable income only. Finally, the measures differ in how equivalisation is applied. The pros and cons of each decision and the ultimate impact on measuring "being income poor" will be canvassed more fully in a separate paper on our quantitative analysis, to be published with the final report.

Like income poor, we define doing without or deprivation as a relative measure, as it focuses on the lack of access to "essential" goods and services required to participate in activities that are considered part of "everyday" life in Aotearoa New Zealand.

The 2018 Census contains four measures that could be used to assess doing without: overcrowding, living in damp housing, living in mouldy housing and lack of basic amenities (Table 3.1). However, only data associated with "overcrowding" was collected in 2013 and earlier censuses, which means we did not have sufficient data to assess "persistent" deprivation for this interim report. As discussed in section 3.5, in the final report we intend to link together different datasets to allow us to report on persistent deprivation.

Table 3.1 "Doing without" (deprivation) measures used in analysis of disadvantage and persistent disadvantage

Measures from 2018 Census	Measures from the Household Economic Survey 2012/13–2020/21 *Italics denotes DEP-17 measures*
Those with 2 of 4: • overcrowding • mould • dampness • lack of basic amenities	*Don't have 2 pairs of shoes in good condition* *Don't have home contents insurance* *Don't have a meal with meat, fish or chicken, vegetables at least each 2nd day* *Gone without or cut back on fresh fruit and vegetables* *Buy cheaper cuts of meat or bought less meat than you'd like* *To keep costs down:* • *put up with feeling cold* • *delay replacing/repairing appliances* *Unable to afford unavoidable $500 expense* *More than once in last 12 months could not pay on time:* • *electricity, gas, rates, water bills* • *car insurance, reg, WOF* • *borrowed from friends/family to meet everyday living costs* • rent or mortgage *Feel limited by the money available in buying or thinking about buying clothes or shoes for self* Major problem with dampness or mould Major problem with heating accommodation in winter Received assistance from foodbank or other community organisation

Left out (exclusion)

According to the Centre for the Analysis of Social Exclusion at the London School of Economics (Saunders et al., 2007), being left out or excluded reflects a lack of participation and connectedness arising from an individual's:

- life events and circumstances that go unsupported (eg, medical conditions, disability, lack of employment, lack of qualifications), or that create barriers to participation (eg, racism, discrimination, victimisation, anti-social behaviour, such as criminal activities, drug or alcohol addictions, etc); and
- social and physical community that means they may lack access to the support they require because of prohibitive costs, lack of available services or poor transport networks.

We use "exclusion" to refer to being left out. This includes people not being able to participate in or connect with society, communities and activities that people regard as important to mauri ora and wellbeing. By contrast, "social exclusion" encompasses all three domains of disadvantage, including the absence of the four dimensions of mauri ora, access to resources and a good quality living environment, and other life events or circumstances.

Exclusion may occur in "degrees rather than all-or-nothing terms" (Saunders & Wong, 2012, p. 15). For example, not being able to access education and obtain suitable qualifications is likely to have a greater ongoing impact on overall wellbeing than not having access to a household vehicle (assuming there are

other transport options available), or not having suitable clothes for an important or special occasion. Social inclusion emphasises the presence of opportunity for an individual, family or community to participate and connect, while the absence of certain opportunities may lead to exclusion and create barriers or constraints that are hard to overcome.

> People are disconnected culturally, socially, and linguistically from a base, this is what leads to all the symptomatic issues that are seen in society, such as mental health issues, and alcohol and drug addiction… underneath these symptoms are a driving cause, which is that people feel disconnected, they don't have a sense of identity. (Quoted in (Haemata Limited, 2021, p. 9)

> I also believe having both meaningful opportunities no matter one's capability, engagement and participation within one's community, and a sense of belonging is essential for wellbeing. (Quoted in (NZPC, 2021b, p. 6)

There was a limited range of information available in the 2013 and 2018 Censuses to measure persistent exclusion in New Zealand (Table 3.2). The measures we used were: whether or not an individual lived in a household where no-one was employed, had no formal qualifications, no access to a vehicle, and no internet access. As discussed in section 3.5, in the final report we intend to expand the measures used here using linked data to be better able to report on persistent exclusion with a broader range of variables shown in Table 3.2.

While the Household Economic Survey greatly expands the number of measures of being left out, there is a substantial gap in the ability to measure lack of connectedness or dislocation from identity as part of persistent exclusion. In the final report, we will consider social connections, sense of identity and belonging, and safety (eg, discrimination and victimisation) at a point in time by including analysis of some measures from the General Social Survey, as indicated in Table 3.2.

Table 3.2 "Left out" (exclusion) measures used in analysis of disadvantage and persistent disadvantage

Measures from 2013 and 2018 Censuses	Measures from the Household Economic and General Social Surveys *Italics denotes DEP-17 measures*
Those with 1 of 4 in both 2013 and 2018: • jobless household • no-qualification in household • no internet • no vehicles	Measures from the Household Economic Survey 2012/13–2020/21 *Suitable clothes for important or special occasion* *Presents for family/friends on special occasions* *To keep costs down:* • *done without or cut back on trips to shops or other local places* • *postponed visits to the doctor* • *postponed visits to the dentist* No qualification in household Jobless household Holiday away from home at least once every year Ability to spend $300 on non-essential purchase Access to vehicle for personal use (from 2019/2020) Access to both a computer and internet at home (from 2019/2020)
	Measures from the General Social Survey 2014–2021 Social connections: Contact with family and friends Loneliness in last four weeks Could ask someone for a place to stay in an emergency Subjective wellbeing, including sense of identity and belonging: Ability to be yourself Family wellbeing Hope for the future (life satisfaction in five years' time) Life satisfaction Sense of control over one's life Sense of purpose (how worthwhile the things people do are)

Measures from 2013 and 2018 Censuses	Measures from the Household Economic and General Social Surveys *Italics denotes DEP-17 measures*
	Safety: Experienced discrimination in last 12 months Perceived safety walking in neighbourhood after dark Being a victim of crime in last 12 months Community participation: volunteering

3.5 Our analytical approach reflects the complexity of persistent disadvantage and existing data limitations

In quantifying persistent disadvantage in Aotearoa New Zealand, the Commission refers to people or communities being in an unfavourable position relative to or compared with the "norm" or average New Zealander. This is in line with most reporting on disadvantage, including material hardship, wealth and poverty in Aotearoa New Zealand.[14] This section presents an overview of the analytical approach we took to making these comparisons and quantifying persistent disadvantage.

Our initial longitudinal analysis drew on the 2013 and 2018 Censuses and was limited to two domains (income poor and left out)

As noted in section 3.3, our analysis of the extent or prevalence of persistent disadvantage across two of the three domains of disadvantage in Aotearoa New Zealand was limited to measures available in the 2013 and 2018 Censuses. We were unable to include analysis of doing without (deprivation) in this report.

To better understand income poor persistence, we worked with researchers at Victoria University Wellington to link Census and Household Labour Forces Survey (HLFS) data to look at income mobility of individuals at three points in time (Creedy & Ta, 2022a). The first data point is the year the person was surveyed by the HLFS, followed by two further data points from the 2013 and 2018 Censuses (up to 13 years over the period 2007–2020).

We identified the characteristics of population groups more likely to be experiencing persistent disadvantage in either or both of the income poor and left out domains in 2013 and 2018, including their household and family types, ethnicity, age group, geographic location and whether or not they lived in an area considered to be deprived using the NZDEP2013 and NZDEP2018.

We used cross-sectional data to explore likely trends in disadvantage across all three domains for different groups

We use population groups to analyse trends in disadvantage in all three domains, drawing on the Household Economic Survey material wellbeing variables from 2012/13–2020/21.[15] This method of measuring changes in people's lives by collecting data about a specific group (the group characteristics stay the same but the individuals within the group change over time) at different points in time is an alternative to using longitudinal panel data (Guillerm, 2017), where you are able to follow the same individuals. We have included some early results from this approach in this report, but intend to supplement this with further analysis of the General Social Survey in the final report.

Statistics New Zealand made significant changes to the Household Economic Survey in 2018/19, following the introduction of child poverty reporting requirements. In addition to boosting sample sizes to improve measurement of child poverty, Statistics New Zealand also boosted sampling of communities with higher Māori populations. As a result of the increased sampling, it could be expected that reporting on Pacific

[14] See Statistics New Zealand Wellbeing data for New Zealanders (https://statisticsnz.shinyapps.io/wellbeingindicators/) and the Treasury's LSF Dashboard (https://lsfdashboard.treasury.govt.nz/wellbeing/).

[15] See www.stats.govt.nz/methods/changes-to-the-household-economic-survey-201819 (accessed 17 August 2022).

peoples would also improve, but we have not been able to test this for the interim report. Taking our lead from Statistics New Zealand, we have not reported on Pacific peoples as a group because the small number of people surveyed create small sub-samples and thus unreliable estimates of our measures of disadvantage. We have included information about Pacific peoples' reported life satisfaction because this analysis does not create very small sub-samples and is more reliable. We will attempt to address this issue in the final report.

Our analysis focuses on New Zealanders aged five to 64 years

We have had to exclude children aged under five years of age because the Census does not require full details to be submitted for these children. We decided to exclude New Zealanders aged 65 years and over because retirement can give the impression that older people are being left out because they are not working.

Table 3.3 shows that New Zealanders aged 65 and over were much less likely to experience low income than the average population. Nearly two-thirds (65.6%) of those aged 65 and over experienced some exclusion based on our limited set of measures (jobless household, no qualifications, no internet and no household vehicle). However, further analysis in Table B.2 (Appendix B) shows that the main reason people aged 65 years and over are excluded is because they live in a jobless household (ie, they are retired and live with other retired people) and secondarily by lack of qualifications and access to the internet.

Previous research (see, for example, Perry (2021b) and Carter & Gunasekara (2012)) finds much higher levels of material wellbeing among New Zealanders aged 65 and over compared to the general population. Drawing on measures in the Household Economic Survey, Perry (2021b) reports that this is true over the period 2007–2020, and further observes that those aged 65 years and over have a much lower rate of deprivation and exclusion than their counterparts in most European countries.

Children have been considered as part of the household, rather than separately

We have not duplicated existing work on children and youth arising from the Child Poverty Reduction Act 2018, Child and Youth Wellbeing Strategy and Programme of Actions. Instead, we consider children (aged under 18 years) in the context of the household they live in, particularly single parent households and couple households. We include characteristics of parents, such as age, gender, qualifications, job status and ethnicity, to provide further insights.

Measurement and data limitations

As can be seen from the discussion above, our analysis faces several limitations, mainly due to the lack of data for the type of longitudinal analysis required to measure and monitor persistent disadvantage. Ideally, our measurements would be based on data about the same individuals and their families or households observed over several years. This approach has been recommended by the OECD (2007) and was possible for the short time while the SoFIE study was active from 2002–2009. Considering disadvantage as persistent when it occurs over a period of three years (as proposed by the OECD (2007), or even five or more years, ignores the fact that some individuals may have been in disadvantage before the three-year period, or may continue beyond it. This limitation is particularly severe if the chosen time period is short (Biewen, 2014).

Using linked Census data, we can report that the same people experienced persistent disadvantage in at least one domain in two time periods (2013 and 2018), but we cannot say if they experienced disadvantage in the years between (ie, we cannot report if they were persistently in disadvantage for the entire six-year period). Again, our proposed data linking for the final report should provide us with a one-third data point that will improve our understanding of persistent disadvantage in Aotearoa New Zealand.

One limitation of using longitudinal data is that some people may not have information recorded at all data points. This was especially the case for sole parents, Māori, Pacific peoples, young people, particularly those without formal qualifications and with low incomes (Creedy & Ta, 2022b; Didham et al., 2014). These people are also more likely to experience persistent disadvantage. As a result, the "actual" levels of persistent disadvantage would be potentially higher than our estimates in this report.

Due to time constraints, our current analysis does not include measures (such as experiencing discrimination, family relationships and connections, community participation and victimisation) that are an important aspect of the exclusion domain. The incorporation of data from the General Social Survey in the final report will alleviate this gap somewhat.

We do not include measures of wealth because of an absence of data to measure its persistence. Wealth is important in providing security to individuals and their families in the event of something happening that could lead to disadvantage or persistent disadvantage. Wealth in one generation may also support another generation by providing greater resources and opportunities.

We also have not reported on persistent disadvantage for diverse communities, particularly lesbian, gay, bisexual and transgender/transsexual people (LGBTQI) and other ethnic groups in Aotearoa New Zealand, due to a lack of data or insufficient sample sizes to produce reliable estimates. The Household Economics Survey collected data about New Zealanders' gender and sexual identity for the first time in 2020.[16] Statistics New Zealand has stated that the 2023 Census will be the first to ask everyone in Aotearoa New Zealand about their gender, sexual identity and whether they have any variations of sex characteristics (also known as intersex status).

We intend to expand our analysis of persistent disadvantage in the final report

In the final report, in addition to including variables on being left out from the General Social Survey, we intend to further expand our analysis of persistent disadvantage to include measures of doing without. To do this, we will adopt another measurement method, linking Household Economic Survey (and, if feasible, General Social Survey) respondents to their 2013 and 2018 Census data. This should give us a representative sample of households with a rich range of variables, including the Dep-17 material hardship index, as shown in Table 3.1 and Table 3.2. It will still not be possible to say if these people were in persistent disadvantage for the whole nine-year period, although it will provide us with two or three data points between 2012/13–2020/21 across all three domains, which will provide a stronger indication of persistence.

F3.2 There is a lack of data to create a comprehensive measure of persistent disadvantage in Aotearoa New Zealand, especially for minority groups. It is important to treat the results in this report as preliminary and subject to further expansion in our final report.

R3.2 The Commission recommends that efforts be made to ensure appropriate sample sizes are created within existing and new surveys and data collections for population groups, such as Pacific peoples, disabled people and diverse communities, and for a broader range of being left out measures, particularly about social connection, discrimination, sense of identity and belonging, and community participation.

Q3.1 Do you have any additional suggestions as to how the Government might measure or assess persistent disadvantage?

[16] The analysis of the LGBTQI population in the 2020 survey. See www.stats.govt.nz/reports/lgbt-plus-population-of-aotearoa-year-ended-june-2020

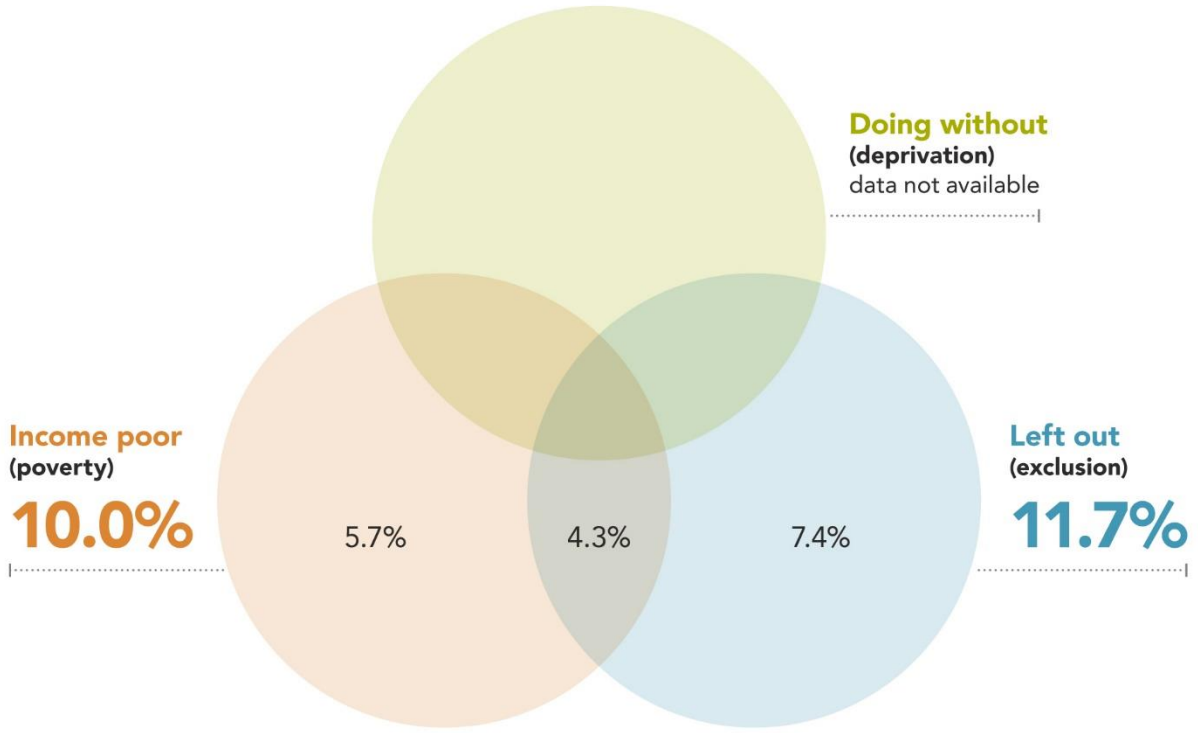
3.6 About 179 000 people (4.3%) experienced persistent disadvantage in two domains in 2013 and 2018

Box 3.2 **Caveat**

The figures reported here are preliminary and will change with the expanded analysis we plan to undertake for the final report, particularly to include the doing without (deprivation) domain. The limitations of these results are discussed in section 3.5 above.

Figure 4 shows that approximately 724 000 (17.4%) of the New Zealand population was either persistently income poor, left out, or both in 2013 and 2018. The analysis includes 4.16 million people (adults and children) aged under 65 years. Just over 4% (179 000 adults and children) experienced both being income poor and being left out in 2013 and 2018. Of these, 66 000 were Māori and 23 000 were Pacific peoples.[17]

Figure 4 About 17% of New Zealanders under 65 years old experienced being income poor, left out or both in 2013 and 2018



Source: NZPC estimates using 2013 and 2018 Censuses.

Notes: New Zealand population under the age of 65 (including those who were recorded in both Censuses). Income poor: less than 50% of median equivalised taxable family income per person, before housing costs. Exclusion: those experiencing one of the four categories: no internet access, no vehicles, no paid workers or no qualifications in the family

F3.3

About 17% of New Zealanders experienced persistent disadvantage in one or both domains of income poor and being left out in both 2013 and 2018.

Just over 4% of the population aged below 65 years (179 000 people) experienced persistent disadvantage in both domains in 2013 and 2018. Of these, 66 000 were Māori and 23 000 were Pacific peoples.

[17] All relevant counts are based on the baseline population in 2018 (4.16 million of people aged under 65 years).

People who were disadvantaged in two domains (income poor and left out) in 2013 were more likely to remain disadvantaged in two domains in 2018, compared to people who were disadvantaged in one domain in 2013 (Figure B.1). Among those who were income poor or left out in 2013, 65% were in at least one domain of disadvantage in 2018, while 75% of those who had both low income and exclusion in 2013 were in at least one domain of disadvantage in 2018.

3.7 Sole parents, Māori, Pacific peoples and disabled people are more likely to experience persistent disadvantage

For particular groups of people, we found rates of persistent disadvantage were much higher, as shown in Table 3.3. Sole parents, people from families with no formal (high school) qualifications, Māori, Pacific peoples and disabled people were between one-and-a-half and three times more likely to experience persistent disadvantage in one or two domains than the "average" New Zealand population (aged below 65 years).

Table 3.3 Proportion (in percentage) of population groups experiencing persistent disadvantage in both 2013 and 2018

Group or characteristic in 2013	% of baseline population	Low income in both years	Excluded in both years	Income poor & excluded in both years	At least one domain
Sole parent	12.0	27.3	26.2	17.0	36.5
No high school qualification in family	10.1	20.1	71.2	18.5	72.8
Māori	16.5	15.6	21.0	9.5	27.0
Pacific	6.3	15.8	20.8	8.7	27.9
Disabled	6.2	17.1	39.9	12.8	44.2
Renters	50.9	12.7	14.8	6.2	21.3
Young (18–24)	9.7	11.7	13.1	6.1	18.7
Old (aged 65+)	12.5*	7	65.6	5.7	66.9
Aged below 65 (baseline)	**87.5***	**10.0**	**11.7**	**4.3**	**17.4**
Entire NZ population	100	9.6	18.2	4.5	23.3

Source: NZPC estimates using 2013 and 2018 Censuses.

Notes:

1. Population groups are based on the characteristics of individuals and their families in the 2013 Census. Hence, "Young (18–24)" people in 2013 would be age 23-29 in the 2018 Census. A "Sole parent" may still be a sole parent in 2018, or they may have become part of a couple or other family structure. Renters in 2013 may still be renters, or they may have become an owner or part-owner of their accommodation.
2. Low income refers to those who had incomes less than half of the median equivalised taxable family income per person in both years.
3. Excluded includes those were in one of the four categories in both years: jobless family, no-qualification family (no-one aged 15 or more graduated from high school or gained any qualifications), no Internet, no vehicles.
4. Asterisks refer to the shares of the entire population at all ages.

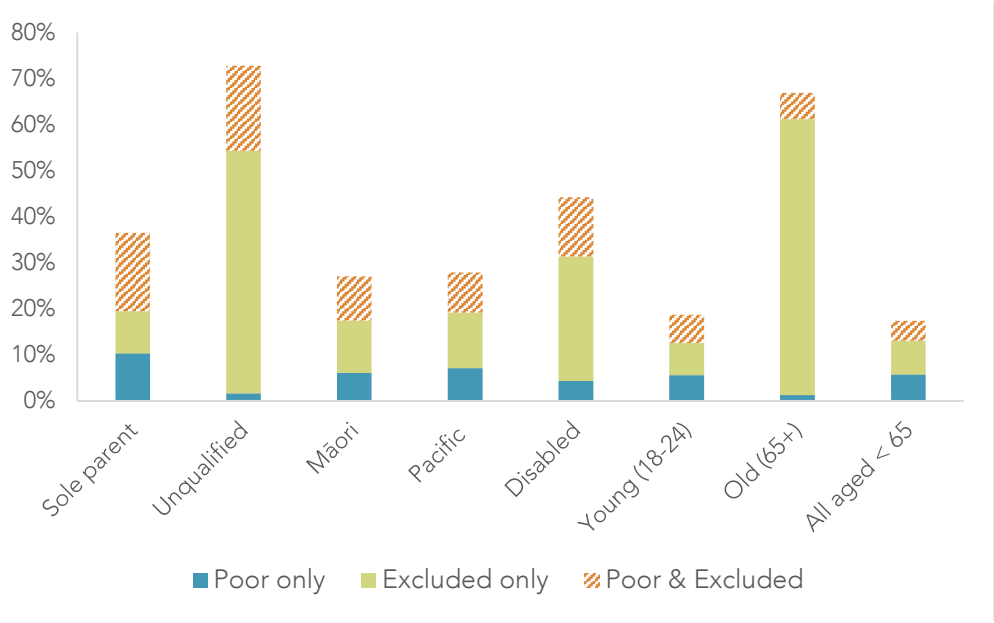
Figure 5 shows over 72% of people in a household with no high school qualifications and 45% of disabled people experienced persistent disadvantage in at least one domain in 2013 and 2018.

People living in households without qualifications experienced a high level of persistent exclusion, which is not surprising given that our measure of exclusion included households with no high school qualification.

Beyond this, however, we found disabled people were most likely to experience exclusion, followed by sole parent families, Māori and Pacific peoples. As noted earlier, people over 65 experienced high levels of exclusion, mainly due to their being "jobless" because they were retired.

People living in an unqualified household (18.5%) and sole parents (17%) were the most likely to experience persistent disadvantage in both domains in 2013 and 2018. Māori and Pacific peoples experienced almost identical levels of persistent disadvantage overall (27% and 28%, respectively), with a similar mix of income poverty, being left out or both. Nearly one-half (45%) of sole parents and 27% of Māori and Pacific peoples experiencing persistent disadvantage in at least one domain were jobless (see Table B.3).

Figure 5 Proportion of selected population groups experiencing persistent disadvantage (by domain) in 2013 and 2018



Source: NZPC estimates using 2013 and 2018 Censuses.

Notes:

1. Baseline population: New Zealanders aged below 65 years.
2. All three elements of persistent disadvantage are mutually exclusive.
3. Unqualified refer to individuals living in a family without high school qualifications.

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.[18]

These findings concur with other studies (McLachlan et al., 2013; Perry, 2021b; The Treasury, 2022). As was the case with Carter and Gunasekara (2012), and Creedy and Ta (2022a), Figure B.3 shows that Māori, Pacific peoples, sole parents and people living in households without qualifications were found to be most likely to have low-income persistence. An exception is young people aged 18–24 years who may be more likely to be income poor than the average New Zealander in the short-to-medium term, but they were also more likely to exit disadvantage over the medium-to-long term (Creedy & Ta, 2022a).

Population groups experiencing persistent disadvantage tend to be clustered by location

The Northland and Gisborne regions had the highest proportion of their populations experiencing persistent disadvantage in one or two domains in 2013 and 2018. They were followed by Manukau, part of the Auckland Council and the Manawatu-Wanganui region (see Table B.5). This aligns with reporting of the

[18] These figures will likely change once we have added the "doing without" domain to the analysis in the final report.

New Zealand Deprivation Index (NZDep), where the most "deprived" neighbourhoods and communities in Aotearoa New Zealand are found on the East Cape (part of the Gisborne region) and far north of the North Island (in Northland region) and, to a lesser degree, on the West Coast of the South Island.

The NZDep is a socio-economic deprivation index derived from essentially the same Census 2013 and 2018 measures from all three domains of disadvantage (income poor, doing without and left out) as we have used, plus these additional measures: people living in households receiving means-tested benefits, sole parent households, or those not living in their own home. NZDep is based on geographical location, using meshblocks in 2013 and reformulated as "statistical area 1" (comprised of one or more meshblocks with a maximum population of 500) in 2018, to divide the country into 10 equal parts or "deciles".[19] Hence, there will always be "most deprived" deciles (10) and "least deprived" deciles (1).

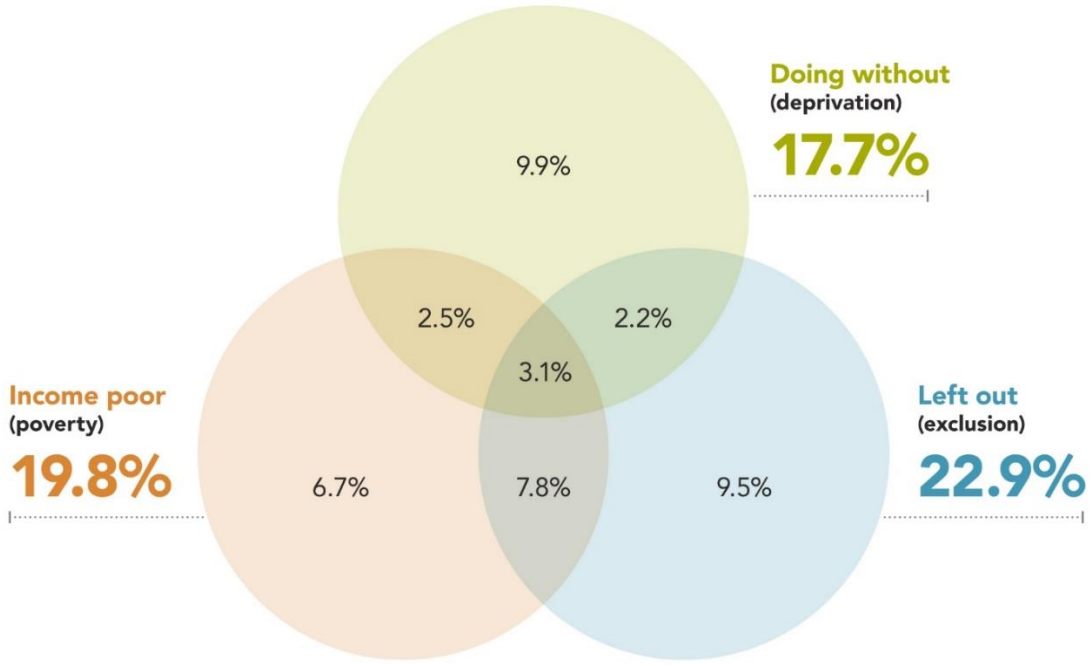
We found 12.5% of the population aged below 65 years (520 000 people) lived in the 20% most deprived areas (as defined by the NZDep) in both 2013 and 2018 (see Table B.4). Compared with the average population below 65 years, Māori, Pacific peoples and those with no high school qualifications were much more likely to live in the 20% most deprived areas in both years (approximately one-third of their population groups), followed by sole parents and disabled people (21%–25% of their population group).

3.8 Disadvantage occurs at higher rates than persistent disadvantage

Given our focus on breaking the cycle of persistent disadvantage, we have not undertaken a detailed analysis of disadvantage occurring on a year-by-year basis.

Figure 6 shows the prevalence of disadvantage across all three domains using the limited measures from the 2018 Census. The rates of people experiencing being income poor (19.8%) and exclusion (22.9%) at one point in time (2018) are nearly double the rates of persistent income poverty (10%) and persistent exclusion (11.7%) reported for 2013 and 2018 in Figure 4. Similarly, the rate of being disadvantaged in both domains in 2018 is more than double that of those experiencing persistent disadvantage in both domains in 2013 and 2018 (10.9% compared with 4.3%).

Figure 6 Many New Zealanders (aged less than 65 years) experienced disadvantage in at least one domain in 2018



Source: NZPC calculations using Census 2018.

[19] A fuller explanation of the NZDep 2013 and 2018 is found here www.otago.ac.nz/wellington/departments/publichealth/research/hirp/otago020194.html, along with interactive maps of neighbourhoods across New Zealand.

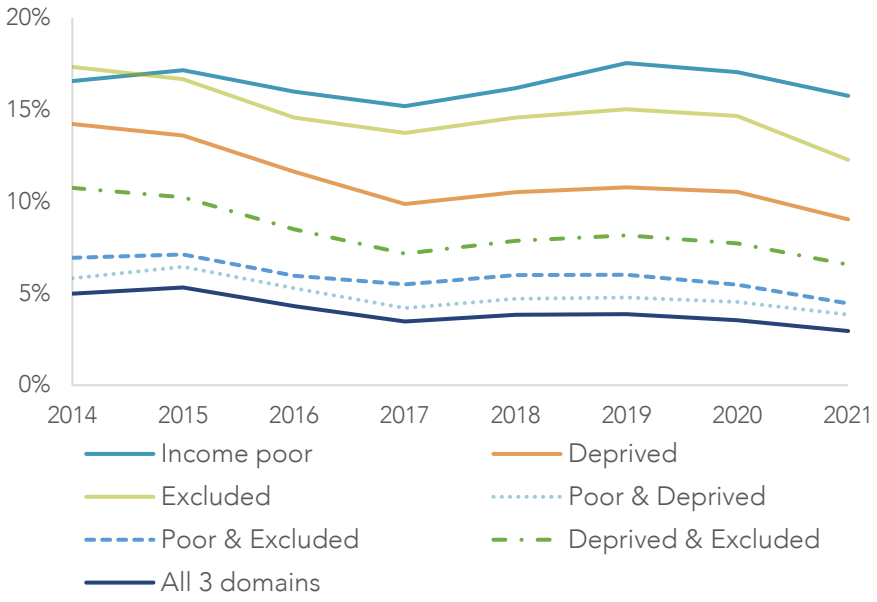
Notes:

2. New Zealand population aged below 65 years.
3. The diagram shows the percentage of the population experiencing only one form of disadvantage and the percentage experiencing multiple forms indicated in the intersection of the three circles.
4. Income poor: people having incomes less than half of the median equivalised household taxable income per person.
5. Deprivation: people experiencing two out of four factors, including overcrowding, mould, dampness, lack of basic amenities.
6. Exclusion: people having one of the four categories: jobless/no-qualification families, no internet, no vehicles.

The prevalence of disadvantage is steady or declining over time

We used the Household Economic Survey from 2012/13–2020/21, and the expanded measures noted in section 3.4, to construct the seven segments of the Venn diagram and examine how they changed in size over an eight-year period. Figure 7 shows that the proportion of the population in any given two-year period experiencing the following (being income poor, poor and excluded, income poor and deprived, and being disadvantaged in all three domains) has been largely stable, possibly slightly declining, between 2012/13–2020/21. The prevalence of being deprived, excluded, or deprived and excluded has been declining over this time. We intend to explore the reasons behind these trends in the final report.

Figure 7 Prevalence of different types of disadvantage in the New Zealand population (aged under 65 years) 2014-2021



Source: NZPC estimates using Household Economic Survey 2012/13–2020/21.

Notes:

1. Given changes in sampling and sampling techniques, we have used two-year rolling averages estimates: meaning that 2014 = average of 2013 and 2014.
2. Income poor: income less than half of the median equivalised family income per person.
3. Deprived/Doing without: The 16 basic needs considered included: don't have 2 pairs of shoes in good condition; Don't have home contents insurance; Don't have a meal with meat, fish or chicken, vegetables at least each 2nd day; Gone without or cut back on fresh fruit and vegetables; Buy cheaper cuts of meat or bought less meat than you'd like; Put up with feeling cold; Delayed replacing/repairing appliances; Major problem with dampness or mould; Major problem with heating accommodation in winter; behind on rates or utilities; behind on rent or mortgage; behind on car registration, WOF or insurance; Borrowed from friends/family to meet everyday living costs; Received assistance from foodbank or other community organisation; Feel limited by the money available in buying or thinking about buying clothes or shoes for self; Unable to afford unavoidable $500 expense.
4. Excluded/Left out: Don't have suitable clothes for important or special occasion; Cannot buy presents for family/friends on special occasions; Done without or cut back on trips to shops or other local places; Don't have domestic holidays due to the cost; Spend a lot less on hobbies or other interests than you would like; Postponed visits to the doctor; Postponed visits to the dentist; No qualification in household; Jobless household; Ability to spend $300 on non-essential purchase.

3.9 Sole parents, Māori and disabled people experience lower life satisfaction and higher rates of disadvantage over time

In the following section, we use the Household Economic Survey from 2012/13–2020/21 to explore trends in disadvantage for sole parents, Māori and disabled people. Note that disabled people have only been able to be identified as a population group since the 2019/20 Household Economic Survey.

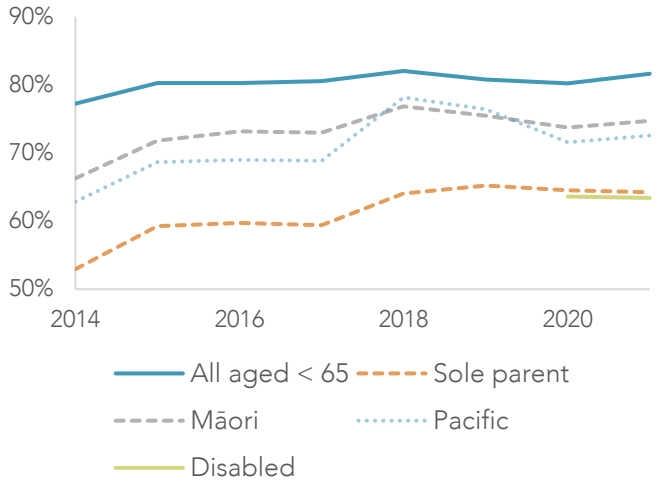
Statistics New Zealand has made changes to the sampling techniques and sample sizes in the Household Economic Survey over the last decade, which impacts the results in this section. The figures we include here report a two-year rolling average for each population group so as to not mislead the reader about any potential trend in the data. Due to the sampling issues, we have only reported on Pacific peoples in the discussion about life satisfaction, where the average response of the whole sample is considered. In the analysis of doing without and exclusion, the sample size for Pacific peoples is too small to provide reliable results and is not included.

Life satisfaction for Māori, Pacific peoples and disabled people is lower than the average New Zealander

As can be seen in Figure 8, sole parents, Māori, Pacific peoples and disabled people reported lower levels of life satisfaction between 2012/13– 2020/21 than the average for all New Zealanders aged below 65.

Life satisfaction is being used as a proxy measure for mauri ora or wellbeing. We think it is appropriate to use a subjective measure for mauri ora, such as "How do you feel about your life right now?", as every individual has the right to define their aspiration and the life they want to live.

Figure 8 Proportion of people responding satisfied or very satisfied to the question "How do you feel about your life right now?"



Source: NZPC estimates using Household Economic Survey 2012/13–2020/21.

Notes: We have used two-year rolling averages estimates: meaning 2014 = average of 2013 and 2014.

Doing without and being left out is higher (albeit declining) across these population groups

As Figure 9 shows, sole parents, Māori and disabled people are consistently more likely to be over-represented as disadvantaged, whether we measure doing without (deprivation), being left out (exclusion), a combination of deprivation and exclusion,[20] or across all three domains.

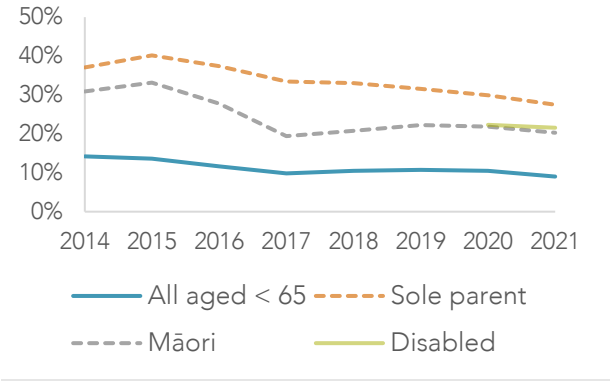
The prevalence of doing without, being left out or both among sole parents and Māori, while much higher than the rate for the general New Zealand population, has also been declining (at a faster rate) over this time

[20]Commonly referred to as "material hardship" by Statistics New Zealand, MSD and others who analyse and report on this data (see, for example, child poverty reporting and the LSF Dashboard).

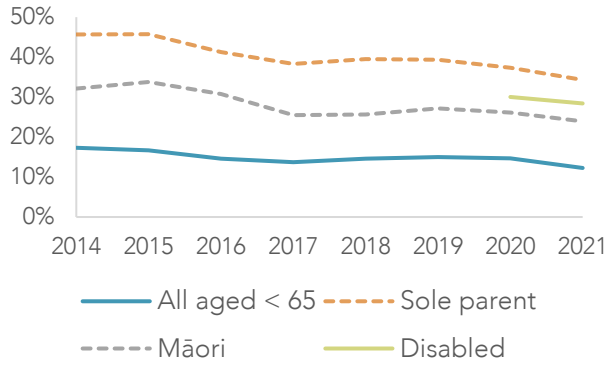
period for sole parents and Māori. There is not sufficient data about disabled people to make a judgement about any changes over time.

Figure 9 Most population groups are experiencing declining rates of disadvantage, although some groups started from a much higher base

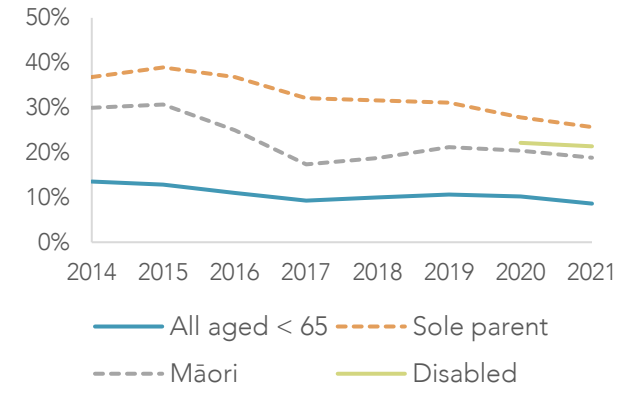
a) Doing without five or more "basic" needs some time in the last 12 months



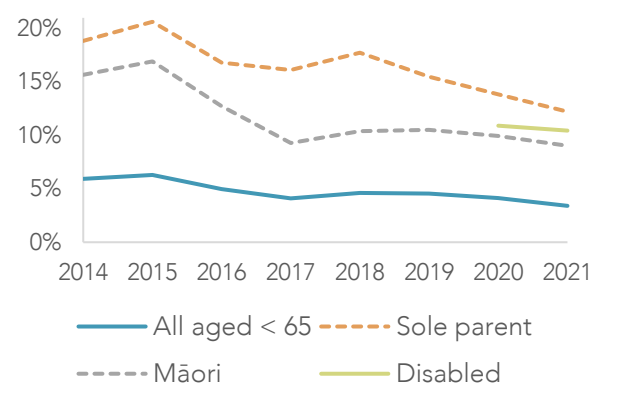
b) Left out in four or more regular activities/services in the last 12 months



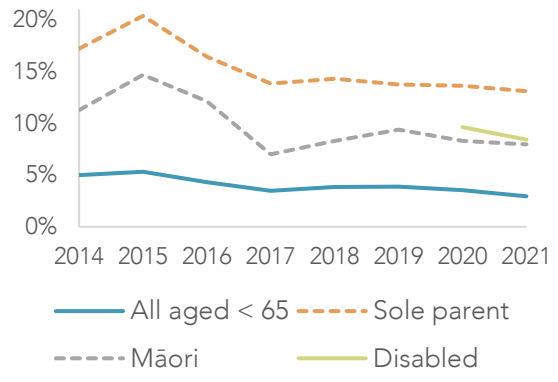
c) Experiencing deprivation and exclusion in the last 12 months (missing out on six or more DEP-17 measures)



d) Experiencing severe deprivation and exclusion in the last 12 months (missing out on nine or more DEP-17 measures)



e) Disadvantage in all three domains (<50% median income, plus five of 16 deprivation measures and four of 10 exclusion measures)



Source: NZPC estimates using Household Economic Survey 2012/13–2020/21.

Notes:

1. Refer to the Notes for Figure 7 for descriptions of measures included in Doing without and Left out.

2. DEP-17: includes 12 basic needs from Doing without (excluding: Behind on rent or mortgage, major problem with dampness or mould and major problem with heating accommodation in winter, Received assistance from foodbank or other community organisation) plus five factors from Left out (Don't have suitable clothes for important or special occasion, Cannot buy presents for family/friends on special occasions, Done without or cut back on trips to shops or other local places, Postponed visits to the doctor, Postponed visits to the dentist).
3. Statistics New Zealand (2019) uses a DEP-17 score of 6 or more for what they call material hardship and a score of 9 or more for severe material hardship.
4. Two-year rolling averages estimates: meaning 2014 = average of 2013 and 2014.

F3.4 Sole parents, Māori and Pacific peoples, disabled people and households without any high school or tertiary qualifications were more likely than the average New Zealander to be in persistent disadvantage in one or two domains in 2013 and 2018.

F3.5 Drawing on the Household Economic Survey data for 2012/13–2020/21, we found that population groups more likely to be in persistent disadvantage are also more likely to experience higher rates of disadvantage, measured at a given point in time, than the average New Zealand population. While higher, we found that the rate of disadvantage (whether being left out, doing without or both, or even disadvantage across all three domains) has been declining over the past few years in Aotearoa New Zealand.

Thirty-seven percent of New Zealanders with the lowest incomes in 2007 were also income poor in 2018

We have used equivalised taxable family income per person before housing costs that is equal to or less than 50% median as our primary measure for being income poor.[21] A further test of the strength of our low income measure is to compare it with the perceptions of people about how well their total income meets their everyday needs (asked by the Household Economic Survey since 2015/16). We found that about three-quarters of people who said they did not have enough income to meet their everyday needs met our criteria of being income poor (equal to or less than 50% of the median equivalised taxable family income). This increased slightly to about 80% when considering income equal to or less than 60% of the median equivalised taxable family income.

The extent to which a person (or the household they live in) can increase their income indicates the possibility of changing their economic position over their life course. For those who are income poor, this may mean they can exit disadvantage or even persistent disadvantage. The ability to shift across incomes is sometimes referred to as income mobility.

Figure 10 shows people's equivalised share of family incomes for 2007 and 2018. Individuals aged below 65 years have been grouped into 10 equally sized income deciles or bands based on their equivalised family income per person. The rows show the equivalised income decile for people in 2007, while the columns show the equivalised income decile for the same people in 2018. Moving along the rows, the number in each cell shows what percentage of people ended up in each decile by 2018. For example, looking at the bottom row, we can see that 24.3% of the people who were in bottom decile in 2007 were still there in 2018. Just over 14% of them moved into the second decile and 5.8% ended up in the top decile by 2018.

[21] We have carried out robustness testing of the results using 60% equivalised family income per person before housing costs as an alternative measure of income poverty.

Figure 10 Comparing equivalised income movements between 2007 and 2018

Initial (2007) decile \ Later (2018) income decile	Bottom	2	3	4	5	6	7	8	9	Top
Top	6.2	4.2	8.0	5.7	3.4	5.3	7.9	9.2	15.3	34.9
9	5.6	3.4	6.6	6.9	7.2	7.4	9.0	15.2	18.2	20.6
8	6.5	5.8	7.3	7.8	8.8	9.9	14.0	12.4	15.7	12.1
7	6.2	4.9	7.5	9.6	9.3	12.6	13.4	15.3	13.4	7.8
6	6.4	6.6	8.5	7.8	11.3	13.5	14.3	13.7	12.1	5.7
5	9.1	9.7	8.8	11.0	14.2	16.2	11.1	10.1	6.4	3.4
4	10.2	11.6	10.5	11.7	14.2	11.5	11.6	8.2	6.1	4.3
3	12.4	17.7	15.6	15.2	11.4	9.3	7.2	5.3	4.2	1.8
2	13.1	21.9	16.0	13.0	11.1	7.3	5.3	4.5	4.2	3.7
Bottom	24.3	14.3	11.3	11.3	9.0	7.0	6.3	6.0	4.5	5.8

Source: Household Labour Force Survey 2006/07 and Census 2018.

Notes:

1. We used Household Labour Force Survey data to establish the 2007 income and Census 2018 to establish the second data point. No measures of income were taken in between these two years. Data on income in both 2007 and 2018 (for tax years) are from Inland Revenue in the IDI to obtain consistency.
2. Income measure is gross taxable household income per person/adult equivalent.
3. The weighted sample includes all individuals aged below 65 years. The estimates using all ages turn out to make almost no difference.
4. The colour of the cells gives some indication of the share of the population experiencing that particular level of income mobility. Lighter colours denote smaller population shares, while the darkest colours indicate the largest shares.

As indicated by the darker coloured cells, there is less income movement at the top and bottom of the equivalised income deciles. Thirty-seven percent of those in the bottom deciles in 2007 were still in the bottom two equivalised income deciles in 2018 and about 10% had shifted into the top two deciles. Of those in the top income decile in 2007, one-half of them were still in the top two income deciles in 2018, while just over 10% had slipped to the bottom two deciles.

Children in Aotearoa New Zealand experience high rates of disadvantage too

The Child Poverty Reduction Act 2018 sets out a multi-level, multi-measure approach to monitoring child poverty in New Zealand. In the year ending June 2021, Statistics New Zealand[22] reported that 156 700 children under the age of 18 (13.6%) lived in households with less than 50% of the median equivalised disposable household income before deducting housing costs. This was slightly higher than the previous two years, but lower than 16.5% reported for the year ending June 2018. The 2018 figure for children is fairly close to the 20% of households we reported based on the 2018 Census (see Figure 6).

Also for the June 2021 year, Statistics New Zealand reported that 11% (125 700) of children experienced material hardship, measured as going without six or more of the 17 "essentials" identified as part of the Dep-17 (the full list is provided in Table 3.1 and Table 3.2). This continued a downward trend in material hardship since the year ending June 2018. Approximately 76 000 children (6.6%) experienced both low income (using the Statistics New Zealand measure equal to or less than 60% median equivalised disposable household income after deducting housing costs) and material hardship.

Māori and Pacific children experienced higher rates of low income and material hardship than the general population of New Zealand children: 18.1% (53 000) of Māori and 17.2% (25 000) of Pacific children lived in

[22]Data for this section accessed on 20 July 2022 from www.stats.govt.nz/news/child-poverty-statistics-show-all-measures-trending-downwards-over-the-last-three-years#interpreting-stats

houses with equal to or less than 50% of the median equivalised household income before housing costs, while 20% (60 000) Māori and 24% (34 000) Pacific children experienced material hardship.

Currently, there are no measures of persistent disadvantage for New Zealand children. Using different measures for disadvantage to our model,[23] the GUiNZ longitudinal study of more than 6 000 children in Auckland and Waikato estimated that one in 10 children experience periods of persistent disadvantage between antenatal and eight years of age (Prickett et al., 2022). In 2024–25, Statistics New Zealand will publish its first report on the Living in Aotearoa survey, which interviews the same households every year for six years to see how the wellbeing and living standards of children change over time.

3.10 Intergenerational disadvantage persists in Aotearoa New Zealand but is hard to measure

As noted in section 3.1, although we know that it exists, we have limited evidence about the prevalence or extent of intergenerational disadvantage in Aotearoa New Zealand. We also have some knowledge of the types of situations where persistent disadvantage experienced by the household of a parent or grandparent in one generation may be "passed on" to children of the next generation (D'Addio, 2007; Hancock et al., 2013). Examples of situations where disadvantage or persistent disadvantage may be transmitted or passed on from one generation to the next include (but are not limited to):

- Not having a sense of identity and belonging – the absence of mana tuku iho.
- Being income poor in childhood and facing barriers to growing prosperity – the absence of mana whanake.
- Having parents with no high school qualifications – contributing factor in an absence of mana āheinga.
- Growing up in a single parent family or with one or both parents involved in the justice system – contributing factor in an absence of mana tauutuutu.

These and other causes of intergenerational disadvantage are discussed in section 4.4.

One area where there has been an attempt to measure the prevalence of intergenerational disadvantage is in the domain of income poor. Unfortunately, due to the data available and the methods used, the results of such analysis varies quite a lot. For example, Iusitini (2022) found that there is persistence in income levels across generations in Aotearoa New Zealand, both in the low income deciles where persistence ranged from 28%–57% from the parent of the first generation to the child of the next generation, and the high-end deciles where persistence varied from 28%–60%. The values varied based on the method used, the data source, the gender of the parent and the gender of the child. Iusitini (2022) used data from the Christchurch Health and Development Study to determine that three-quarters of intergenerational income persistence among children could be explained by their non-cognitive traits (anxiety problems) and cognitive skills (as measured by IQ score at eight to nine years of age, reading ability at age 18 and educational attainment by age 40).

[23] This study grouped children as advantaged, average or disadvantaged based on the level of resources (including household income, material hardship, frequency of moves of address, home ownership, parental work, neighbourhood deprivation and overcrowding) relative to other children.

4 Causes of persistent disadvantage

Key points

- Persistent disadvantage is caused by interconnected factors that can compound. Some key life events are associated with becoming disadvantaged: relationship breakdown and change in family formation; living with a long-term physical or mental illness or being injured; and important life transitions.
- Less is known about the detailed causal effects and pathways that result in persistent disadvantage, or the relative contribution of particular causal factors.
- Factors that can protect people from becoming persistently disadvantaged include: adequate income, wealth, housing; health and social connections; knowledge and skills; access to high-quality employment; stable families; and effective government policies and supports.
- Getting a good start in life is critical for building the capabilities an individual needs to avoid and respond to disadvantage. The evidence points to the importance of the early years, but also the benefits of supporting children throughout childhood.
- The social, economic and political context determines the extent to which particular groups of New Zealanders are more exposed and vulnerable to disadvantage in their lives. What we see is people being stratified according to societal power dynamics, which in turn is influenced by Aotearoa New Zealand's context.

This chapter attempts to unpack the complex web of the causes of persistent disadvantage. We start with setting out what we know about how people end up in persistent disadvantage. This includes the direct factors (such as not having enough income or a suitable house to live in), followed by how the wider social, economic and political system interacts with people's lives to increase their risk of becoming persistently disadvantaged. We leave discussion of the role of the public management system to the next chapter.

4.1 Persistent disadvantage is a complex problem

Persistent disadvantage is caused by interconnected factors

Persistent disadvantage is caused by several factors that come from all levels of society. We can think about this as a series of nested systems that affect mauri ora – thriving. These include the influence of a person's life events and circumstances, their access to resources, the quality of their living environment, and their ability to participate and belong in their communities. These, in turn, are shaped by the broader social, political and economic environment.

These factors are interconnected, and can compound, which can result in a person becoming persistently disadvantaged. It is challenging to understand how these different factors interact and to distinguish between the causes and symptoms of disadvantage.

F4.1 Persistent disadvantage is caused by interconnected factors that, when combined, can compound and become hard to escape.

4.2 There are many pathways to persistent disadvantage

A person's wellbeing is influenced by many factors that interact and work together in ways to produce mauri ora (wellbeing). The absence of these same factors can also produce negative outcomes in a person's life (mauri noho), where people are left out, doing without or income poor. These factors are summarised in Figure 2 and are shaped by whānau, their community and the broader economic and social environment. It is helpful to understand how a person's personal characteristics and the life events they experience can make people vulnerable to disadvantage, and how these different factors and events reinforce each other and cause the disadvantage to persist. We need this understanding to design appropriate policies and programmes that successfully reduce a person's exposure and vulnerability to disadvantage, and prevent these disadvantages becoming persistent across the life course.

Our understanding of the dynamics of persistent disadvantage is limited

There is a large body of research that describes the causes and consequences of disadvantage. However, little is known about the dynamics, or the detailed causal effects and pathways, which result in persistent disadvantage (McLachlan et al., 2013). For example, we know that people with fewer qualifications are more likely to become unemployed, but why is it that some people find a new job quickly, while others get stuck being unemployed? Are they able to use their networks to find out about new job openings that suit their skills and abilities? Or do some people take being unemployed harder than others, lose motivation and stop looking for work? For others, it may be the case that they are able to use their own savings or support from their family and whānau to retrain and upgrade their skills to help them secure a new job in a different occupation or industry. As discussed earlier, there is a lack of detailed life course or longitudinal data in Aotearoa New Zealand and other countries, which makes it hard to understand how different factors in a person's life interact to cause disadvantage to persist (eg, becoming unemployed and then remaining unemployed).

There are times when the risk of becoming persistently disadvantaged is increased

There are times in a person's life where they may be more vulnerable to becoming persistently disadvantaged, particularly if they cannot access the resources and support they need during these times.

The evidence points to some key life events that are associated with a risk of becoming disadvantaged (McLachlan et al., 2013): relationship changes or changes in family formation (such as becoming a sole parent or the breakdown of a relationship); living with a long-term physical or mental illness or being injured; experiencing a traumatic episode (such as being attacked or abused, a death of a loved one or losing your job); transitioning from one stage of life to the next (eg, moving from study to work, starting a family or entering retirement). We expand on these in Box 4.1 below.

Box 4.1 **Key life events associated with becoming disadvantaged**

According to McLachlan et al. (2013), there are some key life events that are associated with becoming disadvantaged. We expand on each of these below.

Relationship breakdown or changes in family formation – When a heterosexual relationship breaks down, women are at a much higher risk of falling into poverty than men, especially if they have children to care for. In Australia, research suggests that while a break-up, on average, reduces men's disposable household income by 5%, on average women's household income decreases by almost 30% (Broadway et al., 2022). The study also found a woman's most important defence against falling into poverty after a separation is having a stable job and income before the break-up.

Having to parent by yourself is often associated with lower wellbeing. In Aotearoa New Zealand, the Statistics New Zealand Household Labour Force Survey found (for the June 2022 quarter) that 18% of sole parents said they did not have enough money for everyday needs, compared to 5.2% of parents

who had a partner. One-third of sole parents also reported poor mental wellbeing compared to 20% of partnered parents. Sole parents were also more likely to live in homes with major damp, mould or cold.

Living with a long-term physical or mental illness or being injured – A change in a person's physical and mental health can create disadvantage in their life by making it harder to work, which can result in lower incomes. Experiencing a traumatic brain injury or a stroke can reduce employment by 19 percentage points and 9 percentage points, respectively (Dixon, 2015).

Compared with non-disabled people, disabled people fare worse across a range of outcomes relating to their homes and neighbourhoods, as well as their economic and social lives. The 2018 New Zealand Census found that disabled people were less likely to live in a suitable home that is warm, affordable and free from damp and mould. Disabled people were more likely to live in neighbourhoods that were relatively disadvantaged and in households where total income was considered to be inadequate. They also experienced lower levels of employment that resulted in greater dependency on government benefits and kept average personal incomes low.

An Australian study found that preventing a mental health condition has the largest positive effect on labour force participation, which was between 26–30 percentage points higher for men and between 22–25 percentage points for women (Laplagne et al., 2007).

Life-cycle transitions – Important transitions during a person's life include starting a family and moving into retirement. Of particular interest to New Zealand governments has been the transition of young people from study into employment. There have been a number of programmes put in place to reduce the proportion of young New Zealanders who are not in education, employment or training (NEET).

A New Zealand study (Samoilenko & Carter, 2015) compared young people aged 15–24 years who had experienced a long NEET spell of at least five months with a control group of similar young people who did not experience this. The study found that after two years of experiencing a long NEET spell, these young people were less likely to be in employment, more likely to be receiving an income benefit from the Government, and more likely to have experienced another long-term NEET spell of at least five months compared to the control group. After four years, the probability of being in employment was similar between the two groups, but young people who experienced a long NEET spell were still more likely to be receiving an income benefit from the Government and also more likely to have experienced another long NEET spell.

F4.2 There are some key life events that are associated with becoming disadvantaged: relationship breakdown and change in family formation; living with a long-term physical or mental illness or being injured; and important transitions in life.

For some, disadvantages can accumulate and become persistent

Some people may experience disadvantage in several areas of their life at the same time. It can be challenging for a person to respond to disadvantage in multiple areas of their life, which can increase the risk that their disadvantages accumulate and become persistent (Figure 11).

Figure 11 How multiple disadvantage can cycle into persistent disadvantage

Source: https://thespinoff.co.nz/partner/productivity-commission/21-07-2021/a-fair-chance-for-all-the-story-of-disadvantage-in-new-zealand

The cumulative impact of experiencing multiple disadvantages is that it makes it much harder for a person to thrive and live the life they find most fulfilling. Box 4.2 illustrates how the cumulative effects of low income, material deprivation, poor quality housing and living in a neighbourhood lacking amenities nearby (such as public transport) can become barriers to a person being able to thrive and can leave them persistently disadvantaged.

Box 4.2 **The cycle of disadvantage**

Persistent disadvantage may happen for a variety of reasons as "one thing leads to another", with a cumulative impact on their ability to thrive and live the life they want to live. An Oranga Tamariki case file describes how a family experiencing homelessness got caught in a cycle of disadvantage:

> They were in good jobs but then the place closed down and there weren't many other options. Maybe it was worth trying to move to a bigger town. Maybe that went OK for a while, but then that place closed down and there was some alcohol to cope, and the relationships started getting really strained, especially when others came to stay when their work was gone too. There's trouble finding a place, but then Oranga Tamariki helps. But people don't want them in their street; they're reported to noise control; their housing case managers get complaints; they're offered other properties. They're left to figure it out. The kids have been in a bunch of schools now, they're way behind, they'd rather not show up. There's a car, a garage, a living room that now sleeps six. It's cold and damp. (Lambie et al., 2022, p. 70)

It is not hard to see how the cumulative effects of unemployment and low income can take a toll on relationships and make it hard for families to cope. Over time, living in persistent disadvantage can impact on their children's education. Non-attendance at school and regularly changing schools can increase the likelihood that they will not achieve NCEA Level 2. Lack of education qualifications could then affect their employment opportunities with the result that they end up in persistent disadvantage as adults themselves.

Source: Lambie et al. (2022)

For most people disadvantage does not persist

All of us experience challenges in our life that can temporarily impact our wellbeing and move us into mauri noho. For most of us these periods of disadvantage are relatively short. Many people can get themselves through a temporary period of disadvantage by drawing on their own abilities, accessing support from family and friends and the local community, and from the Government (McLachlan et al., 2013). However, the Government can also create barriers (some coming from the way people are treated) that can prevent a person building the capabilities that help protect them from becoming persistently disadvantaged. The ability of the Government and the public management system to address persistent disadvantage is discussed further in section 5.1 in the next chapter.

F4.3 Most people will experience disadvantage in their lives at some point, but it does not persist.

4.3 Factors that protect people from becoming persistently disadvantaged

A number of factors can influence the extent to which a person experiences disadvantage in their life, and whether they become persistently disadvantaged. Many of these factors are outlined in the New Zealand Treasury's LSF[24] and described in Table 2.1 in Chapter 2. They include: access to adequate income and housing; experiencing good health and social connection; acquiring knowledge and skills; being employed; supportive changes in family formation; and benefiting from government policies and supports.

Income, housing, health and social connection are key factors in helping prevent persistent disadvantage

These key factors form the headline wellbeing statistics reported by Statistics New Zealand when reporting about New Zealander's overall wellbeing (Statistics New Zealand, 2021). They are also reflected in recent government initiatives and reviews of the welfare (income), health and housing sectors. The WEAG concluded that "many people are leading desperate lives with seriously inadequate incomes" (Kiro et al., 2019). The recent review of the health and disability system reported that Aotearoa New Zealand has a diverse population with a history of experiencing significantly different health outcomes. In particular, "intergenerational poverty which, perhaps, more than anything, negatively impacts on health outcomes" (Simpson et al., 2020). In 2021, the Government introduced a public housing plan to build 6 000 public and 2 000 transitional homes to improve access to affordable housing, reduce overcrowding and decrease the use of motels for emergency accommodation (HUD, 2020).

It is not just income – wealth is also important

Income is important for helping people and their families with their everyday needs. Having sufficient income means we can pay our bills and have enough food to eat. Having access to economic wealth (such as land, houses and savings) provides individuals and their families with a certain amount of confidence about the future. "Holders of wealth can look ahead knowing that, if hard times come, they have reserves on which to draw. By borrowing against assets, they can ride out the storm. Wealth ensures stability, security, the freedom to take risks" (Rashbrooke, 2021, p. 9).

In Aotearoa New Zealand, buying a house has traditionally been the first rung on the wealth ladder. However, in recent times the growth in the price of houses had meant that the option of owning has moved out of reach of some first home buyers (Symes, 2021). Households who have not made it onto the wealth ladder through purchasing a house are more likely to be living in material hardship or to have high housing costs, which could increase their vulnerability to experiencing disadvantage because they lack the reserves to draw on (Symes, 2021).

[24] In the LSF these factors are referred to as "domains of wellbeing" or "wellbeing domains".

Wealth accumulated through home ownership can also help prevent disadvantage when people get older. For example, older people who are retired (over 64 years of age) are more likely to report being income poor and have indicators of exclusion, but their relatively high standard of material wellbeing (such as owning their own home) means that exposure to other disadvantages are less impactful on their wellbeing.

Wealth can also be used to support future generations. Parents can use their wealth to support their children to buy their first house or support them to achieve a higher level of education. In Aotearoa New Zealand, parents are the fifth largest lender of money used to buy houses. Around one in seven families have supported their kids financially to buy a property, with an average contribution of $108 000 (Consumer NZ, 2022). Wealth can also help parents to give their children a good start in life. In the United States, a change in parental wealth (due to falling house prices) during the years immediately preceding high school graduation can impact on a child completing college, especially for students from low and middle income families (Johnson, 2020).

This evidence suggests that those unable to accumulate wealth face significant impediments to responding to the risk of falling into disadvantage. For the avoidance of doubt, this is not intended to support an argument for focusing on increasing home ownership as a key method of reducing persistent disadvantage. Quality, healthy housing (regardless of whether people own or rent) is the main protective factor, although historically housing policy in New Zealand has tended to privilege home ownership.

Knowledge, skills and employment help people exit persistent disadvantage

People who have knowledge and skills (eg, literacy, education), as well as being in employment, are more likely to avoid disadvantage or are better able to deal with disadvantage when it occurs. For example, Creedy and Ta (2022) found that nearly one-half of young people aged 18–24 years in Aotearoa New Zealand may experience income poverty. However, three-quarters of them exit a low income over the medium term (seven years) once they have upskilled or gained a qualification, become employed or gained more work experience.

Providing people with opportunities to increase their knowledge and skills can help them increase their earnings from employment and reduce their risk of being income poor. A New Zealand study found that studying for a tertiary qualification raises annual earnings by about 5% for men and 12% for women (Hyslop et al., 2020).

In the long run, high-quality employment is likely to lead to a positive increase in income and wellbeing. Employment can enhance a person's skills and abilities, which in turn can reduce a person's likelihood of unemployment in the future, and increase an individual's labour market productivity and lead to higher wages. However, earnings may not always increase with tenure for low-paid workers. A New Zealand study found that for workers who were continuously on low pay (in the bottom 20% of earnings) over the previous 12 months, their probability of moving into a higher-paid job was less than one-third (Plum et al., 2021). Also, those in low-paid, precarious employment are more likely to experience job loss and for the loss to cause material hardship (New Zealand Council of Trade Unions, 2013).

F4.4 Employment is an important way to reduce income poverty, but people who move into low-paid jobs have a lower probability of staying in employment and moving into a higher-paid job in the future.

Family formation changes can lift people away from disadvantage

People may experience a change in circumstances that can lift them out of disadvantage (eg, a single parent who re-partners or a stay-at-home parent who returns to work once their children go to school). Around two-thirds of sole parents who re-partnered between 2013–2020 in Aotearoa New Zealand experienced an increase in income that meant they were no longer living in a low-income household. For partnered adults in 2013, who were separated by 2020, 40% had entered a low income state (Creedy & Ta, 2022a). For partnered adults in 2013, who became separated by 2020, 40% had entered a low income state (Creedy & Ta, 2022a).

F4.5 There are factors that can protect people from becoming persistently disadvantaged. These include: adequate income, wealth; and housing; health and social connection; knowledge and skills; access to employment; stable families; and government policies and supports.

Cultural identity can protect people from disadvantage

Cultural affiliation can protect individuals against a range of negative outcomes, or mauri noho (Muriwai et al., 2015). In particular, participants in our deep-dive wānanga pointed out that colonisation has led to Māori becoming disconnected from their own culture, leading to a range of enduring negative outcomes (Haemata Limited, 2021). Having a strong connection to one's own culture can provide someone with a sense of worth and confidence. Participants in the wānanga generally agreed that "Māori who felt a sense of connection with their culture, were more likely to feel a sense of expectation on them to succeed and create something for themselves and for their mokopuna" (Haemata Limited, 2021, p. 9).

Studies have found that Māori who are better connected to their own culture do better. For example, a link has been found between family connection, ethnic identity and wellbeing among Māori young people (Stuart & Jose, 2014), and between a Māori person's ability to engage in Māori social and cultural contexts and greater psychological resilience (Muriwai et al., 2015).

4.4 The causes of intergenerational disadvantage

As reported above, there is evidence of intergenerational disadvantage in Aotearoa, but measuring the size of its impact is harder to quantify. There is much better evidence about how disadvantage is transmitted to future generations and the importance of early childhood in shaping a person's life.

Getting a good start in life is important – the first 1 000 days

The start a child receives in life can impact on their development, which can influence their ability to build the capabilities they need to deal with disadvantage in their life. This discussion is not about the failure of parents to support their children. It is about factors beyond the control of parents that lead to inequitable access to the things children need to thrive in Aotearoa New Zealand.

Adverse events or experiences that occur early in childhood can have lifelong consequences for both physical and mental wellbeing (Center on the Developing Child, 2010), which can influence whether a person experiences persistent disadvantage. For example, New Zealand-based research from the Christchurch and Dunedin longitudinal studies has established that behavioural problems in childhood are precursors of a wide range of adverse outcomes in adulthood (Advisory Group on Conduct Problems, 2009). Adverse events can occur during pregnancy before a child is born (eg, exposure to a highly stressful environment when a mother is pregnant can result in a lower birth weight). Lower birth weight has been linked to substantially increased risk for obesity, diabetes and cardiovascular disease later in life (Center on the Developing Child, 2010).

In Aotearoa New Zealand, the GUiNZ cohort of children who experienced an accumulation of adverse events by two years of age were more likely to have developmental problems when they reached four-and-a-half years of age than those who experienced one or no adverse events (Wallander et al., 2021).

Identity and belonging are important

As discussed above, a sense of identify and belonging is important for the wellbeing of adults, as well as children (Stuart & Jose, 2014), and is something that can be passed (or not passed) onto future generations. Hancock et al. (2013, p. 43) emphasised that intergenerational disadvantage "extends beyond the transmission of economic and material impoverishment to encompass the contextual circumstances that contribute to its perpetuation." For example, many Māori experience the absence of mana tuku iho (sense of identity and belonging) that leads to intergenerational disadvantage:

> ...kāore ratou i te mōhio ko wai rātou, nō hea rātou, ko wai ō rātou iwi... I have seen multiple generations of Māori defendants before the courts who do not know who they are, where they come from, and which iwi they belong to. There has long been this intergenerational loss of identity in the courts and it is a huge challenge for them to find their way back. (Haemata Limited, 2021, p. 9)

A child's development is shaped by their early experiences and the people around them

As reported earlier, children in families who experience disadvantage during their childhood are more likely to experience persistent disadvantage in adulthood. A child's development and wellbeing are shaped by the environment and the people around them. A large volume of research indicates that a lack of resources at home can create toxic stress, which can have negative impacts on a child's development (Center on the Developing Child, 2010).

> "If there's not enough money for lunches for school the next day we keep them home, we don't send them to school with no lunches." – Tina (Garden et al., 2014, p. 32)

> "The kids suffer from asthma and because it's quite cold and it's damp, they get sick quite regularly during the winter." – Autumn (Garden et al., 2014, p. 17)

This can make it harder for a child to be successful at school and achieve the qualifications they need to live independently when they are older. A child's exposure to adverse early life experiences can lead to difficulties as they grow older, such as poor mental health and development of behavioural problems and offending, which makes it hard for them to stay engaged in school (Lambie et al., 2022). Having children who disengage from school represents a lost opportunity to support the wellbeing of children and families. Shortages of resources across child welfare and education in Aotearoa New Zealand, has meant that only a small proportion of children and their families receive the support they need when they need it (Lambie et al., 2022).

Insufficient family resources and environments can negatively impact a child's development

Children being raised in households experiencing persistent disadvantage across one or more domains (income poor, doing without and being left out) are more likely to end up in intergenerational disadvantage. Being income poor in childhood has been found to negatively influence adult employment, education, income, health and cognitive outcomes (Ministry of Social Development, 2018).

A recent study used the GUiNZ cohort to identify children who had limited access to resources (eg, low income, parents not in employment and living in an overcrowded home) during their early childhood to eight years of age (Prickett et al., 2022). Interviews were carried out with families at antenatal, nine months, two years, four-and-a-half years and eight years of age. The analysis found that 10% of children were exposed to below average resources for most of their early childhood.

The study also found that the development of GUiNZ children who experienced below average level of resources for most of their childhood was behind the GUiNZ children who experienced above average resources. The parents of the children who experienced access to below average level of resources reported that they had high levels of depression, anxiety and aggressive behaviours[25] during their early childhood. The children also had less well-developed skills needed to think, learn, remember, reason and pay attention.

[25] Measured using the Strengths and Difficulties Questionnaire.

In addition to the impacts on their development, the parents of children who experienced below average resources reported their children had worse health and more exposure to acute illness.

There are some GUiNZ children whose development in early childhood was less impacted by not having access to resources in their household and community. These children belong to families with certain characteristics. For example, controlling for a child's access to resources, the development of children whose mothers have higher education achievement (especially post-school) are less behind than children whose mothers have no education achievement. The same is true for children who belong to a majority New Zealand European ethnic group. However, it is also the case that children with these parent and family characteristics are also more likely to have access to more resources during early and middle childhood (see Box 4.3).

Box 4.3 **Maternal education matters**

The strongest predictor of a child being disadvantaged during their early childhood is their mother's education (Prickett et al., 2022). Children of mothers with no school qualifications are nearly 100 times more likely to be mostly disadvantaged during early childhood (all else being equal) compared to experiencing advantaged levels of resources. In comparison, a child born to a mother who moved to Aotearoa New Zealand after turning 18 years of age is four times more likely to be mostly disadvantaged during early childhood compared to being advantaged.

This means that the mother's education, more than any other measure, tends to cluster with indicators of disadvantage. In contrast, relatively few children whose mothers have no formal qualification have good access to financial, housing, labour market or neighbourhood resources. In the GUiNZ study, less than 0.5% of children with advantaged resources also had a mother with no formal qualifications. An education system that enables educational attainment for all would likely lead to a significant reduction in children being disadvantaged by the education status of their parents.

Source: Prickett et al. (2022)

A lack of parental qualifications has been found to contribute to their children not achieving high school qualifications. This, in turn, leads to poorer employment outcomes and potentially being income poor and other disadvantages in adulthood (Ministry of Education, 2018).

Life events and circumstances experienced in childhood can lead to disadvantage later in life

Growing up in a single parent family has been found to affect attainment of educational qualifications, and the likelihood of becoming a "young" sole parent and being income poor (Friesen et al., 2008; Ministry of Education, 2018). Drawing on data from the Christchurch Health and Development Study, Friesen et al. (2008) found that a "second generation" young family (where the parent in the study was under the age of 25 at the birth of their first child) was more likely to be experiencing material hardship (combining measures of deprivation and exclusion), have no or low qualifications and be unemployed. This may lead to the next (third) generation of persistent disadvantage.

Growing up in a household where the child was a victim of abuse, or neglect, or was placed in out-of-home or state care has been found to increase the likelihood of the child offending before the age of 14 and, subsequently, such children are two to three times more likely to be frequent and serious offenders as adults (Lambie et al., 2022).

Finally, it has been found that children who have a parent in prison are 10 times more likely to experience time in prison themselves (Gluckman & Lambie, 2018). Ex-offenders typically have lower education qualifications, have trouble obtaining employment, and may experience lower income or deprivation as a result.

Children need to be supported throughout childhood

While there is agreement about supporting children and their families during the early years, or the first 1 000 days, it is also important to ensure they receive adequate care and support throughout their childhood. For some children, support during early childhood may not be successful and there will be a need for ongoing support. It may also be the case that not all development problems will be evident during early childhood. For example, some children develop conduct problems in adolescence (Advisory Group on Conduct Problems, 2009). A recent review of the impact of health and education policies in the United States found that the benefits of supporting children throughout early childhood, during school and when they transition to adulthood did not diminish as they got older (Hendren & Sprung-Keyser, 2020).

F4.6 Getting a good start in life lays the foundations for building the capabilities an individual needs to avoid and respond to disadvantage. The evidence points to the importance of the early years, but also the benefits of supporting children throughout childhood.

4.5 The social, economic and political context we live in influences people's exposure and vulnerability to disadvantage

Some people are more likely to miss out on the capabilities, support and government services they need to thrive. Table 3.3 in Chapter 3 shows that certain population groups in Aotearoa New Zealand are more likely to experience disadvantage in their lives, such as sole parents, Māori and Pacific peoples, and disabled people.

A significant body of evidence (particularly from the field of public health) indicates that the social, economic and political context can determine, through "myriad social interactions, norms and institutions" (Solar & Irwin, 2010, p. 4), a person's exposure and vulnerability to disadvantage and what governments can do about it. For example, in Aotearoa New Zealand, significant and persistent health disparities exist between Māori and New Zealand European populations.

> "These health inequities exist due to complex factors that interweave at the patient, health care provider and health system levels as a result of historical and contemporary disadvantage through the process of colonisation" (Rahiri et al., 2018, p. 683).

Ethnicity is one example of how the structure of a society can influence a person's life chances, by channelling resources and support to some people, but not to others. Other important attributes that can shape people's opportunities and choices in their lives include "education in particular, but also more elusive attributes such as cultural resources, social connections and even individual motivations" (Crothers, 2013, p. 9).

A society's laws and policy settings can create and maintain these structures. For example, Wade (2013) argues that the rise of neoliberalism thinking among anglophone countries (including Aotearoa New Zealand) had the impact of creating a structure of laws and policy settings that increased income inequality by channelling income to the richest members of society, despite having welfare systems that attempted to channel income and services to the poorest members.

Certain groups in Aotearoa New Zealand are more exposed and vulnerable to disadvantage

To understand this relationship, we have drawn on Didierichesen's model of the "the mechanisms of health inequality". This model shows that the social, economic and political context leads to the stratification of people in society (Solar & Irwin, 2010). Stratification means that certain groups are systemically more exposed and vulnerable to disadvantage in their lives, such as sole parents, Māori and Pacific peoples, and disabled people.

Stratification creates different levels of **exposure** to conditions that create disadvantage, such as being made unemployed or living in a cold and damp house. It also influences how **vulnerable** a person is to experiencing disadvantage in their life. For example, people in good health and with access to sufficient material resources, or other forms of support from their whānau, are more likely to be able to deal with disadvantage in their life.

Finally, stratification also influences the **consequences** of experiencing disadvantage (eg, experiencing a long period of being income poor because a person had to stop working due to a health condition). Harmful consequences can increase the likelihood that people or families become persistently disadvantaged.

Social stratification is caused by the distribution of power, prestige and resources among groups

Differences in a person's exposure and vulnerability to disadvantage is strongly influenced by social stratification, which is caused by the "systematically unequal distribution of power, prestige and resources among groups" (Solar & Irwin, 2010, p. 20). In Box 4.4 we set out some concepts of power.

Box 4.4 **Concepts of power**

There are many ways that power can be used to advantage some groups and disadvantage other groups in a society.

- **Power to** – Capability of one group to alter the course of events (eg, to organise and change existing hierarchies).
- **Power over** – Ability of one group to achieve their own goals by influencing the behaviour of another group by coercion, domination and oppression. This does not necessarily mean by brute force. It can also be achieved by shaping the public debate and decision making by denying some people a voice.

Source: Solar and Irwin (2010)

Power imbalances can exist within households, workplaces (micro level), and within the social, economic and political institutions, including the public management system (macro level). However, changing power relationships at the micro level are unlikely to be sufficient to reduce disadvantage without being reinforced by changes at the macro level (Solar & Irwin, 2010).

The distribution of power and resources in Aotearoa New Zealand has been influenced by societal and historic factors

What we see in Aotearoa New Zealand is people being stratified according to societal power dynamics and discrimination, which in turn is influenced by the current and historical social, economic and political context. In particular, the impact of colonisation on the loss of Māori land and the removal of their economic base following the signing of Te Tiriti o Waitangi. Systemic discrimination has also led to and maintained social stratification in Aotearoa New Zealand, by making it harder for some groups to access the same opportunities as other groups. These causes of power imbalances in Aotearoa New Zealand are explored in more detail in the next chapter.

F4.7 Aotearoa New Zealand's social, economic and political context creates power dynamics and discrimination that leads to people being stratified into groups that experience different levels of exposure and vulnerability in their lives to disadvantage.

In the next chapter we explore how the distribution of power and resources in Aotearoa New Zealand has influenced the public management system's ability to support people exposed to disadvantage, and the barriers this creates for breaking the cycle of disadvantage.

5 Barriers in our public management system

Key points

- We all have a role to play in solving persistent disadvantage. However, given the particular influence the Government has, we have focused our thinking on the role of the "public management" system as the locus for change.
- Current reforms in discrete areas of government policy are part of the solution to addressing persistent disadvantage. However, we do not believe they are sufficient to address the complexity and interconnection of factors that create inequities in people's lives in the first place and that can then lead to persistent disadvantage.
- We have asked the question: what are the "upstream" system settings that hold persistent disadvantage in place and stymie change?
- Our hypothesis is that persistent disadvantage largely stems from the prevailing values and "assumptions" that underpin our societal, political and economic systems and have shaped our public management system.
- These assumptions are inconsistent with the values for achieving mauri ora, such as those set out in He Ara Waiora, and contribute to "barriers" that limit the public management system's ability to respond to complex problems like persistent disadvantage.
- The barriers are:
  - power imbalances
  - discrimination and the ongoing impact of colonisation
  - siloed and fragmented government
  - short-termism and status quo bias.

This chapter considers the role of the public management system in preventing and responding to persistent disadvantage and assesses the extent to which it is able to do so.

We start with the ways in which government services can help or hinder people. We then explain why we are focusing on the role of the public management system in addressing persistent disadvantage, and our particular focus on the overall settings and ways in which the system works as a whole.

We take a closer look at how societal and historical factors have shaped the current system and what its limitations are. We conclude with a set of barriers that we consider inhibit the ability of the public management system to address persistent disadvantage and from reshaping itself to be more effective.

5.1 The public management system has a key role to play in addressing persistent disadvantage

Public servants are motivated to work in the public service to make a positive difference in the lives of their fellow New Zealanders. This desire is captured by the "spirit of service to the community" set out in the PSA 2020. The public service operates through the public management system. This system supports the government of the day to "develop and implement their policies, deliver high-quality and efficient public services, pursue the long-term public interest, and facilitate active citizenship".[26]

As set out in Chapter 1, by "public management system" we mean:

- the (evolving) set of organisations within government, and their functions and mandates;
- the public sector's relationships and partnerships with each other and with outside parties;
- the policymaking process and the assumptions, mental models and capabilities that underpin it; and
- system-wide governance, accountability and funding arrangements.

More broadly, this also includes the influence the public management system has on the private sector, communities, families and individuals.

This "system" has a powerful influence on determining: who gets to be part of setting high-level public policy goals; what information or evidence is drawn on; which approaches and programmes receive funding; what eligibility criteria may be set; how people in the system are held to account; and what information is used to improve the system settings over time.

Our hypothesis is that persistent disadvantage largely stems from values and assumptions that underpin our societal, political and economic systems. These values and assumptions shape the decisions that can mitigate or exacerbate power imbalances, and determine how resources and information flow throughout the system to where they are needed. The values and assumptions that have shaped Aotearoa New Zealand's public management system have left it with a limited ability to anticipate and respond to complex problems like persistent disadvantage.

While it is important to understand the individual and family characteristics and the life events that may trigger disadvantage (as set out in the previous chapter), it is more important to ensure the programmes and policy responses provided by the public management system respond to this complexity, do not cause further harm, and ultimately that the system continues to learn and improve. The rest of this chapter unpacks these ideas.

Inadequate government services push people into persistent disadvantage – and keep them there

Inadequate government services can increase a person's chance of becoming persistently disadvantaged and can make it harder for people to use their strengths to live the life they want to live. In extreme cases, as we have seen with the ongoing Royal Commission of Inquiry into Historical Abuse in State Care and in the Care of Faith-based Institutions, the "system" can severely let people down and cause immense damage to their wellbeing (see Box 5.1 below).

[26] See www.publicservice.govt.nz/about-us/

Box 5.1 **State care institutions have contributed to creating disadvantage in people's lives**

Where a child is placed into state care, they do not have a lot of power or agency. The current Royal Commission of Inquiry into Historical Abuse in State Care and in the Care of Faith-based Institutions has demonstrated it was not uncommon for children in state care to experience sexual or other abuse, which has had an ongoing impact on the rest of their lives. Similarly, a recent report found that state care environments exposed children to physical and emotional abuse (Savage et al., 2021). For tamariki Māori the abuse frequently had racist overtones. For some survivors, their strategies for coping with the pain and suffering produced ongoing challenges for their wellbeing. Alcohol and drug use is common to avoid dealing with past abuse and can develop into dependence.

The report also pointed out that the failure of state care to provide quality education for tamariki Māori led to widespread under-achievement, which impacted on these children's future employment and economic prospects in adulthood. In addition, recruitment to gangs while in state care set a number of tamariki Māori on a pathway to prison, with a significant effect on their life trajectories. The enduring lack of trust and resentment towards state authorities created by their treatment in state care extended into adulthood.

Source: Savage et al. (2021) and hearings of the ongoing Royal Commission of Inquiry into Historical Abuse in State Care and in the Care of Faith-based Institutions.

Inadequate support can make day-to-day life more stressful and make it harder to thrive. Tara's experience shows how government processes can make it hard for someone to get the help they need.

> Tara has multiple health issues, and recently escaped an abusive relationship. Consequently, Tara is currently engaged with multiple government and social service agencies including WINZ, HNZ, Women's Refuge and both primary and secondary health services. Threatened by her ex-partner, Tara abandoned her HNZ house and moved to a Women's Refuge shelter. Although Tara was about to give birth and was also caring for her other two children, HNZ would not give her another house because she already held a tenancy. Making matters even more desperate, WINZ declined to help Tara cover the cost of staying at the refuge. This meant Tara was homeless when she gave birth prematurely and had no option but to live in a car with her new-born and two other children. Eventually a WINZ officer helped Tara to move into a private rental. Although she now has a roof over her head, the house is very cold and damp and it's made Tara's asthma worse. (Garden et al., 2014, p. 24)

Inadequate government support can make it harder for a person to move off social welfare support to find a job by making people worse off financially when they start working.

> "They don't give me much to start with as far as Work and Income goes, but if I earn over certain amount then all of a sudden, they get my pay cheque. After 20 hours, they take 80 cents to the dollar. What's the point of going to work? I still do it, but I've just gotta work that little bit harder and, because I'm only casual, I haven't got [security]." – Will (Garden et al., 2014, p. 22)

People often struggle to access the support they need to improve their life. Even if one part of government says the support is essential, another part of government may not be able to meet that person's needs.

> "I took them in the letters from the doctors, the hospital, the health nurse that come into the home – took them copies of everything and what they said they'd try to find us a home. We're still waiting for that home. It's been 13 years since we've been in that same home. We're still waiting for a larger, healthy home for us." – Tina (Garden et al., 2014, p. 27)

Finally, the system can influence whether people seek help in the first place. Treating people with dignity and showing compassion are important to maintain a person's mauri ora (a person's strength). How people are treated can determine whether someone asks for support again. If their previous experience had been frustrating and dispiriting, then they may choose not to come back.

> "WINZ I avoid now because I'm sick of repeating my life to them. Housing New Zealand I avoid at the fact that no one's listening... Just a couple of days ago I rung up Housing again, 'Please send the manager over,' because the call centre was saying, 'Which window is it?' It's the same window I rung up about a year ago." – Tiare (Garden et al., 2014, p. 37).

F5.1 Inadequate government services can increase a person's chance of becoming persistently disadvantaged and can make it harder for people to use their strengths to live the life they want to live.

Government policies and actions can be supportive

On the flip side, government policies and actions can, and often do, support people to avoid falling into persistent disadvantage. There are several recent sector-specific reforms that could reduce persistent disadvantage by making sure people have the resources they need, the ability to develop their capabilities to thrive, and have access to additional support during stressful periods in their lives. We list the most significant of these in Table 5.1 below and link them to the contributory factors, discussed in the previous chapter, that help protect people from becoming persistently disadvantaged.

We note that recent reforms are still focused on individual government sectors and not the overall public management system and the interconnections between sectors. The reforms may well be necessary, but in our view they are unlikely to be sufficient to address the complexity and interconnection of factors that create inequities in people's lives in the first place that can cause persistent disadvantage. In our view, these reforms will still be subject to the same system barriers and assumptions we set out later in this chapter.

Moreover, while better and more joined-up social services are needed (and many of the recommendations from our Inquiry into Social Services remain valid), they are not and could never be the whole solution.

> No amount of services, regardless of their quality, will address the structural drivers of inequity, including institutional racism and the ongoing impacts of colonisation. A significant transformation in approach is needed, one that centres te ao Māori and enables other values-led and indigenous world views and practices. (Hagen et al., 2021, p. 4)

Table 5.1 List of recent policy reforms that target specific contributory factors of persistent disadvantage

Contributory factor	Review or reform	Status
Inadequate income	WEAG Report (2019)	Partial implementation
	Tax Working Group report (2019)	Partial implementation
Unable to find a good job	Raising minimum wage	Implemented
	Fair pay agreements	Ongoing
	Preventing zero-hours employment conditions	Implemented
	Mana in Mahi	Implemented
	Income Insurance Scheme	In development
Poor quality and/or instable housing	Government Policy Statement on Housing and Urban Development (2021)	Partial implementation
	MAIHI Ka Ora – national Māori Housing Strategy	
	National Policy Statement on Urban Development (2020 and 2022)	
Homelessness	The Aotearoa Homelessness Action Plan 2020–2023	Partially rolled out
Poor quality education	Refresh of New Zealand Curriculum	In development
	Attendance and Engagement Strategy (2022)	Being rolled out
	Reform of Vocational Education	Partially implemented
	Tomorrow's School Review	Being rolled out

Contributory factor	Review or reform	Status
Poor access to primary health care, including mental health	Pae Ora (Healthy Futures) Act (2022)	Being rolled out
	Enabling Good Lives	Being rolled out
	Mental Health and Addiction Inquiry (2018) and establishment of the Mental Health and Wellbeing Commission (2021) and associated programmes	Being rolled out
Poor first 1 000 days experience	Children's Act 2014	Process evaluation of Strategy (February 2022). Review of Strategy due August 2022
	Child Poverty Reduction Act 2018	
	Child and Youth Wellbeing Strategy 2019	
	First 1 000 days work programme 2021/2022	Ongoing
Being exposed to violence	Te Aorerekura – the National Strategy to Eliminate Family Violence and Sexual Violence (2021)	Being rolled out
Being excluded or facing discrimination	Social Cohesion Framework	In development
	National Action Plan Against Racism	In development
	Health and Disability System Review and subsequent creation of the Ministry for Disabled People	Established
	Establishment of the Mental Health and Wellbeing Commission	Established

Notes:

- Note that we have not sought to list every possible policy change, strategy or review that may be relevant to addressing each of the contributory factors. We have listed the more substantial ones we are aware of.
- Many of the reforms might also be aimed at addressing exclusion and discrimination.

F5.2 Current reforms in discrete areas of government policy are part of the solution to addressing persistent disadvantage, but we do not think they are sufficient to address the complexity and interconnection of factors that create inequities.

Q5.1 Do you have any comments to make on specific policy areas listed in Table 5.1, where reforms are currently under way, and what needs to happen in those areas so that the chances of someone ending up in persistent disadvantage are minimised? Do you agree that the reforms may well be necessary, but will not be sufficient in completely unlocking persistent disadvantage?

5.2 The public management system is not yet working optimally

In Chapter 1, we summarised feedback from submitters to the inquiry on what they see as the issues getting in the way of addressing persistent disadvantage, which included a strong desire for the Commission to look beyond the roles of individuals and communities and focus on systems. Many recommended that we take a systems approach, recognise complexity, apply the best available data, listen to lived experience and build trust, seek to avoid stigma, and experiment/prototype (or put another way, "test, learn and adapt") when designing, delivering and assessing solutions.

We also described some of the more recent progress made by the public service, mainly since 2019, to adapt to a more joined-up and collaborative way of working in an attempt to respond to the multiplicity and interconnectedness of people's needs and aspirations and tackle complex issues like persistent disadvantage.

We concluded that while existing solutions will work for some people, there is a significant proportion of the population experiencing persistent disadvantage that need more holistic and personalised services and support to help them build better lives, and that the public management system settings were not yet optimised to deliver on that.

In the next section we explore some of these issues a little more closely. We attempt to dig underneath the surface-level "symptoms" or problems with accessing support to understand what is getting in the way of the system being more responsive.

Siloed and fragmented approaches persist, limiting a "systems" approach

Our public services are organised through ministries and agencies largely focused on separate sectors (eg, education, health and welfare, and generally provide standardised services to individual people). There is limited differentiation of services provided to different populations. This approach works until people's needs become more complex and interconnected (NZPC, 2015). For instance, a state pension provides sufficient income for people who have managed to pay off a mortgage and save some money for their retirement. However, it won't be enough if a physical or learning difficulty has affected their ability to earn and save, and they also suffer ill health.

> "I think there's been far too narrow a focus on health delivering health, education delivering education, police trying to stop crime and Oranga Tamariki trying to stop children from being abused." – Lawyer (Lambie et al., 2022, p. 10)
>
> "Those families have sometimes got seven, eight agencies involved independently. There's no collaboration. There's a big gap, it's very siloed." – School principal (Lambie et al., 2022, p. 10)

The structure of our public management system and the thinking of public servants has been strongly shaped by management ideas from the 1980s and 1990s that came to be known as New Public Management (NPM). The objective of NPM was increasing the efficiency and effectiveness of government organisations (Kuipers et al., 2014) and using incentives, competition and disaggregation (Dunleavy et al., 2006). The underlying "asummptions" of NPM include efficiency, accountability, transparency, client choice and value, and frugality (Gruening, 2001; Kuipers et al., 2014).

These reforms created fragmented silos of policy design and service delivery by focusing on accountability for measurable outputs. The system was designed around holding public servants accountable to Ministers, rather than responding to complex situations. This can be seen in the "strong vertical lines of accountability that run all the way from Ministers to the frontline of services delivery" (NZPC, 2015).

Multiple initiatives, including changes in 2013 to the State Sector, Public Finance and Crown Entities Acts to enable collaboration between agencies, have tried to address the difficulties of working collaboratively but these have had limited success, due in part to a lack of interest in collaborative management and leadership approaches (Eppel & O'Leary, 2021).

Consequently, a new PSA 2020 recently replaced the State Services Act 1988. The PSA 2020 aims to "provide a modern legislative framework for achieving a more adaptive and collaborative public service". To do this a new legislative framework is needed "to address complex issues that span agency boundaries, and to provide wrap-around services based on New Zealanders' needs, rather than agency convenience" (Public Service Bill Legislation, 2019). The PSA 2020 also recognises the Crown's relationship with Māori under Te Tiriti and the role of the public service in supporting this relationship.

While the settings within the PSA 2020 have been updated, we have heard from stakeholders that these are yet to be fully translated into improvements for providers of joined-up initiatives. According to Fry (2022), despite the evidence backing collaborative efforts, greater use of these initiatives is constrained by a lack of government understanding, capability and appetite for supporting collaborative action. In Table 5.2, we list these constraints and suggest the underlying causes are risk aversion related to political accountability and the power imbalance between government agencies and small-scale local providers and people.

Table 5.2 Risk aversion and power imbalance constrain the breakdown of government silos

Constraints (symptoms)	Underlying causes
Government reluctance to genuinely decentralise funding and decision making to communities.	Not wanting to give up power and control, stemming from risk aversion (accountability and political risks).
Government funding is insufficient, uncertain and short term, and comes with transactional contracting and stifling accountability requirements.	Funding tightly controlled, stemming from risk aversion (accountability and political risks as above).
Providers offering wrap-around services uncover service gaps and huge volumes of unmet needs.	Initiatives that can help are not being supported to scale, including adapting and replicating. Scaling these initiatives requires more funding and more certain funding, along with empowering local decision making, which are stifled by risk aversion.
System-level problems are being identified but not tackled – providers must resort to "working around the system", and citizens need navigators to help them accesses the support they need.	Government agencies are not responsive to small-scale local providers due to the very large power imbalance between them.

Source: NZPC adapted from Fry (2022).

Box 5.2 **Accountability in the public management system has struggled to shift from measuring inputs and outputs to (collective) outcomes**

Accountability in NPM is achieved using performance agreements between Ministers and chief executives and contracts between funders and providers. The assumption is that the work (outputs) and results (outcomes) of different public functions could be observed and measured, instead of relying on just measuring inputs (eg, how much money was spent?). However, differences between various public functions means that there are challenges in being able to pre-define and subsequently observe and measure outputs and outcomes.

The result has been for many public functions to continue to focus on the management of accountability for inputs by Ministers, chief executives and the New Zealand public (Dormer & Ward, 2018). It also encourages short-termism and tends to neglect the creation and nurturing of sector-specific capability and deep experience within government, which is essential both to design good policies, and to work with external providers in an effective and productive way.

Source: Dormer & Ward (2018)

As we describe in the next section, the foundational assumptions of the NPM reforms have seeped into the "DNA" of the system. These assumptions still drive the public management system and leave it with limited ability to grapple with complex issues like persistent disadvantage.

Short-term approaches dominate

The short-term nature of funding, often built around a single financial year or a three-year parliamentary cycle, and the large number of different institutions can make it hard for communities to develop long-term relationships with the Government. For example, a recent report asked Māori about their experience of working with the Government (Haemata Limited, 2022). They responded that short-term relationships and inconsistent responses made it hard to make progress on issues. This was caused by constant change within government institutions, too many new initiatives and a lack of institutional knowledge across the public sector. The participants spoke about the public sector having a "short memory", and an inability to learn from past experiences, in order to recognise and respond appropriately to iwi and Māori who do not work in three-year cycles.

> Iwi are consistently frustrated when people change and there is no continuity. People can change but you still maintain continuity. There are some simple respectful steps that someone who is new takes or their organisation prepares them for. Don't ask Iwi what is important to them when you have access to their strategy! (Haemata Limited, 2022, p. 12)

While there has been modernisation of the PFA 1989 to allow for more multi-year appropriations, there is still many short-term contracts with providers. This was recently confirmed by the MSD (2022).

Power imbalances receive little attention but strongly influence government policies and programmes

In Box 4.4 we described concepts of power and how they can be used to advantage some groups and disadvantage other groups in society.

Political power is the ability to shape the outcome of contested policies, including through shaping the political agenda and public opinion. When policy issues are contested, as they often are, the concerns and priorities of people with less political power have less influence than those with more political power.

Policies determining the access and distribution of support are developed through a political process. Policy responsiveness to public opinion is strongly skewed toward people on higher incomes. This is true in the Netherlands, with one of the lowest levels of income inequality in the world, and in the United States, which has one on the highest levels of income inequality (Gilens & Page, 2014; Schakel, 2019). The effect of income inequality on policy outcomes is greatest where the poor are in favour of a policy, while the rich are opposed. When this happens, the policy change is unlikely, locking the poor into the status quo, unless the change is also support by the rich (Gilens & Page, 2014; Schakel, 2019).

People experience complex problems very differently and can have very different, yet legitimate, perspectives on the same problem. When the voices of people with more political power have greater influence, problems and solutions will be based on their experiences and interests, despite the greater needs of people with less power. Also, despite the greater needs of disadvantaged people, they also receive less. In 1971, a doctor in the United Kingdom named inequity in the provision of healthcare the "inverse care law", observing the double injustice that disadvantaged populations are more susceptible to illness than socially advantaged people, so need more health care than advantaged populations, yet receive less (Cookson et al., 2021).

Health inequities experienced by Māori in Aotearoa New Zealand correspond with the inverse care law. Māori have higher rates of many diseases, less access to services, and also benefit less from the treatments they receive (HQSCNZ, 2019).

Power imbalances also thwart trust, which is a critical ingredient in reaching people who have disengaged due to past experiences with "the system". Disengagement drives further disadvantage and exacerbates the consequences (Haemata Limited, 2022; Tsemberis & Eisenberg, 2000).

> For those without support, or who lack confidence or sufficient communication skills, this power imbalance presents as a lack of care and empathy and can mean they are not able to engage with the public services they may require. (Haemata Limited, 2022, p. 15).

Understanding our history helps us to discover the ultimate source of these limitations

As described in Chapter 4, the social, economic and political context influences the distribution across society of resources and support that people need to thrive and avoid persistent disadvantage. In Aotearoa New Zealand, this is shaped by: our history, such as colonisation and its ongoing impacts; how the country is governed; and the design of our public policies and institutions. Finally, a society's context is also influenced by cultural and societal values, which influence our mindsets and create "social norms". These contextual factors can create barriers that get in the way of a person being able to build their capabilities and access the resources and support they need to respond to life's challenges. What we observe is that power is concentrated among a few decision makers, which makes it harder for individuals and communities to have any say in how policies and programmes impact them.

Our colonial system has marginalised indigenous knowledge and practices

In colonial nations, such as Aotearoa New Zealand, our democratic and public service institutions were initially established to enable European sovereignty, leading to the suppression of indigenous sovereignty. Formal governance structures have privileged colonial systems and ways of doing things and sought to minimise indigenous knowledge and practices (Scott & Merton, 2021). Prioritising one culture over another in the public management system can erode trust among people whose culture and lived experience is ignored. The Kiwis Count survey measuring the trust and confidence of New Zealanders in the public service has been undertaken annually since 2012. Results of the survey consistently suggest that Māori have lower levels of trust in the public sector compared to other ethnic groups (Te Kawa Mataaho Public Service Commission, 2022b).

Over time structures and institutions have evolved (eg, new public institutions) including the Waitangi Tribunal, Whānau Ora and more recently the Māori Health Authority, have been established. However, these new institutions are still obliged to operate within the existing constitutional structures that may constrain their ability to succeed (Reid et al., 2017).

While making recommendations on constitutional matters is explicitly outside the scope of this inquiry's terms of reference, we nonetheless recognise the legacy and ongoing colonial influence on the shape of our political, economic and public service institutions and the largely monocultural lens that still overshadows our approach to complex problems, including addressing persistent disadvantage. Below, in Box 5.3, we set out how colonisation undermined the fabric of Māori society.

> The significant losses of land, resources and culture experienced by Māori as a result of colonisation have been carried throughout generations, contributing to cycles of intergenerational trauma and disadvantage for many. This disadvantage is further exacerbated by the modern structures and systems in New Zealand, largely operating under a Western model. (NZPC, 2021b, p. 9)

Box 5.3 **Colonisation undermined the fabric of Māori society**

The 1988 report Puao te ata tu (Daybreak) was commissioned by the Minister of Social Welfare to provide a Māori perspective on meeting the needs of Māori. Puao te ata tu identified that the decline in the socio-economic status of Māori began with a deliberate assimilation policy and laws such as the Native Lands Act 1865 that alienated Māori from their lands and broke down traditional collective social structures.

Māori lost land through Crown purchases, dispossession through the Native Land Court, and confiscation through the New Zealand Settlements Act 1863 and the Suppression of Rebellion Act 1863 (Thom & Grimes, 2022). Confiscations of land held in customary ownership covered extensive areas and a large proportion was suitable for arable farming. Some land was returned, but this was usually considered low quality by settlers and was returned as freehold land, rather than back under collective title and often not to the correct owners (Thom & Grimes, 2022).

Whenua (land) is taonga (treasured), as it holds foundational cultural, spiritual and economic significance to iwi, who see themselves as kaitiaki (guardians) of land. The loss of land meant losing access to rivers, forests, food resource areas and sacred sites, such as burial grounds. Land alienation and assimilation policies continue to impact the health and wellbeing of Māori.

> Iwi that retained a greater proportion of their land at that time now have higher rates of te reo proficiency, place greater importance on involvement in Māori culture and are more likely to have visited an ancestral marae over the previous year; they are less likely to find it hard getting support with Māori cultural practices. (Thom & Grimes, 2022, p. 5)

Assimilation policies in the 1860s went against the New Zealand Constitution Act of 1852 (enacted in Great Britain to establish the self-governance of New Zealand), which provided for the recognition of tribal districts where Māori customary laws and practices could prevail (section 70) and explicitly protected the rights of Māori to retain collective lands (section 73) (New Zealand Constitution Act 1852). While still in control of their own transformations, Māori tribes were successfully adapting and building strong trading enterprises (Rangihau et al., 1988).

Assimilation destroyed this Māori-led transformation, on the assumption that Pākeha culture and ways were modern and forward-looking and therefore superior to traditional Māori ways, which were no longer relevant (Rangihau et al., 1988). This "insidious paternalism" that Pākeha know what's best for Māori has driven policies on Māori welfare, while Māori attempts to shape their future are resisted or ignored (Rangihau et al., 1988).

Discrimination and institutional racism compound the impact of colonisation

Government institutions have struggled to become bicultural and multicultural and institutional racism or discrimination towards certain groups continues to shape policies that impact them. Discrimination stems from "in-group" favouritism and out-group hostility and is a key factor in creating the power imbalances and social stratification that leads to poor outcomes within New Zealand society.

Institutional racism towards Māori is well documented, as set out below. Rangihau et al. (1988) define personal, cultural and institutional racism. The assumption that Pakeha culture and values are superior to other cultures is an example of cultural racism, while personal racism is experienced as disparaging comments and prejudiced attitudes. Being "frozen out" by monocultural institutions, rather than included within bicultural institutions, is named as the most insidious and destructive form of racism:

> The most insidious and destructive form of racism, though, is institutional racism. It is the outcome of monocultural institutions which simply ignore and freeze out the cultures of those who do not belong to the majority. National structures are evolved which are rooted in the values, systems and viewpoints of

> one culture only. Participation by minorities is conditional on their subjugating their own values and systems to those of "the system" of the power culture. (Rangihau et al., 1988, p. 19)

The 2019 Waitangi Tribunal review of health services and outcomes concluded the failure to address health inequities due to inaction was a form of institutional racism. Many health sector reforms have recognised the presence and ongoing impact of institutional racism, and that the Crown fails to address it (Boulton et al., 2020; Waitangi Tribunal, 2019).

> …despite this extensive evidence base [on institutional racism], we are yet to see the state critique itself and its institutions in any genuinely meaningful and transformative way. (Boulton et al., 2020, p. 4)

The effect of institutional racism is that Māori do not have equal access to assets and opportunities, leading to further inequitable outcomes (Haemata, 2022). Examples in education include Māori tertiary institutions not receiving equivalent capital funding (Waitangi Tribunal, 2019), and deficit theorising by teachers creating a self-fulfilling prophecy of low achievement by Māori students (Bishop, 2010). Poor education outcomes for Māori students then leads to socio-economic disadvantage, disillusion and anger (Waitangi Tribunal, 1986). Other examples include the failures of Child, Youth and Families and, more recently, Oranga Tamariki to effectively recognise the role of iwi and whānau, as described in Box 5.4.

Box 5.4 **The public sector struggles to address the ongoing impacts of colonisation due to institutional racism**

Since its inception in 1971, the Department of Social Welfare had been concerned with the disproportionately high numbers of Māori in the welfare system (Rangihau et al., 1988). In a ministerial report prepared for the Government these high numbers were connected to inequitable socio-economic outcomes across housing, health and education, with Māori young people becoming "clients" of the Police and social welfare services:

> There is no doubt that rangatahi Māori (young people) who come to the attention of the Police and the Department of Social Welfare invariably bring with them histories of substandard housing, health deficiencies, abysmal education records, and an inability to break out of the ranks of the unemployed. (Rangihau et al., 1988, p. 8)

Puao te ata tu recommended a bicultural approach to policy, programmes and services and giving Māori more responsibility for the allocation and monitoring of resources. The Minister accepted the report in full and in 1989 Parliament passed the Children, Young Persons, and Their Families Act, which incorporated the principles of whanaungatanga and whakapapa. Unfortunately, the principles and process of devolution proved difficult to operationalise and progress had all but halted by the end of the 1990s (NZPC, 2015).

The public sector is yet to demonstrate it has moved beyond institutional racism. Subsequent to the establishment of Child, Youth and Families in 1989, Oranga Tamariki was established in 2017, and recognised the role of iwi and whānau in placing tamariki in the context of their whakapapa and the whanaungatanga responsibilities – whānau, kāinga and culture. However, a report into Oranga Tamariki in 2021 found the approach had defaulted to reactive processes to address immediate concerns for tamariki reported to Oranga Tamariki (Oranga Tamariki, 2021). Essentially, the Crown assumed a lead role without knowing how to be effective, while undermining the role of communities, and particularly the role of hapū and iwi in leading their own communities:

> Oranga Tamariki lacks strategic direction and is not visionary. It is self-centred and constantly looks to itself for answers. Its current systems are weak, disconnected and unfit for the population of tamariki it serves, and there is no strategy to partner with Māori and the community. (Oranga Tamariki Ministerial Advisory Board, 2021, p. 10)

Source: NZPC (2015); Oranga Tamariki Ministerial Advisory Board (2021); Rangihau et al.(1988)

Discrimination makes it harder for some groups to access opportunities

One of the ways that discrimination in Aotearoa New Zealand contributes to creating disadvantage is by making it harder for some groups to access the same opportunities as other groups. See Box 5.5 for a non-exhaustive example of this for Pacific peoples. There is also a history of discrimination based on gender (women), migrants (eg, Chinese migrants since the 1860s gold rush, migrants from the Pacific Islands since the 1960s and more recent migrants from Asia) and sexual orientation.

Around one in six (17.4%) New Zealanders experienced discrimination in the last year according to the 2018 New Zealand General Social Survey. Discrimination was more common for people who identified as part of the Asian ethnic group (25.8%). People who identified as gay or lesbian (34.1%) or as bisexual (39.3%) adults were around twice as likely to experience discrimination in the past year compared to straight or heterosexual adults (16.3%).

Box 5.5 **Pacific peoples' pay gap**

Pacific peoples' pay gap is partly due to invisible barriers like racism, unconscious bias and workplace discriminatory practices. Researchers found that only 27% of the pay gap for Pacific males could be explained, and 39% for Pacific females, even after accounting for differences in job-related characteristics and educational attainment, among several other observed factors.

> This research provides further evidence about what we've long suspected – the bulk of the Pacific Pay Gap can't be explained and is at least partly due to invisible barriers like racism, unconscious bias and workplace discriminatory practices. (Saunoamaali'i Karanina Sumeo, Equal Employment Opportunities Commissioner)

Source: Human Rights Commission (2022)

F5.3 Systems change is needed to ensure Aotearoa New Zealand's public management system can respond to persistent disadvantage.

5.3 Our macro-level system settings are out of step with the contemporary challenges we face

A growing number of scholars and economists throughout western democracies suggest that our system settings or "paradigms" were created in response to the challenges of a previous era and are no longer fit for purpose. They suggest there is a need to "re-write" these macro settings to achieve change that will make the biggest difference to those big challenges (Babian et al., 2021; Cottam, 2018; Dasgupta, 2021; Fry, 2022; Marmot, 2015; Wilkinson, 2009). We agree with that assessment.

In Aotearoa New Zealand there have been decades of work trying to improve people's lives and shift people, whānau and communities from "surviving" to "thriving". There have been numerous reviews, as outlined in section 1.3 of Chapter 1, yet where progress is made it is often despite the system, rather than by design:

> When it comes to achieving systems-level changes, more progress has been made on identifying problems that need to be fixed than on fixing them. To date, collaborative initiatives have tended to find ways to work outside and around the existing system rather than changing it. (Fry 2022, p. 35)

This sentiment has also been reflected in submissions received for this inquiry, for example:

> The current welfare system is broken and no longer fit-for-purpose. Our system that is meant to stop people moving into persistent disadvantage was designed for a different environment and reflects a world view that is not reflective of our Te Tiriti o Waitangi honouring commitment. Related to this lack of

> a vital role of people/communities experiencing disadvantage to be agents for their change. The current system supports the status quo (persistent advantage). The current policy approach is not geared to embrace the interconnection between environmental, economic, social, cultural and political domains and how they support wellbeing. (Wesley Community Action, sub. 45, p. 1)

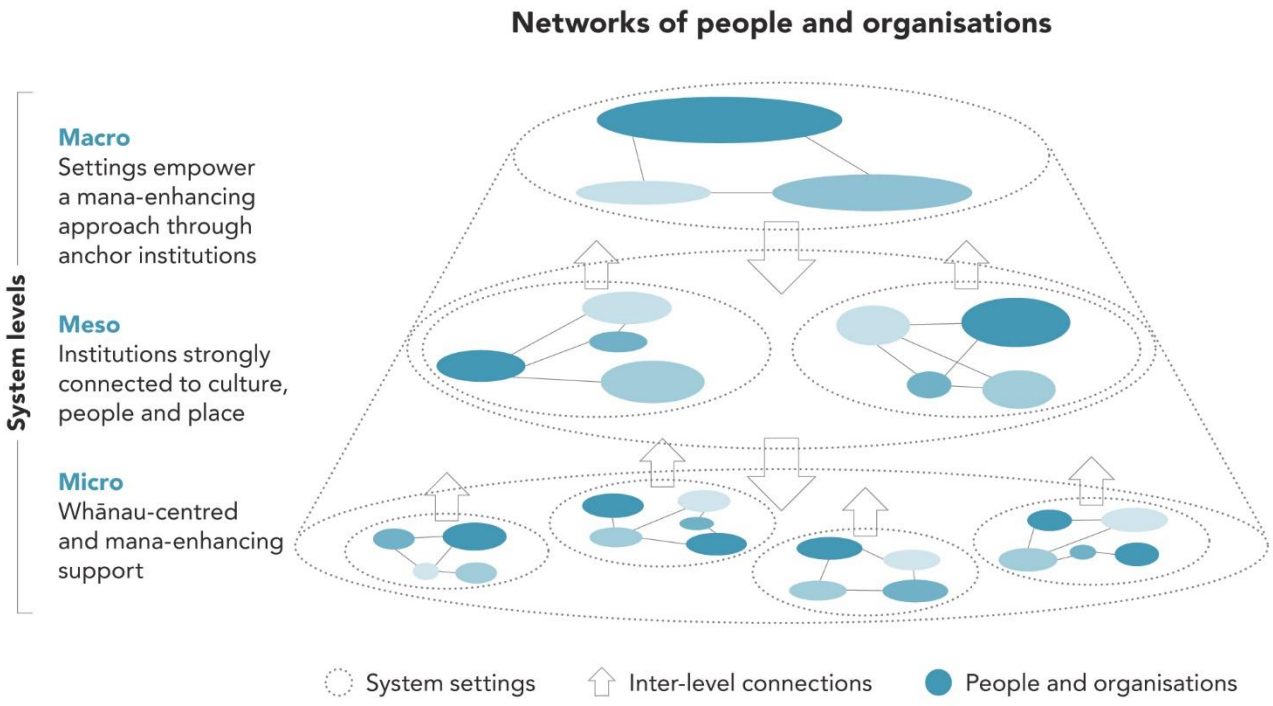
As discussed in section 1.4 of Chapter 1, the system settings include the values, assumptions and mental models that underpin the design and operation of the public management system. It is like the "water we swim in" that shapes the operating environment or "guard rails" for society, but we have little conscious awareness of it day-to-day. These are generally accepted to be "true" by the majority, but are usually based on assumptions, beliefs or mindsets, rather than facts. Often these are implicit or unstated.

We use a "systems thinking" approach

As suggested by numerous submitters, we have used a "systems thinking" approach as a tool to help us to diagnose the macro-level shifts needed to address persistent disadvantage. Systems thinking emphasises interactions and relationships through which information and resources are exchanged.

In Figure 12, we show how the flow of resources and information within the system is mediated by system settings at different levels. Healthy relationships, without power imbalances, between the macro, meso and micro levels of the system support the flow of information and resources to where they are needed. System settings, such as how contracting and commissioning are done and how accountability works, determine the nature of these relationships. In the following Chapter, in Box 6.4, we provide an example of how trust and accountability can be developed and eroded between different system levels.

Figure 12 System settings operate at three levels: macro, meso and micro



Source: Adapted from (Rotmans et al., 2001).

The values and "assumptions" that underpin the system need updating

We agree with submitters that the prevailing "assumptions" that are part of our overall system settings do not align well with the "values" or "means" set out in He Ara Waiora, and need to be updated:

> A new narrative is needed. The neo-liberal narrative of small government, economic efficiencies, business-knows-best, deregulation, dole-bludgers, personal responsibility etc led us into the causes of disadvantage, we need a new narrative (from te ao Māori) to lead us out. (Professor Boyd Swinburn, sub. 18, p. 1)

We summarise and somewhat crudely characterise these assumptions as:

- "Economic growth is the goal".
- "Everyone has the same opportunities and some people are not deserving of support".
- "Everyone has the same political power".
- "Short-term interests trump long-term investment".
- "Government knows best".

Note that in describing these we are presenting a possible set of assumptions that draws on commentary from submitters as well as references in academic and grey literature. We are not trying to set out absolute "truths" but are trying to illustrate what could be considered the more extreme end of the spectrum of prevailing underlying mindsets of society and our public management system. Mindsets are difficult to see, but identifying and shifting them provides the most leverage for changing systems.

A key thread behind these assumptions is individualism, that through self-interest comes material wealth and wellbeing. This draws on neo-classical economic theory based around the concepts of free markets, property rights and competition.

These assumptions, unfettered by resource constraints (ie, acknowledging nature as a finite resource) or social bottom lines then lead to the system barriers that are holding the system back from being reshaped and driving transformative change, keeping us trapped in an outdated paradigm.

In the next section we describe these assumptions before setting out the barriers that flow from the assumptions in more detail. In Chapter 6, we propose shifting our system settings to overcome these barriers and set out a different set of assumptions.

"Economic growth is the goal"

Several submitters and other commentators in New Zealand argue the over-reliance on the dominant economic paradigm (neo-classical) in public policy has led to a loss of explicit objectives and allowed a proxy goal of "economic growth" to dominate. Others argue that addressing socio-economic challenges, such as persistent disadvantage, requires economic activity to meet the needs of all within the means or resources of the planet and in a way that values unpaid work. Effectively, we need economies that make us thrive, whether there is growth or not (Cottam, 2018; Mazzucato et al., 2021; Mika et al., 2022; Raworth, 2018; Sturgeon, 2019; Waring, 2018).

In feedback about the terms of reference for the inquiry, Māori participants expressed the view that the free market economy was disadvantaging people whose skills were not marketable (Haemata Limited, 2021). The result was that people wvisionho lacked the skills valued by the market were more likely to experience unemployment and become excluded from the economy. Others, such as Waring (2018),have long argued that our current economic paradigm does not adequately value the contribution of those doing "unpaid" work. Māori submitters proposed a new economic model that puts people at the centre. They talked about their ambition of advancing their iwi and hapū from an economic and social perspective.

> "I like to have some rules when looking at investments and improving our wellbeing, one is that you need a financial return… we're not 'for profit', but we're also not 'for loss'. You also need to have a social return, essentially thinking about how we are advancing the interests of the iwi." (quoted in Haemata Limited, 2021, p. 10)

"Everyone has the same opportunities and some people are not deserving of support"

A key theme from this report is that we do not all start life with the same opportunities open to us, and the social, political and economic context we live in continue to have an influence over the opportunities and choices we have, despite our own efforts and those of our family. Even though a person's wellbeing is influenced by the family and whānau they belong to and the community they live in, most government policy and services are designed around supporting only the individual. People are also treated as customers or consumers of government services, which makes it hard to develop relationships that are needed to

understand a person's needs and what support will work for them. The concept of "individual responsibility" has created a system where only people who are judged in a narrow way to "deserve support" get it, which is driven by a simplistic view (without strong evidence) that "too much support" can lead to people becoming dependent on the Government.

"Everyone has the same political power"

Those with greater power in society, either because of their voting strength, their political influence or platform in the media, can have outsized influence on what public policies or services are supported or funded. Most of Aotearoa New Zealand's social services are universal (available to all New Zealanders) and free to access, such as school education and hospital care. To manage the cost of a universal and free system, the Government controls who is entitled to services (by restricting coverage) and the level of access to these entitlements (by queuing/eligibility requirements).

Governments have three options to address underfunding of social services in real terms. They can increase taxes, reallocate services (entitlements and access) to people in the community with unmet needs, or borrow. These options can be difficult for governments to get over the line, as they tend to face opposition from people in society who may not be keen to pay more tax for services they may rarely need or to see a reduction in their entitlements or access to existing social services (loss aversion). Pressure can also come from the providers of existing services, who may seek to protect existing access for their services. Given these underlying political pressures, it is not surprising that governments may look for alternative ways to fund an increase in demand for social services without raising taxes or crowding out other competing interests for public funds (Horn & Gorman, 2021). For example, they may try and delay spending in areas not immediately required for current service provision, such as capital investment and maintenance.

The potential for donations to political parties to allow undue influence from donors is also of concern, and we note the proposed changes to the Electoral Act 1993 seeking to enhance disclosure and transparency for such donations.

"Short-term interests trump long-term investments"

It is widely accepted that societies have a duty to protect the interests and wellbeing of current and future generations (Boston, 2016). However, political incentives often mean governments favour short-term over long-term interests. The current three-year term incentivises the Government to focus on matters that they can deal with in a single parliamentary term. Problems that will take a long time to address, or where changes may not appear for several years often get ignored or are put aside for the next Parliament to deal with (Boston et al., 2019). Also, the public management system is often driven by short-term targets, such as moving people off a benefit, instead of longer-term objectives of ensuring people achieve sustainable employment.

Box 5.6 **The introduction of Long-term Insights Briefings (LTIBs)**

The introduction of the LTIBs is an attempt to address tiakitanga (guardianship or stewardship). Aotearoa New Zealand is not unique in facing the challenge of long-term planning. However, our set of political, institutional and constitutional factors do not do a good job of supporting the Government in undertaking long-term planning and creating policies that activate stewardship.

In acknowledgment of this issue, and to address this associated bias, the legislative requirement for public sector agencies to produce the LTIBs every three years was introduced in 2020. According to the Public Services Commission:

> The Briefings are thought pieces on the future, not government policy. The requirement to publish a Briefing is a statutory duty on departmental chief executives, independent of ministers. They differ from the advice that the public service provides ministers, or the accountability and planning documents prepared for Parliament. The value of the Briefings is the opportunity to identify and explore the issues that matter for the future wellbeing of the people of New Zealand. They provide an opportunity to enhance public debate on long-term issues and usefully contribute to future

decision making – not only by government but also by Māori, business, academia, not-for-profit organisations, and the wider public.

While this is a new process that has potential, experts to date have noted some potential hindrances to success, including limited foresight capacity and capability across the public service, challenges in deriving synthesised insights across a set of sector-specific briefings, and high potential for key issues to fall through the cracks (Washington, 2021). The OAG has also pointed out limitations with LTIBs (Controller & Auditor-General, 2022). We consider this to be a good first step, which will need to be built upon and nurtured to achieve its potential.

"Government knows best"

Paternalism refers to "government as a benign parent" (Thomas & Buckmaster, 2010), where the people in power have the right and obligation to overrule the preferences of those deemed incapable of knowing their true interests. This results in a government that assumes it has all the answers. It presumes to know what type of support people should have and who needs it. Policies and programmes then get designed within government agencies and rolled out in communities.

Current accountability settings in the public management system mean that it is deemed too (politically) risky to devolve decision making and funding to organisations and people outside of central government (Fry, 2022). Paternalistic decision making can lead to policies that restrict the choices of individuals without asking their permission (Thomas & Buckmaster, 2010).

The welfare reforms of the early 1990s and mid-2010s in Aotearoa New Zealand provide an example of how government became more paternalistic. In the 1980s, it was assumed that beneficiaries would behave in a way conducive to bettering their own lives. By the mid-2010s, these assumptions had changed to reflect a more paternalistic system of welfare that was underpinned by the following assumptions: the poor were incompetent and suffered from behavioural deficiencies, in other words, the problem lay not with the structure of society, but with the individual; and people were to be case managed in the welfare system through a mix of help and hassle to find work. These two assumptions were reinforced by public statements of morality that work is mandatory and being dependent on the state was undesirable (Loughrey-Webb, 2015).

The Aotearoa New Zealand Government's 2020 Wellbeing Budget was commended by some for increasing investment in Māori. However, there was still a concern that the increased investment would not be transformational because the Government's approach was still paternalistic. Most of the increased investment for Māori was in health and education, which was needed, but may not do enough to develop Māori capabilities for determining and delving into Māori aspirations (Kāhui Legal, 2020).

A paternalistic approach can also create a system that assumes that everyone gets the same start in life, when it is clear that is not the case. It is difficult to fully understand people's needs when they are not involved in deciding the level and type of support that they need. This results in people getting equal support, which suits some groups, but not others who need more support.

Even recent moves towards the "co-design" of policies and services are not a panacea for moving away from paternalism. For example, Penny Hagen from the Auckland Co-Design Lab (2021) has said that to date "co-design practice has been inconsistent and variable in quality. Co-design has, in some spaces, already become a fancy word for consultation, or to infer a degree of power sharing, participation and partnership that never really existed".

F5.4 Our history has shaped the prevailing "assumptions" on which our public management system is built and the distribution of power within it. We summarise and characterise these assumptions as:

- "Economic growth is the goal".
- "Some people are not deserving of support".
- "Everyone has the same political power".
- "Short-term interests trump long-term interests".
- "Government knows best".

F5.5 The prevailing "assumptions" that underpin our overall system settings are inconsistent with the values set out in He Ara Waiora.

Q5.2 How embedded are these ways of thinking in the public management system we have today? Or do you see different assumptions embedded now?

5.4 Four system barriers get in the way of addressing persistent disadvantage

Our analysis points to four system barriers to addressing persistent disadvantage, which are set out in Table 5.3. These system barriers constrain the public management system from acting in a way to support individuals, their families, whānau and communities enhance the four dimensions of thriving or mauri ora. For example:

- power imbalances prevent tikanga (decisions being made by the right decision makers, process and values) being followed in the public management system;
- discrimination prevents manaakitanga (care and respect) from occurring;
- a siloed and fragmented government makes kotahitanga (unity) hard to achieve; and
- short-termism makes tiakitanga (guardianship and stewardship) more difficult to implement.

The existence of these barriers contributes to some people in Aotearoa New Zealand experiencing much more disadvantage and persistent disadvantage in their lives than other people and inhibits the public management system from being able to change. Among other things, these result in: services or entitlements that are not equitably distributed; funding models that do not account for inequity and the different needs of populations; services that are culturally inappropriate or grounded in institutional racism; or services that do not meet complex needs in a holistic or joined-up way.

Table 5.3 System barriers to addressing persistent disadvantage in Aotearoa New Zealand

System barrier	Description
Power imbalances	Power imbalances shape government systems and policies. Policy responsiveness is strongly skewed toward those who have political and economic power, which entrenches the cycle of disadvantage.
Discrimination and the ongoing impact of colonisation	As people of European descent became the ethnic majority in Aotearoa New Zealand they introduced policies that benefited some of them at the expense of Māori. Prejudiced and paternalistic attitudes toward Māori continue to shape policies impacting Māori. Discrimination against other groups in Aotearoa New Zealand is also prevalent, including towards Pacific peoples, women, migrants, disabled and LGBTQI people.
A siloed and fragmented government	Our public services are organised through ministries and agencies focused on separate sectors (eg, education, health, and welfare) that provide standardised services to individual people. This approach works until people's needs become more complex. Despite reforms to get the public sector to work across these 'silos' there is a way to go yet to achieve a truly integrated and system wide approach to tackling issues.
Short-termism and status quo bias	Government planning and decision making is not sufficiently focused on long-term goals. There is a tendency to be risk-averse and to favour the status quo and making only incremental changes.

F5.6

We see four barriers that contribute to some people in Aotearoa New Zealand experiencing much more disadvantage in their lives than other people, and they inhibit the public management system from being able to address persistent disadvantage. These barriers are:

- power imbalances;
- discrimination and the ongoing impact of colonisation;
- siloed and fragmented government; and
- short-termism and status quo bias.

Q5.3

Do you agree with the barriers we have identified? How can they be overcome?

6 The system shifts that are needed

Key points

- Our analysis shows that a significant proportion of New Zealanders experience persistent disadvantage, with this burden most heavily felt by sole parents, people from families with no high school qualifications, Māori and Pacific peoples, and disabled people. We acknowledge that the public management system does a lot of things well and works for most people, but we need a system that works for everyone. This chapter sets out our interim view about the step change that is needed, informed by examples of promising change from the final chapter.
- Persistent and intergenerational disadvantage highlights the limitations of our public management system. While reforms in discrete areas of policy, such as those in the health sector, show promise for making a difference, ultimately they are only within the meso and micro levels of the system.
- Based on our findings so far, we believe that macro-level change to the system settings of the public management system is required to break down the barriers and activate change that will make the biggest difference to people, whānau and communities living in persistent disadvantage.
- To mitigate the barriers we identified, we characterise the system shifts needed as:
  - Re-think overall system settings to prioritise equity, wellbeing and social inclusion.
  - Re-focus public accountability settings to activate a wellbeing approach.
  - Broaden and embed a wellbeing approach across policymaking and funding frameworks.
  - Enable system learning and improvement through monitoring and evaluation.
- There are many possible ways to implement these shifts, all of which are interconnected, and this interim report does not attempt to provide complete or comprehensive solutions. Instead, we seek your feedback on whether these shifts are generally in the right direction.
- Systems change as envisaged here will take many years to work through and there are a series of essential "building blocks" on which these shifts also depend. These include having the right "authorising environment" for change to occur, and a public sector workforce that has the necessary skills, expertise and capacity to design, implement and embed the necessary shifts.

6.1 Fundamental change is needed to achieve wellbeing for everyone

Our analysis shows that a significant proportion of New Zealanders experience persistent disadvantage, with this burden most heavily felt by sole parents, people from families with no high school qualifications, Māori and Pacific peoples, and disabled people. We acknowledge that the public management system does a lot of things well and works for most people, but we need a system that works for everyone. This chapter sets out our interim view about the step change that is needed, informed by examples of promising change from the final chapter.

While reforms in specific policy areas (as mentioned in Chapter 5) show promise for addressing persistent disadvantage, these changes are targeted at the micro and meso levels of the system, and do not necessarily link coherently with one another. We also acknowledge the system-level change that has begun through reforms to the PSA 2020 and PFA 1989, but we contend that this has not gone broad or deep enough. We believe more fundamental change to the public management system is needed to break down the barriers and achieve an equitable future where:

> All New Zealanders live fulfilling lives where individuals, their families, whānau and communities have a strong sense of identity, can contribute to their families and communities, have the things they need to realise their aspirations, and grow the next generation of New Zealanders.

F6.1 The Commission's view is that our public management system has been relying on a set of system settings and assumptions that are now no longer fit for purpose for the contemporary challenges we face, including tackling persistent disadvantage. We consider that re-thinking these settings and assumptions (and implementing corresponding changes to policies, practices and decision-making frameworks) will create a cascade of systems change that will, over time, make the biggest difference to people living in persistent disadvantage.

Box 6.1 **Implementation of a wellbeing approach remains fragile, incomplete and constrained by system barriers**

A wellbeing approach can be described as enabling people to have the capabilities they need to live lives of purpose, balance and meaning for them. It is an intergenerational approach that seeks to maintain and improve New Zealanders' living standards over the long term (Robertson, 2018, p. 3).

> Budget 2022 is our fourth Wellbeing Budget, in which New Zealanders' overall wellbeing drives the decisions we make, and we measure progress on a broader range of measures than the more traditional fiscal and economic considerations. (New Zealand Government, 2022, p. 7)

Wellbeing has not always been the focus of public policy. Internationally since the 1980s, economic policy has been focused narrowly on growth, correcting "market failures" reactively to enhance economic efficiency (Mazzucato et al., 2021). Traditional economic understandings are now being challenged and re-thought to take a broader and more holistic view (Kinderman, 2015; Raworth, 2018).

A more holistic view will better equip us to address inequities like persistent disadvantage, along with challenges, such as climate change. Governments worldwide are grappling with shifting their focus from economic prosperity and productivity to more integrated measures of wellbeing.

> At a system level, the whole purpose of public policy is to create resilience towards unknown unknowns by investing in shock absorbing and creative capacities, so that current and future generations can survive and thrive. (Karacaoglu, 2021)

Previous governments have made attempts to make our public management system more fit for purpose, such as the social investment approach, and the current government's Wellbeing Budgets to drive improved outcomes for people, whānau and communities.

While a wellbeing approach intends to introduce a more holistic consideration of what we value into public discourse and policymaking, we consider that it is not yet fully embedded, and is at risk of being eroded. Consequently, the cycle of persistent disadvantage is unlikely to be broken.

As noted by Hughes (2022), there is an opportunity to consider developing a bi-partisan hybrid approach to wellbeing, by combining the current government's Wellbeing Budgets with the relevant or strongest parts of the previous government's social investment approach. More work is needed to develop this idea.

F6.2 Wellbeing approaches will not achieve their full potential to address persistent disadvantage until the values and ethos inherent in them are embedded throughout every aspect of the public management system.

We can break through the barriers if we re-think our system settings

As set out in Chapter 5, a fundamental issue with the existing system is that it is held back by the barriers we have identified. These barriers (and the underlying assumptions that help to give rise to them) are part of the reason why previous attempts at tackling persistent disadvantage haven't been completed or fully realised. The ideas proposed below are not radical, with many already being undertaken by other jurisdictions.

R6.1 He Ara Waiora should be given greater prominence in policymaking in Aotearoa New Zealand and the values should guide the ongoing implementation of public sector reform and a wellbeing approach.

Our rationale for the proposed shifts

What this means in tangible terms is that to address the failings of our public management system we need to shift our overall macro-level settings or the "rules" and "guard rails" that society operates within. Affecting change at the "top" or macro-level of the system will set off a cascade through all levels of the system so that the work and initiatives at the meso (middle) and micro levels (operational) are better able to have an impact (Caldwell & Mays, 2012). This will allow for clearer strategic direction and enable a system that is better at designing and delivering policies and services that will improve outcomes for those experiencing persistent and intergenerational disadvantage.

We propose four interconnected shifts to the settings that govern the public management system:

- Shift 1: Re-think our macro-level system settings to better prioritise equity, wellbeing and social inclusion.
- Shift 2: Re-focus public accountability settings to activate a wellbeing approach.
- Shift 3: Broaden and embed a wellbeing approach across policymaking and funding frameworks.
- Shift 4: Enable system learning and improvement through monitoring and evaluation.

Shift 1 is overarching, and is focused on establishing a new set of assumptions to guide policy efforts more explicitly towards equity, wellbeing and social inclusion. We see He Ara Waiora as being key to this. While it is a tikanga Māori framework, we agree with the Treasury when they say many of its elements are relevant to lifting the intergenerational wellbeing of all New Zealanders.[27]

Beyond this, we propose embedding new settings across our accountability and policy systems, as well as significantly strengthening monitoring and evaluation to enable learning and improvement. A core thread across these parts of the system is the broad application of emerging frameworks such as He Ara Waiora, organised around the idea of enhancing wellbeing or mauri ora. For shifts 2 and 3, we have also proposed establishing new system leads (for accountability and evaluation, respectively) as part of implementation.

F6.3 Significant and interconnected shifts to macro-level settings and processes that govern the public management system are needed to break down the system barriers and achieve an equitable future. This includes establishing system stewardship for some settings that are currently missing to support the full expression of a wellbeing approach. A core thread is the broad application of He Ara Waiora (and other

27 See www.treasury.govt.nz/information-and-services/nz-economy/higher-living-standards/he-ara-waiora

indigenous frameworks such as Pacific Wellbeing Strategy) organised around the goal of mauri ora, reciprocity of accountability and continual learning.

R6.2

The four system shifts we propose are:

- Shift 1: Re-think our macro-level system settings to better prioritise equity, wellbeing and social inclusion.
- Shift 2: Re-focus public accountability settings to activate a wellbeing approach.
- Shift 3: Broaden and embed a wellbeing approach across policymaking and funding frameworks.
- Shift 4: Enable system learning and improvement through monitoring and evaluation.

Table 6.1 briefly sets out the rationale for each of these shifts and which of the system barriers they target. We then expand on the analysis in the following section, including describing how the proposed shifts target the system barriers identified previously.

Figure 13 sets out our draft "theory of change". This also shows how the shifts relate to the barriers and then the changes we expect to see in the system and for people as a result.

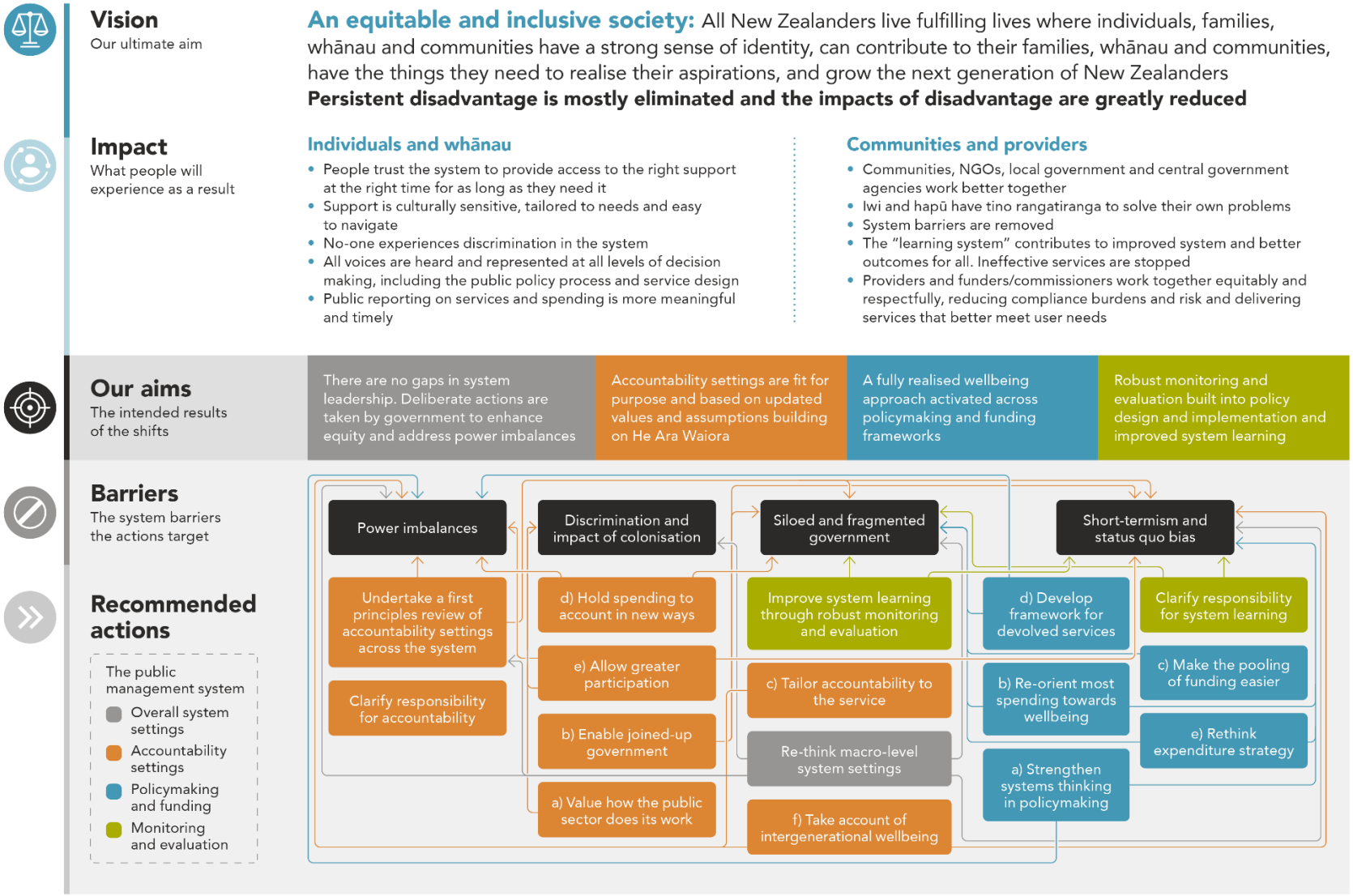
There are many possible ways to implement these shifts. This interim report does not attempt to provide complete or comprehensive solutions and, in many cases, there may be limited evidence on which to design our responses. Instead, we offer up proposals for discussion and invite feedback.

Table 6.1 Rationale for the system shifts that are needed

Shift	Rationale	How they overcome the barriers
Re-think macro-level system settings to better prioritise equity, wellbeing and social inclusion	If we are to achieve change that makes the biggest difference for people, whānau, families and communities living in persistent disadvantage, we need to interrogate the purpose, values and assumptions of our public management system more closely and adopt new values and new assumptions that prioritise social inclusion and mauri ora for everyone. This shift underpins all the others.	Values underpin the mindsets and assumptions that shape our system settings. The hypothesis of this interim report is that we can establish more equitable and inclusive system settings by grounding them in the broader and deeper values of te ao Māori. These new system settings will then create the shifts needed to overcome the barriers.
Re-focus public accountability settings to activate a wellbeing approach	There is no agency tasked with the leadership and stewardship of our public accountability settings. As such, they are out of step with a wellbeing approach and wider public sector and public finance reforms, as well as the public's views about accountability.	A first principles review of accountability settings would: look at rebalancing power dynamics; encourage consideration of intergenerational wellbeing; enable joined-up government; break down risk aversion and status quo bias by encouraging more effective whānau-centred services; and encourage reciprocal and indigenous views of accountability.
Broaden and embed a wellbeing approach across policymaking and funding frameworks	Persistent disadvantage cuts across government sectors and requires a joined-up response to policy design and delivery. However, because of our vertical accountability settings, there remains a high degree of fragmentation across policy issues and funding decisions, which means we are not taking an integrated, system-wide and intergenerational approach to addressing persistent disadvantage.	Power imbalances can be addressed by ensuring the people most affected by decisions are part of the decision-making process and that funding and decision making is devolved as much as possible. The ongoing impacts of colonisation and discrimination can be addressed by putting te ao Māori values at the heart of decision making and involving Māori in the process, devolving funding and decision making for by-Māori-for-Māori programmes, and taking a similar approach where appropriate for other groups affected by discrimination. A siloed and fragmented government can be addressed by working in more relational and joined-up ways and putting a systems thinking approach at the heart of policymaking. Short-termism and status quo bias can be overcome by re-thinking our expenditure strategy and bringing in anticipatory approaches to policymaking.
Enable system learning and improvement through monitoring and evaluation	Evaluation is an essential part of tackling complex problems as it supports an adaptive "learning by doing" approach. While many initiatives tackling aspects of persistent disadvantage are evaluated, there is currently a lack of system leadership for evaluation and learning.	Introducing system leadership for evaluation helps overcome government silos by supporting learning across the whole system. It has the potential to break down power imbalances by strengthening the ability of those with lived experience to participate in evaluation commissioning. An adaptive "learning by doing" approach will challenge status quo bias and short-termism.

Figure 13 Our draft and simplified theory of change

Note that the numbering of the actions (a-f for Accountability settings; and a-e for Policymaking and Funding) corresponds to numbering used later under each system shift.



6.2 Shift 1: Re-think our macro-level system settings to better prioritise equity, wellbeing and social inclusion

We acknowledge the concept of systems change is abstract for those outside of public policy spheres, but at a tangible level we are talking about making things work better and driving the Government and public service in a clearer and more considered direction focusing on purpose, power, relationships and resource flows. This will need to involve national conversations and the co-creation of new system settings.

A big part of the proposed macro-level shift will entail examining the values and assumptions inherent in the social investment and wellbeing approaches, and evolving them to prioritise equity, wellbeing and social inclusion. This can be done by taking inspiration from indigenous frameworks, such as He Ara Waiora.

F6.4 We see being guided by the mana-enhancing values of indigenous frameworks, such as He Ara Waiora, and the Pacific Wellbeing Strategy as one way of shifting our assumptions. By doing this, we broaden out the values the system holds to wider socio-ecological values and organise our responses around the goal of mauri ora.

We have an opportunity to evolve He Ara Waiora into a set of collective values that become the foundation of how we approach policymaking, and flow them into our accountability settings (see Shift 2).

More work is needed to consider how these values could be used in practice as part of redesigned accountability settings. In Box 6.2 we set out one possible mechanism. This could also be informed in light of the Māori perspective on public accountability, as set out in Box 6.3, and the work of Mika et al. (2022) and Reid (2021).

Box 6.2 **Looking to new "navigational lights"**

The mechanism to achieve this macro-level system change needs to be further explored. Driven by policy failure, Sir Geoffrey Palmer and Richard Clarke QC have undertaken a similar piece of thinking with a focus on improving environmental outcomes that calls for a new set of "navigational lights" to create a macro-level shift in the public management system to address environmental policy issues. They propose the creation of macro-level strategic legislation (similar to a "Code" in OECD countries such as Sweden), and advocate for systems thinking, "we need a new framework that hangs over all of the various statutory regimes to connect them together with a common set of principles that are followed in all of the various contexts". Their proposal includes a first principles review, which will create a cascade of change through the public management system, to enable the system to pivot to a clearer notion of public value and with directional goals and objectives. The shift we are proposing here is akin to this but looks to address inequity and persistent disadvantage.

Source: Palmer and Clarke (2022)

Consider holding a national conversation on the prevailing assumptions that underpin the public management system

We agree with Mazzucato and Ryan-Collins' (2022) notion that governments should not attempt to move to a new public policy paradigm alone. They need to co-create this taking a participatory democracy approach. This could involve national conversations on what the strategic purpose and direction of the system should be and what values and assumptions should underpin this (similar to the 1988 Royal Commission on Social Policy).

In contrast with the prevailing assumptions set out in Chapter 5, we have developed an initial set of new assumptions using He Ara Wairoa as the touchstone:

- From "Economic growth is the goal" to "Moving beyond economic growth".

- From "Everyone has the same opportunities, and some people are not deserving of support" to "Choices are constrained and everyone is deserving of support".
- From "Everyone has the same political power" to "Power imbalances will not self-correct".
- From "Short-term interests trump long-term investment" to "Long-term interests need attention".
- From "Government knows best" to "Public participation leads to better outcomes".

Moving beyond economic growth - to achieve tiakitanga (guardianship and stewardship) of present and future generations

Tiakitanga of present and future generations requires us to move beyond a narrow focus on growth, economic performance and productivity, and seek broader wellbeing values and goals that prioritise care for others, belonging and distributive fairness. In doing this we can take inspiration from indigenous wellbeing frameworks and their broader set of socio-ecological values that are rooted in relationships, and valuing things the current system does not currently, such as unpaid work. We need to embrace and be comfortable with uncertainty, complexity and the connectedness of issues. We need to acknowledge diverse family groups, whānau and communities and their differing needs and aspirations. We need to value a plurality of economic thinking and policy methodologies. and look to bring in a diverse range of perspectives and disciplines.

Choices are constrained and everyone is deserving of support - to empower whanaungatanga (positive relationships) and ensure manaakitanga (care and respect)

To empower whanaungatanga and ensure manaakitanga we need to recognise that not everyone has the same choices open to them. As set out in Chapter 5, there are historical actions that contribute to present day inequities so that not everyone starts in the same position or has choice, let alone the same choices open to them. Our social systems need to be repositioned from being considered as short-term costs to a long-term investment in intergenerational wellbeing and move from the established narrative of "burden" to thinking about this investment as the foundation for flourishing (Cottam, 2018). We should view support as grounded in human rights, not who "deserves" it, and we should see that addressing inequities ultimately benefits all of us.

Power imbalances will not self-correct - to realise kotahitanga (unity)

To realise kotahitanga, power imbalances need to be actively dismantled to give voice to those with less political and economic power and for outcomes to be negotiated, shared and emergent.

Long-term interests need attention – to achieve tiakitanga (guardianship and stewardship) of the present and future generations

Failing to meet the long-term needs of people, whānau and communities will incur greater fiscal and economic costs in the future, as well as lost opportunities for us as a country. We need to recognise that intergenerational wellbeing is as important as current wellbeing.

Public participation leads to better outcomes – to honour tikanga (protocols) and include those the system has left behind

To honour tikanga and include those the system has left behind we need to recognise that the Government is fallible and can never have all the answers. We need to view relationships and trust at all levels as critical success factors. This requires recognising that building and maintaining enduring relationships is the core work of government and prioritise active and deep public participation in government. We need an authorising environment where it is safe to fail and where the aim is continuous learning.

R6.3 A national conversation is needed to come up with an updated strategic purpose and direction for the public management system (including fit-for-purpose values and assumptions), so that it is better placed to address persistent disadvantage. This needs to be a participatory process that includes the voices and perspectives of all people who call Aotearoa New Zealand home.

Q6.1 What are the values and assumptions that you think are needed to shift our public management system to be better equipped to deal with persistent disadvantage?

6.3 Shift 2: Re-focus public accountability settings to activate a wellbeing approach

Our public accountability settings have a powerful influence over how our public management system operates. These settings guide how people and teams of people in the public sector behave as it incentivises them to focus on what they are held accountable for. Yet our public accountability settings have not had the same attention as the public finance or "spirit of service" reforms have, meaning accountability is no longer in step with the other system settings in support of wellbeing. Current accountability settings maintain unbalanced power dynamics, encourage short-termism and siloed government, constrain more effective whānau-centred services and do not accommodate reciprocal, intergenerational and indigenous views of accountability (Fry, 2022).

The OAG has engaged in a programme of work over the last few years examining public accountability and performance reporting. This work has highlighted shortcomings of the current system and discusses a range of opportunities to develop a "more responsive, relevant, and accessible public accountability system":

> In many ways, the public accountability system has become too inwardly focused and disconnected from the public. It is seen by many as compliance-driven and provides little useful information about what is important to Parliament and the public… The way we think about public accountability needs to change. (Controller & Auditor-General, 2021a, p. 3)

Building on this, we have concluded that step-change in public accountability settings is required, rather than making incremental improvements to the current system. This shift includes considering, from first principles: what the public sector should be accountable for; what information or mechanisms are needed to provide accountability; and how accountability at different levels of the public management system needs to work, in particular when commissioning social services from third parties, or to enable joined-up delivery that crosses agency silos.[28] We also consider that there is a lack of system leadership for advising government on accountability as a system setting and leading implementation for any changes that are agreed.

Clarify responsibility for public accountability settings

Responsibility for establishing and reviewing the accountability settings within the public management system is fragmented, with elements sitting across different pieces of legislation (including the PFA 1989 and the Crown Entities Act 2004, which each have different accountability expectations) and entities (including the Treasury, the Public Services Commission, the Department of the Prime Minister and Cabinet, the OAG, Parliament and Select Committees).

Under the PSA 2020, public service chief executives can be mandated as "system leaders", giving them the power to create standards (with ministerial agreement) that have mandatory effect across the public service.

[28] Note for the avoidance of doubt that we are not discussing constitutional change, or any consideration of accountability of Ministers or parliamentarians to the electorate.

This formalises the previous model of "functional leads" to provide leadership on system-level issues such as digital, property, and health and safety (Public Service Commission, 2020).

In our view, a formal system-lead for accountability settings should be designated. It seems odd that while a clear all-of-government system leader has been designated for areas such as procurement, there is not one for such a fundamental system setting as accountability.[29]

While we acknowledge the significant programme of research and practice guidance the OAG has carried out and continues to undertake on system accountability, we do not believe OAG could hold such as role under the PSA 2020 given the independence of the Auditor-General from government policy.

We have no firm view about which entity or chief executive should hold this mandate, and it could be more than one, but there is a clear gap in system leadership and advice to Ministers. Options for consideration could include one of the Central Agencies, or a separate entity.

F6.5 Responsibility for establishing and reviewing accountability settings within the public management system is fragmented, with elements sitting across different pieces of legislation and entities.

R6.4 An all-of-government system lead role under the provisions of the PSA 2020 should be formally designated for public accountability. We have no firm view about which entity or public service chief executive should hold this mandate, and it could be more than one, but there is a clear gap in system leadership for public accountability. Options for consideration could include one of the Central Agencies, or a separate entity.

Q6.2 Do you agree with our assessment that an all-of-government system lead role for public accountability should be designated? Do you have any views on which agency or agencies should have overall responsibility for establishing and reviewing public accountability settings? This could be an existing agency or a new agency.

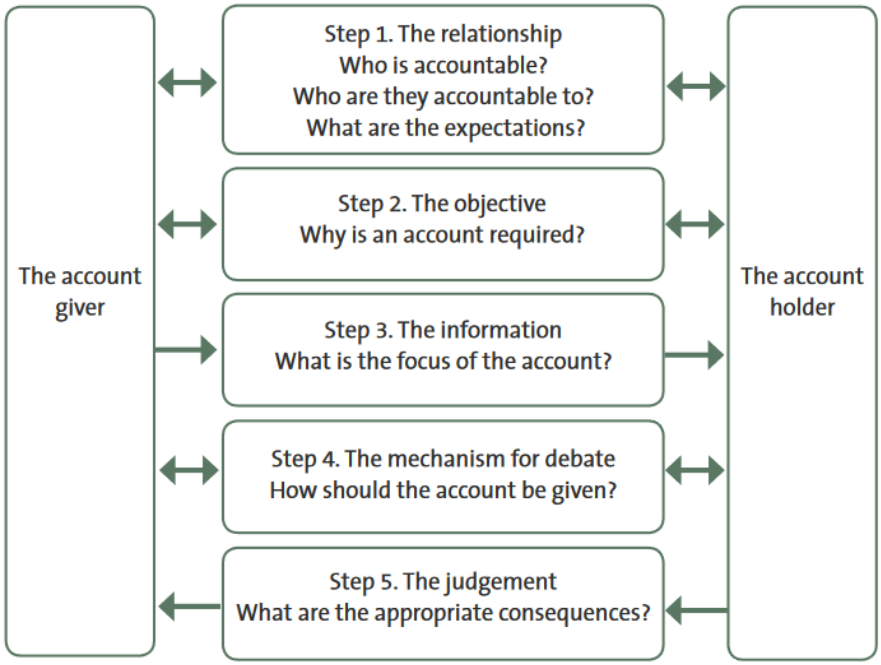
Undertake a first principles review of public accountability settings across the public management system

We consider that to redesign a public accountability system that will give effect to a wellbeing approach, while also maintaining integrity and probity of public expenditure, a first principles review is required. Such a review could consider all of the elements of accountability, as set out in Figure 14: who is accountable to whom; what they are accountable for and why; what information is needed; the mechanism for providing information; and appropriate consequences.

This review could be done by the designated system lead (once this is in place) or an independent taskforce and build on the work of the OAG and findings from this inquiry. Significant input from Māori as the Treaty partner would be required. Below we set out some considerations that we recommend be covered by such a review. This includes going well beyond considerations of financial accountability to take a much wider view of "public value". This review has the potential to alleviate all the system barriers we have identified.

[29] For a full list of system leaders see www.publicservice.govt.nz/assets/SSC-Site-Assets/MOG/System-Leads-Framework-public-facing-19sep19.pdf

Figure 14 The five essential steps of public accountability



Source: From (Controller & Auditor-General, 2021a, p. 32),

R6.5 A first principles review of public accountability settings across the public management system is needed. This could be done by a new designated system lead or an independent taskforce. Reviewing accountability settings has the potential to alleviate all the system barriers we have identified.

F6.6 For the public management system to address persistent disadvantage, we see the need for public accountability settings to:

a) Value *how* the public sector does its work.

b) Enable and encourage joined-up government.

c) Tailor accountability arrangements for devolved services and the future of social sector commissioning.

d) Increase transparency and hold spending to account in new ways.

e) Allow greater participation in governance and accountability mechanisms.

f) Take account of intergenerational wellbeing.

Q6.3 What do you see as the necessary changes to our public accountability settings so that they enable our public management system to respond better to those in persistent disadvantage? How might those changes come to life? What changes might be needed at different levels of the system?

Value *how* the public sector does its work

Our current accountability system focuses on narrow measures of outputs or outcomes, and prioritises annual reporting and audit approaches. It is also grounded in holding agencies to account for probity and integrity purposes (which is necessary but not sufficient to drive better outcomes).

There are limited measures of *how* the public sector does its work, the values it upholds, or how it demonstrates the "spirit of service to the community" as now required by the PSA 2020. For example, being treated with respect and dignity, having choices, and a degree of agency over our own lives are deep human needs and our public services should be held accountable for meeting them in some way. However, the public sector often falls short on this, as illustrated by the examples from submissions on our terms of reference for this inquiry and our review of lived experience.

The five values of He Ara Waiora (outlined in Chapter 2) set out *how* the Government or the public management system should act responsibly to support individuals, their families, whānau and communities in enhancing mauri ora. We repeat them here for ease of reference:

- Kotahitanga (unity) – Encourages the public management system to work in an aligned and coordinated way (eg, overcoming existing silo mentality). Kotahitanga fosters strong relationships and networks for the benefit of all, driven by a shared purpose and shared aspirations. It includes sharing data, insights, evidence and ideas to create holistic and culturally sensitive understanding of issues (eg, incorporating both Mātauranga Māori and western science).
- Whanaungatanga (positive relationships) – Encourages the public management system to strengthen trusting relationships, particularly with iwi and Māori, to develop solutions addressing the challenge of persistent disadvantage and enhancing mana of individuals and communities. Whanaungatanga promotes communication, understanding and respect to strengthen connectivity, resilience and cohesion of individuals, families and communities, and national solidarity.
- Manaakitanga (care and respect) – Encourages the public management system to build a deeper understanding of the imperatives and aspirations of those affected by policy, to demonstrate an ethic of care that gives effect to this value. Manaakitanga emphasises reciprocity, nurturing and collaboration in designing solutions that enhance the mana of people, particularly those affected by persistent disadvantage.
- Tikanga (protocol) – Encourages the public management system to ensure that decisions are made by the right decision maker, following the right process, according to the right values. It is vital to work visibly in partnership with communities, and to communicate in ways that resonate with those communities.
- Tiakitanga (guardianship or stewardship) – Encourages the public management system to have careful and responsible management of Te Taio, Wairua and Te Ira Tangata to enhance their interdependent wellbeing. Tiakitanga requires taking an intergenerational view, looking ahead and providing advice on challenges and opportunities in the medium-to-long term to supporting wellbeing.

We consider that there is an opportunity to build these values into our public accountability settings. As part of this, considering Māori perspectives on public accountability will also be important (see Box 6.3).

Box 6.3 **Māori perspectives on public accountability**

A recent review commissioned by the OAG to gain insights into Māori perspectives on public accountability highlights the importance of valuing the "how" of public service delivery as much as the "what". The centrality of having trust in government and public services, which leads to engagement, was a strong theme. Four key ideas emerged from the research about trust and confidence: trust is relational, trust is reciprocal, tikanga builds trust and confidence; and a power imbalance thwarts trust. The implications for the public sector are framed around issues of: power and equity; auditing for Māori outcomes; increasing capacity and capability to monitor Māori outcomes; and building connections with Māori.

Source: Haemata Limited (2022)

F6.7 There are limited measures of how the public sector does its work, the values it upholds, or how it demonstrates the "spirit of service" to the community now required by the Public Service Act 2020. The five values or means of He Ara Waiora set out how the Government or the public management system should act responsibly to support individuals, their families, whānau and communities in enhancing mauri ora. There is an opportunity to consider how to build these values into our public accountability settings. If we do this, we have the potential to address discrimination, power imbalances and siloed and fragmented government.

Q6.4 How do you think the public sector should be held accountable for how it does its work and the values it upholds?

Enable and encourage joined-up government

Public sector reform efforts towards joined-up government have largely focused on the availability of different funding mechanisms (in the PFA 1989) and the creation of new structural forms, such as public service joint ventures (in the PSA 2020). Reform of reporting requirements and other accountability settings does not appear to have been undertaken to match this intent.

This mismatch is highlighted by a review by the Controller and Auditor-General in 2021 into the Joint Venture for Family Violence and Sexual Violence (the joint venture). The review shows how a desire to work collaboratively across government and with the wider public is not always easy to achieve and needs to be supported by changes in accountability arrangements and behaviours:

> The agencies involved also need to understand that resourcing the joint venture's work is core to their role. This includes committing their most knowledgeable staff to the work of the joint venture and considering their own work programmes in relation to the joint venture's priorities. Agencies and the responsible Ministers need to be clear about the joint venture's priorities in relation to the individual agencies' other activities and competing priorities and accountabilities. (Controller & Auditor-General, 2021b, p. 4)

The OAG is currently conducting a performance audit of agencies involved in the next iteration of the joint venture (now officially an Interdepartmental Executive Board) to gauge how effectively the agencies are working together with NGOs, tangata whenua and communities to meet the needs of people affected by family violence and sexual violence. The findings could be instructive for how to form effective relationships and accountability arrangements in a complex and cross-cutting area of policy and service delivery.

F6.8 Public sector reform efforts towards joined-up government have largely focused on the availability of different funding mechanisms (in the Public Finance Act 1989) and the creation of new structural forms, such as public service joint ventures (in the Public Service Act 2020). The reform of reporting requirements and other public accountability settings does not appear to have been undertaken to match this intent.

Q6.5 How do public accountability reporting requirements need to change to align to the intent of a more joined-up and collaborative public service?

Tailor accountability arrangements for devolved services and the future of social sector commissioning

In Julie Fry's review of joined-up services commissioned for this inquiry, she concluded:

> When it comes to accountability, the right balance has not yet been found. Existing funding and accountability mechanisms are designed to support siloed delivery and do not serve collaborative initiatives well. Many collaborative initiatives face excessive scrutiny. At the same time, alongside a small number of best practice evaluations, there are also examples of over-resourced assessments that fail to get to the heart of the matter: does this particular intervention help people experiencing persistent disadvantage to improve their lives? (Fry, 2022, p. 4)

This view was also substantiated by submitters. Much of the concern revolves around trust. Trust and confidence in the public management system is the essence of public accountability (Controller & Auditor-General, 2019). Trust and accountability are interdependent, because without accountability there can be no trust (Haemata Limited, 2022). Trust is reciprocal, parties in a relationship need to trust each other, and trust can be earned or lost by meeting or failing expectations and thwarted by power imbalances (Haemata Limited, 2022).

We agree that in circumstances where complex and varied needs of individuals and communities are being served by community providers more trusted by their users than government would be, agencies must relinquish some control and invest more in building strong trust-based relationships. Current accountability settings appear to get in the way of this and require careful review.

We note Ken Warren's work arguing for a different kind of accountability for the collective provision of social services. Warren proposes developing and applying a new accountability system that recognises cases where the centre will not be able to identify the required solution for complex issues, and therefore will not be able to specify the expected outputs or outcomes for service providers (Warren, 2021). While not a complete (or uncontested) solution, Warren's work represents the kind of thinking that could be built on as part of a first principles review. In essence, we need to consider tailoring accountability arrangements for devolved services and elevating the importance of trust in that.

We also see the need to allow for reciprocal accountability so that "flaxroots" community and iwi social service providers can feed back to the centre and influence systems change (see overleaf for a discussion about how trust and accountability are vulnerable to power imbalances). The concept of reciprocal accountability was also a central tenet of the recommendations made by the WEAG to move beyond a "safety net" response to restoring dignity to people (Kiro et al., 2019).

Submitters to the terms of reference for the inquiry also told us that services need to build trusted relationships and we need to empower communities to support themselves (NZPC, 2021a). The Controller and Auditor-General is of a similar view about the importance of relationships and how public organisations behave:

> Equally, how public organisations behave should be as important as the services they deliver. Public organisations should value their relationships with communities as much as their relationships with Ministers. (Controller & Auditor-General, 2021a, p. 3)

The recent Cabinet endorsement of a move to a "relational approach" to social sector commissioning acknowledges the centrality of trust and meaningful relationships between the public sector, individuals, families, whānau and communities if we are to achieve the transformative change sought by the social sector. The Minister for Social Development put it like this:

> This asks us all to work differently, together, to provide the support needed. This new way of working together is the cornerstone to the transformative change sought by the social sector. It places trusted, meaningful relationships at the centre of commissioning, to ensure wellbeing outcomes for individuals, families, whānau and communities are achieved. (Ministry of Social Development, 2022, p. 2)

This approach deconstructs the traditional commissioning or procurement process and elevates reaching shared goals and agreed ways of working between those commissioning services (government/public sector), those providing the services (often NGOs) and recipients of those services (individuals and families). In a standard commissioning or procurement approach, contracts tend to be written to serve the funder. A relational approach seeks to address power imbalances by agreeing to work together in a much more equitable way.

Box 6.4 **Trust and accountability are vulnerable to power imbalances**

The already mentioned South Auckland Social Wellbeing Board (SASWB) is a government agency-led Place-Based Initiative (PBI) with 13 agency and local government members and an independent chair.[30] The SASWB aims to get services to families and whānau who have not engaged previously, and to improve the overall social services system (Fry, 2022).

> PBIs are seeking to address complex intergenerational issues through whānau-centred cross-agency initiatives. They require the breadth of government and other agencies, at differing levels, to understand the purpose and value of the collective way of working and be open and flexible in enabling system change. (Smith et al., 2019, p. 22)

While the SASWB has delivered on its responsibility of building trust and confidence within its community, reciprocal accountability and responsiveness from central government has proven more of a challenge. When systems problems identified through SASWB interactions with providers and whānau do not result in systems change, and where successful initiatives do not become embedded into organisational operating models of government agencies as "business as usual", this poses risks to the community relationships and trust that enabled systems challenges to be surfaced in the first place.

System requirements (such as time limits for service eligibility) that lead to the severing of long-developed and trusted provider-client relationships have sometimes had catastrophic consequences, leaving providers to adopt workarounds where systems solutions are needed (eg, in response to homeless people being unable to register with a General Practitioner without an address).

Engagement and support from central government has been slow and is perceived to be driven more by political expediency than a commitment to systems level change.

For example, the SASWB's family harm awareness alert pilot emails participating schools when a student is involved in a "red-flagged" family harm call-out, enabling staff to provide students with support and to be more sensitive to any behavioural issues, thereby reducing the likelihood of disciplinary action (SASWB, 2020).

Despite the pilot's success, the Ministry of Education has been slow to consider and adopt the approach (Fry, 2022). However, as concerns grew around declining school attendance following COVID-19, so has the Ministry's interest, and the programme is now looking to be expanded.

Likewise, the SASWB's original family harm multidisciplinary cross-agency team (MDCAT) is still seed-funded year-to-year, despite its successful introduction into Manukau Central and Papakura, and

[30] MSD, the Ministry of Health, Te Puni Kōkiri, Ministry of Education, NZ Police, Ministry for Pacific Peoples, Ministry of Justice, Department of Corrections, Oranga Tamariki, Housing New Zealand, Auckland Council and ACC comprise the SASWB Board. Counties Manukau District Health Board is the host agency (Ministry for Social Development, 2020, p. 2).

proving its value by supporting a collaborative response to COVID-19. However, a new MDCAT focused on tamariki, which seeks to address recent high-profile "ram raids" has received a greater level of support.

The SASWB provides comprehensive evidence and insights reports to government agency members, which detail what they have learned and how learnings could be applied elsewhere. However, these agencies can get caught between prioritising long-term stewardship and responding to the political imperatives that underpin the mandate of the government of the day.

Source: SASWB (2022)

Our analysis to date indicates that current accountability settings are likely to pose a major barrier to implementing Ministers' intentions for social sector commissioning. Resolving these barriers will take the input and leadership of Central Agencies to ensure a consistent approach to commissioning is taken across all sectors. We see a potential role for the SASWB in steering this work.[31]

There may also be value in establishing a functional leadership role for social sector commissioning across government under the provisions of the PSA 2020 to help with this goal. Furthermore, we see an opportunity to de-couple procurement and commissioning as two interrelated but distinct activities. The former is rules-based and buys things, the second is principles and relationships-based and commissions long-term services, frequently involving elements of devolution.

Looking ahead, accountability for devolved services might be better framed as a series of questions that can get to the heart of the matter: does this initiative help people experiencing persistent disadvantage to improve their lives? This could help focus accountability reporting towards measures quantifying providers' impact, rather than requiring excessive detail about expenditures and activities. An example that could provide a useful template for such an approach is the PBI success framework developed by the Social Wellbeing Agency (Social Wellbeing Agency, 2020).

We see these changes as making a strong contribution to redressing power imbalances towards those with less political and economic power, and helping government to be more joined-up and willing to consider the longer-term implications of policies.

F6.9 Public accountability arrangements do not work well for devolved services and require tailoring. They need to prioritise strong, trust-based relationships as the core of accountability and ensure mechanism for feeding back system barriers to the centre. Changes here will make a strong contribution to redressing power imbalances and helping government to be more joined-up and take a longer-term view of issues.

F6.10 Our analysis to date indicates that current accountability settings are likely to pose a major barrier to implementing Ministers' intentions for social sector commissioning. Resolving these barriers will take the input and leadership of Central Agencies to ensure a consistent approach is taken across all sectors

R6.6 We see value in establishing a functional leadership role for social sector commissioning across government under the provisions of the PSA 2020.

[31] For a description of the role and composition of the SASWB see the Briefing to the Incoming Minister (Ministry of Social Development, 2020b).

Q6.6 In what ways do you see accountability for devolved services, or the future of social sector commissioning being tailored? What are the essential issues to be considered?

Allow greater participation in governance and accountability mechanisms

The public sector still has some way to go in involving people in governance, decision-making and accountability mechanisms, often called "participatory democracy". For example, the recent process evaluation of the Child and Youth Wellbeing Strategy (M. Carter et al., 2022) pointed out that stronger Māori participation in strategy leadership at all levels, including as an independent voice in governance, was needed to ensure robust strategy governance. They suggested reinstating the Strategy Reference Group, or similar, to provide independent advice and expertise from Māori, Pacific peoples and NGO representatives to guide strategy implementation.

We also heard from submitters that they find it difficult to be involved in policy development and that there are weaknesses in independent scrutiny of policy (eg, Mike Styles, sub. 84 and Ako Aotearoa, sub. 85). Similar issues have been identified by others (Mazey & Richardson, 2021). There are several ways in which these weaknesses could be addressed. For example: participatory budgeting or citizens assemblies; strengthening the role of Select Committees to undertake inquiries of their own (Gluckman, 2021); or enhancing existing bodies, such as the Human Rights Commission, and their ability to participate in issues around equity and establishing Budget priorities (Deloitte New Zealand, 2019). The recent creation of Iwi Māori Partnership Boards under the health system changes could also be an example to build on. We pick up on this issue again in shift 3 on policymaking.

The Public Service Commission recently published an LTIB on enabling active citizenship (Te Kawa Mataaho Public Service Commission, 2022a). The report points out that public participation in government decision making is central to building and maintaining trust in government and working through complex issues and discussions. We discuss the findings and recommendation in the report more under shift 3, where we discuss the need for greater participatory policymaking.

Allowing a greater range of voices in accountability arrangements is an effective way to address power imbalances and discrimination and achieve better policy outcomes. Changes to accountability arrangements could be designed to support the ability of PBIs and other community providers to share what they know and influence system changes. The move to a relational approach to commissioning is also trying to provide for this, but as noted above, needs a stronger platform for change.

F6.11 Allowing a greater range of voices in public accountability arrangements is an effective way to address power imbalances and discrimination and achieve better policy outcomes. Ways of achieving this have been put forward by the Public Service Commission in its recently published Long-term Insights Briefing on enabling active citizenship. We encourage the Public Service Commission and the public service to take forward work in this area.

Q6.7 What ideas do you have to increase the ability for people to be involved in governance, decision making and accountability of the public management system? What is getting in the way of making this happen?

Take account of intergenerational wellbeing

A key focus of this inquiry is to better understand what actions can be taken to eliminate the transfer of persistent disadvantage from one generation to the next. There is very little in our accountability settings around being accountable to future generations, which creates a power imbalance between current generations and the next.

As set out in Chapter 7, there are different ways in which we could strengthen the accountability of policymaking and spending decisions to future generations. For example, this can be achieved through future-facing legislation, such as the Well-being of Future Generations Act adopted by the Welsh Parliament in 2016. We expand on how to incorporate the needs of future generations in our policymaking and funding frameworks in the next shift. This would help address the short-termism and status quo barrier.

F6.12 A key focus of this inquiry is to better understand what actions can be taken to eliminate the transfer of persistent disadvantage from one generation to the next. There is very little in our accountability settings around being accountable to future generations and this helps to keep the short-termism and status quo barrier in place.

Q6.8 Do you have any ideas about how our public accountability settings could improve accountability to future generations?

Increase transparency and hold Wellbeing spending to account in new ways

Annual financial and performance reporting as part of the PFA 1989 is mainly done at the agency level. Each agency is required to set Strategic Intentions and report progress against these and to report appropriation performance in its annual report. This agency-by-agency reporting makes it hard to evaluate the total Budget spend against government objectives or commitments, particularly where these are cross-cutting (as is the nature of wellbeing objectives).

There are a few other reporting mechanisms that seek to increase transparency on elements of the Government's objectives and commitments (eg, the reporting in place around Child Poverty and the reporting to be put in place for Climate Change commitments). The Wellbeing Report might also help increase transparency, but we note that it is not specifically a tool for assessing effectiveness of expenditure.

We therefore see scope to look at ways of increasing the reporting on the totality of the Government's spend, so that Parliament and the public can have access to a holistic retrospective analysis or evaluation of the total Budget spend against government objectives or commitments, such as wellbeing policy goals.

An example of this in action (albeit it from an environmental policy perspective) can be seen from the French Government. In 2021, they undertook an assessment of the "green impact" of all state Budget expenditure, effectively creating a rating scale to compare its Budget spend against its "green" objectives (Gouvernement Français, 2020). This approach enabled an understanding of how much of the Budget spend had favourable, mixed or unfavourable outcomes from a "green" perspective. Researchers at AUT undertook something similar by looking at how climate-aligned government spending has been since the Covid-19 pandemic began.[32] The same sort of exercise could be done from a social or socio-ecological objective perspective. The Parliamentary Commissioner for the Environment (2021) has also recently put forward ideas about how to improve the Budget process to address environmental issues, which could also be informative in this context.

[32] See https://news.aut.ac.nz/news/was-covid-19-good-for-climate-spending

F6.13 There is very limited holistic retrospective analysis or evaluation of the total Budget spend against overall government objectives or commitments.

Q6.9 What ideas do you have for how the Government and public sector can increase transparency of Budget spending decisions and how that spending can be evaluated against certain goals?

6.4 Shift 3: Broaden and embed a wellbeing approach across policymaking and funding frameworks

We have heard during this inquiry that, despite modernisation of the PFA 1989, government agencies are still finding it difficult to move beyond siloed policy design and delivery and to pool funding to address complex needs. Even recent innovations, such as joint ventures and interdepartmental executive boards, struggle as they have governance or structural arrangements overlaid on a fundamentally siloed approach created by the appropriation and accountability system. The success of a move to relational social sector commissioning will also rely on this ability to work across agency boundaries.

Moving agencies away from a siloed approach seems easier where there is a natural synergy in the goals of the various agencies that are working together as part of such arrangements. For example, we understand that the trial of a "Cluster" approach to appropriations for the Budget has had mixed success, working more effectively where there are natural synergies between the goals of agencies and long-term, existing relationships. Another key theme that came up frequently through submissions and our engagement for the inquiry is that it may take years to build effective trust-based relationships in any arrangement where shared goal setting is required.

There has also been very limited attention to evaluating the stock of government spending, with the main focus on marginal additional operating spending through the annual Budget process, which represents around 2% of total government spending.

It is also important to keep in mind that the governance arrangements in place at ministerial level have a big influence on how the public sector behaves. For example, a Budget process where Ministers work in sectoral or cross-cutting groups supported by a secretariat is likely to lead to better wellbeing outcomes than when bids come from single agencies. Currently, there is no mechanism that makes this approach more standard and easier to apply.

All of this leads to a high degree of fragmentation across policy issues and funding decisions and means we are not taking an integrated, system-wide and intergenerational approach to addressing persistent disadvantage. Even cross-cutting strategies like the Child and Youth Wellbeing Strategy have not yet had a fundamental impact on shifting policy or funding decisions (M. Carter et al., 2022). These weaknesses are acknowledged by the Treasury in the preamble to the 2022 Wellbeing Budget:

> The current system strongly focuses on the marginal new spending decided on each year, with limited attention given to the value that could be gained by reviewing existing expenditure. The system does not adequately support joined-up work on cross-sector issues, particularly complex, intergenerational issues. The annual government reporting and funding cycle is short, and it can be hard for departments and agencies to focus on long-term wellbeing and sustainability. (New Zealand Government, 2022, p. 11)

Policymaking and funding are closely linked, and we need to continue to evolve our policymaking and funding frameworks in tandem. We cannot align public expenditure if our policy goals are not aligned.

The lessons learnt from the Covid-19 response could also be informative in addressing these issues. See Box 6.5 for reflections on the Covid-19 response from a senior public servant on how the public sector can work in more joined-up and collaborative ways.

Box 6.5 **System learnings from our Covid-19 response**

Covid-19 freed Māori and Pacific communities to innovate. Early on there were high levels of mistrust and issues around equity of access (in how agencies organised themselves to deliver interventions). Covid-19 (including the MIQ rollout) demonstrated that in a crisis, agencies could pull together, but it wore people to the bone.

There was a trust element – now you listen to us – and a move from "we are the leaders' to "you are our partners". Data sharing, manaaki, co-design occurred at speed. General agreement that "people need to get what they need".

Wellbeing and health issues were able to be fast tracked because chief executives would escalate and resolve. Commitments were made to the sector and they had stability and knew they had the support of government. Communications were frequent and open. But the approach was not sustainable and people burned out. We need to systematise these ways of working to make the change sustainable.

Source: Conversation with senior public servant, May 2022.

As already noted, our public accountability settings are also part of the problem as they drive agencies to prioritise a short-term agency specific agenda. The changes to our accountability settings described under shift 2 will help to evolve policy and funding frameworks. However, to better address persistent disadvantage we believe a much greater step change in cross-cutting policy analysis, funding approaches and the design of service delivery will be needed. Below we set out the changes we think need to be looked at.

F6.14

For the public management system to address persistent disadvantage, we see the need to broaden and embed a wellbeing approach across our policymaking and funding frameworks to:

a) Strengthen joined-up, anticipatory and participatory policymaking.

b) Re-orient most spending towards wellbeing, guided by He Ara Waiora.

c) Make the pooling of funding easier across agencies.

d) Develop a framework to guide decisions about devolved funding.

e) Re-think expenditure strategy.

Q6.10

What do you see as the necessary changes to our policymaking and funding frameworks so that they respond better to supporting those in persistent disadvantage and prevent the intergenerational transmission of that disadvantage? How might those changes come to life? Who (which agency/agencies) do you think needs to take responsibility for steering these changes?

Strengthen joined-up, anticipatory and participatory policymaking

Persistent disadvantage cuts across government sectors (eg health, education, welfare and justice), and requires a joined-up response to policy design and delivery that is Te Tiriti-led, guided by He Ara Waiora,

embraces equity, and takes an intergenerational lens. Enabling participation in policy and decision-making processes is central to addressing complex challenges and equity, as well as building and maintaining trust in government.

As set out in Chapter 5, governments and the public sector struggle with this and often revert to reactive, disjointed and short-term responses that do not deeply seek outside input and ongoing involvement from the community. This is partly driven by our short electoral cycle and near-term focus of the media (Boston et al., 2019), which leads to short-term interests gaining more traction than long-term interests. This also flows through to our accountability settings.

We mentioned in Chapter 5, the potential of the new requirement for public sector agencies to consult on and publish LTIBs every three years to help address this problem. However, we note that there is much yet to do on this front. For example, the Controller and Auditor-General had the following observations on the Treasury's use of LTIBs:

> There is more thinking to be done about how the Treasury's long-term insights briefing should inform and interact with those of other government departments, and how it makes the most of the public engagement processes that it is required to carry out... The long-term fiscal statement and the long-term insights briefing need to have enough in them to stimulate debate, assist the government in prioritising important short-term decisions that have long-term implications, and support Parliament and the public to hold the government to account. Anything less risks being irrelevant. (Controller & Auditor-General, 2022, p. 2)

Box 6.6 **Fragmentation across government strategies**

Recent analysis by the McGuiness Institute (Forthcoming) shows that as of 31 December 2021, there were 221 government department strategies (GDS) in operation. There is an increasing trend of mentions of poverty (as a proxy for disadvantage) in these strategies, yet is still much lower than expected given it is a priority for the current government – 84% of GDS did not mention poverty (89% in 2020, 89% in 2018), 3% of GDS explicitly mentioned poverty (1% in 2020, 0% in 2018), 13% of GDS implicitly mentioned poverty (10% in 2020, 11% in 2018). The McGuinness Institute concludes that the fragmentation of these GDS is hindering progress, and stewardship over government strategy is a missing component of the system.

Source: McGuinness Institute (Forthcoming)

To us, this fragmentation of the GDS highlights the siloed approach to direction setting and lack of systems thinking within the public management system. The government strategy work reflects a considerable investment, an opportunity (but also a missed opportunity by successive governments) to create an intentional and strong direction to reduce inequality and address persistent disadvantage in Aotearoa New Zealand.

We consider that the Central Agencies need to do more thinking on what else is needed to move our public management system towards this system-wide and intergenerational way of viewing and analysing issues. As described in Chapter 7, several OECD countries are exploring anticipatory governance models and we recommend this be looked at further. A similar need was also mentioned in the report on improving the Budget process by the Parliamentary Commissioner for the Environment (Parliamentary Commissioner for the Environment, 2021) Building on the values of He Ara Waiora and the Pacific Wellbeing Strategy also offer a strong starting point for moving in this direction.

Box 6.7 **Opportunities to strengthen participatory policymaking identified by Te Kawa Mataaho Public Service Commission**

For strengthening "participatory" policymaking and involving those who the Government is there to serve in policymaking, the recent Long-term Insights Briefing on enabling active citizenship from the Public Service Commission provides fertile ground on which to build (Te Kawa Mataaho Public Service Commission, 2022a). The report identifies three key issues to address and puts forward some suggestions on a way forward. The three issues are:

- the lack of a single cross-government framework that can serve as a standard for how agencies engage with the public and communities and that can provide clarity around expected behaviours and forms of decision making;
- the overall capability of the public service to work in new ways with diverse communities; and
- the narrow range of experience in Aotearoa New Zealand with the use of public participation methods at the empower end of the spectrum.

Source: Te Kawa Mataaho Public Service Commission (2022a)

The learnings from the Southern Initiative set out in Chapter 7 could also be instructive. These deeply participatory and practice-led ways of informing systems change are key to tackling power imbalances. Part of this approach is also acknowledging that whānau and rangatahi are best placed to lead the way on intergenerational wellbeing and equity. Looking to put into practice the values of He Ara Waiora is another way to improve the participatory nature of policymaking.

F6.15 Additional thinking is required about how our policymaking can better incorporate a system-wide and intergenerational way of viewing and analysing issues, and how policymaking can better involve those who the Government is there to serve, particularly those in persistent disadvantage. This can build on mechanisms such as: Long-term Insights Briefings; models of anticipatory governance being explored in several OECD countries; the wider application of the values or "means" in He Ara Waiora across the public sector; and new ideas from the Public Service Commission on enabling active citizenship.

R6.7 Several OECD countries are exploring anticipatory governance models and we recommend this be looked at further by Central Agencies.

Q6.11 What ideas do you have for how our policymaking can better incorporate a system-wide and intergenerational way of viewing and analysing issues?

Q6.12 What ideas do you have for how our policymaking can better involve those who the Government is there to serve, particularly those in persistent disadvantage?

Re-orient most spending towards wellbeing, guided by He Ara Waiora

Total annual government spending is around $150 billion.[33] In our view, to truly adopt a wellbeing approach, most government expenditure should be oriented towards wellbeing goals, not just the marginal (2%) of new spending through the annual Budget process.

There has been limited progress in analysing the alignment of this total spend to wellbeing goals since the first Wellbeing Budget in 2019. At that time, it was acknowledged that baseline spending may need to shift substantially over time to ensure that it is most effectively supporting wellbeing goals, but the directive to identify 1% of agency spending for reprioritisation fell short (Huang et al., 2020). There needs to be a much greater emphasis on spending reviews as a tool for analysing and ensuring this alignment, including increasing investment where needed (Fry, 2022).

A spending review is defined by the European Commission as:

> ...the process of identifying and weighing saving options, based on the systematic scrutiny of baseline expenditure. Contrary to the common budgetary discussions, which gauge the value of new proposed budgetary lines, spending reviews examine the baseline of existing spending.[34] (European Commission, 2020, p. 8)

Although the focus of what we are proposing is reprioritisation of expenditure towards wellbeing goals, rather than reducing expenditure overall, recent work by the OECD (2019) and the European Commission (2020) on the purpose of spending reviews and how to conduct them provide a rich source of ideas for how our current approach to spending reviews could be enhanced. This includes approaching spending reviews as an activity that spans sectors or clusters and aligning this to feed into the Budget cycle to help to drive more joined-up investment.

We are encouraged to see limited moves towards this kind of approach by the Treasury in Budget 2022 with the Natural Resources and Justice "Clusters". This work was supported by guidance issued by the Treasury in September last year. The aims of the cluster approach are to increase collaboration across public service agencies, improve value for money, and strengthen delivery of the Government's wellbeing priorities.

The Treasury is taking a learning approach with the development of the cluster pilots, with the aim of working with the clusters to strengthen the approach over time.[35] This includes doing further work on other ways to conduct spending reviews to ensure they align better with the Budget cycle. This might include thematic or programme-specific reviews, depending on the goal for the spending review. The Treasury are also looking at how to integrate He Ara Waiora or other frameworks with spending reviews to take into account intergenerational needs. For example, the Treasury incorporated He Ara Waiora into the design of the most recent spending reviews on the Natural Resource and Justice Clusters. The Treasury acknowledge that this work is still at an early stage.

F6.16 To truly adopt a wellbeing approach, most government expenditure, not just the marginal new spending through the annual Budget, should be oriented towards wellbeing goals.

R6.8 We see value in expanding the Treasury's "Clusters" and spending review approach by building on: the approach taken in Budget 2022 with 'Natural Resources' and 'Justice' Clusters; the incorporation of He Ara Waiora concepts into spending reviews for those clusters; and the better alignment of spending reviews into the Budget cycle.

[33] See www.treasury.govt.nz/sites/default/files/2022-05/b22-sumtab-estimates.pdf

[34] This examination assesses mainly whether specific (or all) baseline expenditures (i) are still a priority, (ii) are effective in reaching their goals and (iii) are cost-effective; namely, whether they can reach the same goals using the minimum amount of resources. Spending reviews should not be confused with spending cuts, where the latter only serve the purpose of making room for additional spending and can be done across-the-board without any efficiency purpose.

[35] See www.treasury.govt.nz/sites/default/files/2022-06/est22-v8-overview.pdf

Q6.13 Do you see value in developing He Ara Waiora to guide Budget allocation and baseline spending review processes? Do you have any other comments to make about how else the Budget allocation and baseline spending review processes could be improved?

Make the pooling of funding easier across agencies

The PSA 2020 and associated PFA 1989 reforms were meant to make it easier to pool funding across different agencies, or to obtain funding for cross-agency or collective impact-type initiatives that partner with non-government providers. These types of initiatives have been shown to be very effective in helping those with complex needs (Fry, 2022). However, as with the implementation of a wellbeing approach, there seems to be a gap between intentions and what is happening on the ground. For example, a recent review of a cross-agency initiative (Ngā Tini Whētu) aimed at taking a whānau and kaupapa Māori approach that involved the Accident Compensation Corporation (ACC), Oranga Tamariki, TPK and the Whānau Ora Commissioning Agency found that the PFA 1989 and the legislative responsibilities that each agency has can be a barrier to agencies working collaboratively and pooling funding (Aiko, 2021):

> The key takeaway is collaborating and pooling of funding and moving resources around is still not as easy as we might have been led to believe that some of the reforms would allow. CEs and DCEs might agree but it gets down to a finance shop and they go no, you can't do that, no, it doesn't work like that. And quite obviously you can do it because we did it, but it just seems a very difficult process to make happen. In the end we had to get joint Ministers involved to seek approval from the Minister of Finance. (Te Puni Kōkiri staff member). The Public Service Act puts forward new ways that you can collaborate but actually they're not ready and we couldn't use them. (Oranga Tamariki staff member)

And the review recommended:

> Share learnings into the Public Services Commission about how difficult it was for officials to utilise the changes to the Public Service Act (2020) and how these were overcome in order to develop targeted support for agencies to embed collaborative ways of working across the public service. Identify the tools, resources and practices being used to share with others. There is an opportunity for the Treasury and Public Service Commission to explore how innovative funding solutions can be applied to support future Māori-Crown and Iwi-Crown partnerships, as well as more easily facilitate cross agency resourcing. (Aiko, 2021)

There appear to be a combination of legislative barriers, issues with our accountability settings, cultural barriers and possibly just a lack of understanding of what can and cannot be done under existing settings to investigate as we search for a better way of enabling cross-agency and whānau-based or collective responses to addressing persistent disadvantage.

F6.17 Collaborating and pooling of funding and moving resources around is still not as easy as intended under the Public Service Act 2020 reforms. There is an opportunity for the Treasury and the Public Service Commission to explore how innovative funding solutions can be applied to support future collective impact initiatives, as well as more easily facilitate cross-agency resourcing.

Q6.14 How do you think cross-agency resourcing or the funding of collective impact initiatives can be made easier? What are some of the issues or unintended consequences to guard against in doing this?

Develop a framework to guide decisions about devolution of funding

Evidence from Fry (2022) demonstrates that persistent disadvantage is often more responsive to devolved services. Devolution is a continuum from individuals being budget-holders with the flexibility to purchase the services they consider will best meet their needs from a pre-approved list (eg, Enabling Good Lives in the disability sector) through to the "navigator" approach recommended in the 'More effective social services' report (NZPC, 2015), to central government entering into contracts with providers to achieve specified outcomes for a set fee (which is the main approach to commissioning services at the moment).

Providers who are closer to their communities, with staff who often both live and work there and have the flexibility to spend more time, develop relationships and address needs as they emerge in response to growing trust, not just presenting issues, can be more effective. Devolved services are often highly motivated to support individuals and whānau in developing goals, building capability and achieving their aspirations, as opposed to being constrained by system requirements to deliver from an existing menu of options. However, there are limits. It does not make sense to devolve highly technical services, such as surgery, or provide more expensive and bespoke solutions where conventional approaches work well and are cost-effective due to scale economies (eg, delivering benefit payments through an automated computer system).

One reason that persistent disadvantage endures in Aotearoa New Zealand is the common assumption that the Government knows what services need to be provided to address persistent disadvantage and just needs to figure out the best way to commission, deliver and report on them. For complex and entrenched persistent disadvantage, this assumption often does not hold. It may not be possible to specify in advance the actual services that people require – at least not to the level that could allow a standard contract for delivering those services to be written. Key elements, such as the nature and intensity of service provision, eligibility criteria or thresholds for access, timing and duration of services, and even who service recipients are (what constitutes whānau?) cannot be pinned down in advance. This lack of specificity around what to deliver, to whom, how, when and for how long creates challenges for planning and delivery, with particular implications for the degree of precision to which it is possible to cost services. It also makes using existing models of demonstrating accountability for public funds unworkable (Fry, 2022).

The public sector needs more clarity and guidance on when a devolved approach is best and how best to implement this (Warren, 2021). This also needs to link into the redesign of accountability settings, as discussed in the previous shift. Devolution is essentially the transfer of decision-making power and funding from central government to a lower level (eg, regional or local community). It is different to "outsourcing" where central government will contract with a private provider and where the decision rights and funding are still tightly controlled by central government. A devolved approach is not suitable in all circumstances and key to its success is having a legitimate and capable organisation that is trusted by the community, and that the public sector can partner with by providing appropriate resourcing and decision-making rights.

F6.18 Persistent disadvantage is often more responsive to devolved services, but there are limits. Central Agencies need to develop a framework to guide government decision makers in determining the conditions under which devolution of services and funding is and is not likely to lead to better outcomes, how best to implement this, and what public accountability looks like for these.

Q6.15 What would you include in a framework to guide decision makers in determining the conditions under which devolution of services and funding is appropriate?

Re-think expenditure strategy

During our engagement on this inquiry, we heard that the Budget process is dominated by macro-economic considerations, fiscal targets and overall spending allowances, and that this is not balanced with expenditure

strategies that look overall at the main areas of policy and the implications for spending levels. This implies looking at the current design and operation of our system of appropriations and examining the role of fiscal and debt targets as impediments to achieving transformative change.

The Government's fiscal targets are another key plank of the macro-level system settings that are worth re-examining. Fiscal targets (debt and spending levels) affect the ability to introduce transformative Budget policies as they limit the fiscal room left over after addressing non-discretionary cost pressures. Adopting clear fiscal targets and keeping government debt low is part of Aotearoa New Zealand's political culture following the Fiscal Responsibility Act 1994 (now part of the PFA 1989), which requires governments to state their fiscal objectives in specific terms and to report regularly on progress.

Some have pointed out that the prominence of such requirements in our Budget process and broader political culture may make it more difficult to advocate for the resources needed to further other aspects of wellbeing in areas such as social policy and the environment, without equally visible and rigorous social and environmental indicators and targets to sit alongside the fiscal and economic indicators (Huang et al., 2020). The Child Poverty Reduction Act 2018 took an important step in this direction by requiring reporting and target setting on child poverty and amendments to the PFA 1989 so that, in addition to fiscal objectives, governments will also have to state broader wellbeing objectives. Over time, this requirement might reduce the likelihood that fiscal targets are set without a deeper consideration of broader wellbeing goals and trade-offs. So far, no further targets for other priority areas have been set. Setting targets systematically across priority areas could foster accountability and clarify how the Government makes trade-offs between competing needs.

Going further than this is re-thinking the debt targets themselves. The Government has recently done this in some way for infrastructure spending.[36] Some argue that the Government should extend this approach of borrowing more now to invest in future wellbeing across the social and environmental spheres:

> Essentially, we've got a rainy day fund for the next rainy day. But what about all the kids living out in the rain now? Or that the rain is crashing down now because of climate change? Why reduce debt just in case there is a future emergency, when there are two emergencies right in everyone's faces right now?... Our approach to borrowing was introduced to deal with poor accounting during the late 1970s and 1980s and the PFA has done a good job in improving trust among investors. New Zealand now has an excellent rating. But times have changed, and New Zealand is no longer at risk of default on its borrowing as it was then. (Hickey, 2021)

We understand that the Minister of Finance has recently agreed with the Treasury, in response to recommendations made by the Parliamentary Commissioner for the Environment (Parliamentary Commissioner for the Environment, 2021), to modify the social discount rate currently used to evaluate initiatives and replace it with one that better reflects the longer-term, intergenerational costs and benefits that pertain to the environment. The Treasury will therefore modify its guidance on public sector discount rates to recommend using quasi-hyperbolic discounting for proposals with long-lived environmental or social benefits, subject to consultation with technical experts about the costs, benefits and implementation feasibility of this discounting method. This would achieve the goal of placing higher weighting on the long-term costs and benefits of proposals. The Treasury are also considering improving the guidance that accompanies their website information on discount rates.

Is it time to re-examine the "low debt" orthodoxy, and with it our approach to accounting for future government liabilities?

F6.19 The Government should consider adopting further wellbeing targets as part of its wellbeing approach. These should be used alongside fiscal targets so that it is clearer to see what trade-offs the Government is making between competing needs.

[36] See www.beehive.govt.nz/release/budget-22-new-fiscal-rules-be-put-place

Q6.16 Do you agree that the Government should adopt further wellbeing targets and that these should be used alongside fiscal targets? What targets would you suggest?

F6.20 It is time to re-examine the "low debt" orthodoxy and our fiscal rules, and with it our approach to accounting for future government liabilities.

Q6.17 Do you think that our fiscal rules and approach to accounting for future government liabilities constrain our ability to address persistent disadvantage? What would you like to see change with these?

6.5 Shift 4: Enable system learning and improvement through monitoring and evaluation

Evaluation is an essential part of tackling complex problems as it supports an adaptive "learning by doing" approach. We consider this shift essential to break the cycle of persistent disadvantage, by building evidence for what does and does not work. While some initiatives tackling aspects of persistent disadvantage are being evaluated, there is currently no system leadership for what should be core public sector business.

Public management system leadership for evaluation is needed to counter short-term tendencies and to provide guidance so evaluation approaches are fit-for purpose and cost-effective. While there are many different approaches to evaluation, at its core it is a structured approach to learning for improving the quality and effectiveness of policies, programmes and services.

Information from monitoring and evaluation and learning are essential on multiple levels, and for multiple purposes. At a macro level, information to track and demonstrate progress over time is needed for the public to hold the Government accountable. Public accountability is an essential check on power imbalance (Controller & Auditor-General, 2021a), which can thwart trust (Haemata Limited, 2022).

Evaluation also provides evidence to inform advice on policy settings. Building up an evidence base over time of what does and doesn't work can help avoid tendencies toward reactive, short-term policy "fixes". If we're not monitoring and evaluating, how can we know whether policies are effective, or how their effectiveness might be improved?

In Chapter 3, we discussed our poor record of collecting information on persistent disadvantage in New Zealand. This is despite the many reviews commissioned by the Government over the past 50 years, and the attempts to coordinate cross-government efforts and address inequities over the last 20 years (section 1.2). The lack of information and consistency of information makes it difficult to get a clear picture, learn, make better decisions and hold governments accountable for progress against outcomes (Controller & Auditor-General, 2019; Haemata Limited, 2022).

In Aotearoa New Zealand, learning lessons from past initiatives and integrating those lessons is a critical gap in policymaking which has been apparent for decades (State Services Commission, 1999). More recently, the public sector's evaluation weaknesses were highlighted in the Commission's 2015 report, '*More effective social services*'. That report discussed evaluation in detail, noting examples of good evaluation and learning practice, before concluding that a structured and systematic approach was missing.

> The Commission observed a large "stock" of existing social services that continue to be funded and run in much the same way over decades, with little evaluation of their impact or cost-effectiveness. At the same time, a flow of new initiatives attracts much attention but has little effect on the existing stock or on the performance of the system as a whole. This is consistent with an important inquiry finding that

> the current system is not good at evaluating programmes, or at expanding programmes that are effective and amending or phasing out programmes that are not. (NZPC, 2015, p. 6)

There were initiatives under way in 2015 to address evaluation weaknesses, including a work programme led by the Social Policy Evaluation and Research Unit (Superu) (NZPC, 2015). Superu was working directly with agencies and NGOs to improve evaluation practice across the social services sector (Government of New Zealand, 2017), but was disestablished in 2018.

F6.21 Leadership and stewardship for system learning and improvement in the public management system is missing, and the situation appears worse than when the Commission reviewed the effectiveness of social services in 2015.

R6.9 An all-of-government system functional lead role should be designated for system learning and improvement.

Q6.18 Where should system leadership for learning and improvement sit? How might we secure the commitment and stability needed for this function to be effective over time?

Evaluation must emphasise learning

The need for agencies to work together to tackle complex issues was recognised in the creation and passing of the PSA 2020. For this work to be successful, public servants must also be supported to learn and make system improvements. While it is important to demonstrate that policies and programmes are worthwhile, the ability for evaluation to support learning (including from failure) is limited when its emphasis reverts to demonstrating value for money.

Underpinning "the spirit of service to the community that public service employees bring to their work" (PSA 2020, s.13) is a desire to make a difference. Good evaluation practice can help public servants and partners learn how to be more effective. Impact and value should logically follow, provided people are also supported to put their learning into practice. Successive evaluations over time can then demonstrate increased public value.

One approach that shifts the emphasis to learning is 'Human Learning Systems' (Lowe, 2020). This approach uses connected learning cycles (between individuals, teams, organisations, regions) and learning relationships to establish opportunities to co-design more bespoke public services. Monitoring and evaluation is seen as a vehicle to develop the capacity of people to continuously design and run experiments that improve public services. The Human Learning Systems approach is being used in several local contexts around the world, including in Aotearoa New Zealand.[37]

[37] For a list of initiatives see www.humanlearning.systems/pioneers

Box 6.8 **Evaluators as critical friends for learning and improvement**

The Open Government Partnership (OGP) uses developmental evaluation as an approach not only for accountability towards donors, but as a vehicle for continuous organisational learning. The OGP's experience highlights important lessons for anyone working to navigate and learn in the context of complexity. Søren Vester Haldrup, Innovation Fund Manager at the UN Development Programme says:

> One key point is that we need to be able to tolerate a certain amount of discomfort with the process of learning. For instance, if we want to be able to learn and adapt in a timely manner, we need to balance our desire for "definitive findings" with "good enough" real-time information. This can be difficult for organisations - risk calculations and decision-making structures are obsessed with rigorous conclusive evidence.
>
> Furthermore, we need to find way of making sense of various forms of evidence (from many different sources) when working on complex issues, and we should re-think the role of evaluators as critical friends (assisting us on a learning journey) rather than as external auditors.

Source: Haldrup (2022)

Learning is best seen as a continuous process of cycles

Søren Haldrup from the UN Development Programme (UNDP) summarises some key learnings for monitoring and evaluation practices in the face of uncertainty and complexity (Haldrup, 2022b):

- Learn and adapt – Because we don't know up-front how to best help solve complex problems, we need to continuously learn and adapt what we do based on learning.
- Adopt longer time horizons – We need to better deal with the fact that it takes a long time for substantive change (higher-level results) to materialise, and that we do not necessarily know up-front what such change will look like. This makes it difficult to know if we are on track and whether we should do anything differently.
- Capture impact in the aggregate – We cannot evaluate individual interventions in isolation because we usually tackle systems challenges through portfolios of interconnected interventions.
- Focus on contribution over attribution – We should focus on capturing our contribution to bigger change processes, rather than seek to directly attribute change to our own work.

F6.22 Monitoring and evaluation practices need to adapt in the face of complex systems. They should be about enabling continuous learning as much as they are an accountability tool. The role of evaluators should also be re-assessed. They should be seen more as "critical friends" than external auditors.

Q6.19 Do you have any comments on how monitoring and evaluation practices need to adapt in the face of complex systems? And how those changes might be implemented?

Breaking down power imbalances demands participatory and developmental evaluation approaches

Public participation is central to building trust and tackling complex issues (Public Service Commission, 2022) and is essential at all stages of the design and implementation and review of public policy and services.

Current evaluation approaches tend to mirror the top-down accountability settings in place, meaning evaluations are commissioned and framed by the Government, rather than representing an opportunity for whānau and those experiencing persistent advantage to have agency as commissioners and leaders of evaluation.

6.6 Taking these proposals forward

It is important to note that systems change as envisaged here will take many years to work through and there are a series of essential "building blocks" on which these shifts also depend. These include having the right "authorising environment" for change to occur. This includes strong leadership from Ministers and Central Agencies (the Public Service Commission, the Treasury and the Department of the Prime Minister and Cabinet) to lead the changes, achieving bi-partisan support for change across the political spectrum and wider public buy-in. We also need to grow and maintain a public sector workforce that has the necessary skills, expertise and capacity to design, implement and embed the necessary shifts. We do not address these issues in any detail in this report, but welcome views on how these might be achieved as well.

To conclude this interim report, the final chapter outlines a curated collection of local and international case studies and examples that point the way forward.

7 Inspiration for the way forward

Key points

- There are many promising initiatives that demonstrate it is possible to address persistent disadvantage if we also overcome the underlying system barriers.
- Power imbalances can be addressed by reorientating the system around the needs of whānau. Whānau-centred and mana-enhancing approaches prioritise the voice, needs and aspirations of people experiencing disadvantage. We'll also need a broad social and political consensus to secure the long-term commitment needed to address persistent and intergenerational disadvantage.
- Discrimination and the ongoing impact of colonisation can be addressed through an equity approach, which seeks equality of outcomes through complementary but distinct initiatives for disadvantaged groups. Culturally safe environments and culturally responsive organisations are important enablers of an equity approach.
- Whānau and rangatahi can be supported to lead the way on intergenerational wellbeing and equity, while support organisations can learn how to apply a strengths-based approach to help them achieve their aspirations.
- Government silos and fragmentation can be addressed by setting clear goals backed by a transparent and legislated measurement and accountability framework, integrated with the Budget process. Learning, improvement and accountability are critical for building the trust and confidence needed to drive transformative change. Accountability and trust are interdependent, and both must be reciprocal.
- The success of mana-enhancing and empowering initiatives has been demonstrated in multiple sectors and these can be scaled with government support. Iwi and Māori should be involved at the start as Māori often make up a significant proportion of the persistently disadvantaged.
- Short-termism and the status quo bias can be overcome by taking a more future-focused and long-term view. The Finnish Government has introduced an experimental ethos, while Wales has legislated for the needs of future generations through its Wellbeing Act.

In this concluding chapter we draw inspiration from and highlight many promising initiatives that demonstrate it is possible to address persistent disadvantage by addressing underlying system barriers highlighted in this report.

While better and more joined-up social services are needed (and many of the recommendations from our Inquiry into Social Services remain valid), they are not and could never be the whole solution.

> No amount of services, regardless of their quality, will address the structural drivers of inequity, including institutional racism and the ongoing impacts of colonisation. A significant transformation in approach is needed, one that centres te ao Māori and enables other values-led and indigenous world views and practices. (Hagen et al., 2021, p. 4)

The chapter presents examples of different approaches which shed light on how Aotearoa New Zealand can approach system change to address persistent disadvantage. The examples range from "micro-" or local-level mana-enhancing services and larger "meso"-level place-based and nationally coordinated programmes, to "macro-" or national-level legislative change and Budget processes.

We do not set out whole solutions or advocate for adopting any particular model. A better approach is to draw from and build on strengths from several sources of inspiration, and to develop responses within their

unique context, while empowering the people most affected. With that in mind, we offer up these ideas to inform discussion on what will make the biggest difference to people living in persistent disadvantage.

7.1 Flip the switch on power imbalances

People experiencing disadvantage lack political and economic power. When policy issues are contested their voices have less influence. Policies get framed by people with power and influence, and they have a very different perspective to marginalised people. How might we shift this power imbalance and break the cycle of persistent disadvantage?

We see three parts to answering this question:

- The first is giving people experiencing disadvantage a voice and designing policies and services to support their aspirations.
- The second part is building the social and political consensus needed to secure the long-term commitment needed to break the cycle of persistent disadvantage.
- The third is devolved and long-term funding to provide people with the support they require for as long as they need it in order to exit persistent disadvantage.

In this section we demonstrate that all three are possible. Overcoming racism and discrimination are also critical aspects of rebalancing power dynamics and these are addressed in the following section.

Mana-enhancing and whānau-centred approaches shift power by supporting people's own aspirations

Established in 2015 under the leadership of TPK, Whānau Ora devolves funding and decision making to Māori and Pacific organisations to provide wrap-around support to whānau. Whānau Ora provides culturally responsive services to Māori and Pacific Peoples and is available to all (TPK, 2022).

> Government health and social services for Māori have not typically been designed to take a whānau-centred approach, focusing instead on individuals and single-issue problems. As a result, delivery of services to whānau has often been fragmented, lacking integration and coordination across agencies and social service providers, and unable to address complexities where several problems coexist. (TPK, 2015, p. 9)

Whānau Ora is mana-enhancing (empowering) because whānau identify the support they need. Whānau work with Kaiārahi (navigators), who help them identify their needs and aspirations, and coordinate access across other services or programmes to achieve whānau goals (Savage et al., 2017).

> The analysis points to the idea of an outcome continuum in which immediate whānau gains around trust, access to services, attitudinal change and skills and knowledge act as stepping stones for achieving higher-level Whānau Ora goals. These initial gains appear to be generated by whānau-centred approaches (service delivery) and are critical for later outcomes to unfold. (TPK, 2015, p. 11)

Depending on the whānau, aspirations might be "intermediary", such as improved access to services, happiness and better relationships with services, or "higher level", such as increased income or improved employment (TPK, 2015).

Whānau Ora has made a very distinct shift away from the mainstream service delivery model. The mainstream model is designed to provide pre-determined support to individuals for single issues, for which people must first demonstrate eligibility through processes that can cause humiliation.

Despite measurement challenges, success was noted in the OAG and Productivity Commission's respective reviews in 2015 (NZPC, 2015; Office of the Auditor-General, 2015). The most recent review commissioned by the Government found that Whānau Ora results in positive change for whānau and creates the conditions for change to be sustainable:

> The Whānau Ora commissioning approach creates positive change for whānau. In all areas we visited, and across all monitoring reports we reviewed, we have seen whānau progress towards achieving their

> self-identified priorities… We believe that the intentions of Whānau Ora, aiming to build resilience and capability within whānau to be self-managing and to be architects of their own solutions, create the conditions to achieve sustainable change. (Rangi et al., 2018)

As an inherently systemic response Whānau Ora concurrently addresses multiple barriers, as summarised in Table 7.1. Despite their effectiveness, approaches such as Whānau Ora also continue to be constrained by these barriers. For example, demand for Whānau Ora outstrips the funding and resources available to provide support, with overwhelming levels of demand in some areas, and there has been difficulties in achieving buy-in and uptake among wider government agencies (Rangi et al., 2018).

Table 7.1 How Whānau Ora addresses the system barriers

Barrier	How addressed
Power imbalances	The development of Whānau Ora was driven by the Māori Party, as part of the Party's agreements with the 2008–2011 and 2011–14 National-led Coalition Governments. Aotearoa New Zealand's proportional voting system provided an opportunity to shape the political agenda to finally devolve resources to Māori and Pacific organisations and enable them to provide culturally responsive support to disadvantaged people. Whānau Ora also shapes support around the needs and preferences of whānau, rather than requiring people to demonstrate eligibility for support. This is a mana-enhancing or empowering approach to supporting people who have been disadvantaged.
Discrimination and the ongoing impact of colonisation	The whānau-centred approach seeks to rebuild the mana of whānau as the base for Māori to thrive within collective social structures. It moves away from individualised support which reflects a Pakeha view, rather than te ao Māori.
A siloed approach to government	Whānau ora provides wrap-around support tailored to the needs of whānau rather than agency criteria and processes.
Short-termism and status quo bias	The whānau-centred approach is intergenerational, seeking to restore the mana of current generations and improve the capacity of whānau to support future generations.

F7.1 Reorientating the system around the needs of whānau is the first step toward addressing power imbalances. A whānau-centred delivery approach can address all four of the barriers we identified.

Box 7.1 **Mauria te Pono – personalised support grounded in Te Tiriti and whānau voice**

For many Māori in Te Tairaāwhiti, confiscation of their whenua (land) and suppression of ngā tikanga me te reo Māori (customs, traditional values and language) have led to trauma responses that are often passed from generation to generation and can be seen in high rates of addiction – "to anything and everything – alcohol, weed, food, meth", family and sexual violence, and associated deaths by suicide and overdose.

Mauria Te Pono has developed a model that has started the process of whānau healing – while acknowledging that achieving intergenerational change will be at least a 25-year process.

Mauria Te Pono is a flaxroots recovery sharing movement for people and their whānau affected by drug and alcohol abuse. It is an example of the sort of approach that is needed to address persistent and intergenerational disadvantage.

Many people who need help do not trust the Government because of negative past experiences (eg, with the NZ Police, Corrections and/or Oranga Tamariki). People come to the service via word-of-mouth, low-key community outreach by kaumatua, social media and in some cases referrals from other agencies.

With the support of Te Runanga O Turanganui A Kiwa and Manaaki Tairāwhiti, Mauria Te Pono says it has been "able to fly – to do what we need to do", particularly when it comes to addressing the fear and stigma around addiction. Together they are testing a new "way of working" in Te Tairāwhiti that meets people where they are and builds trust through seeking genuine and deep understanding of the issues people face, identifying the changes they want to make, and supporting them in building the lives they want to lead.

Mauria Te Pono offer the following kaupapa:

- Weekly Kaupapa Whānau Oranga (whānau group support) meetings with opportunities to wānanga and connect, followed by kai and korero.
- PATH (Planning Alternative Tomorrow with Hope) encourages people to dream and plan for their future and supports them in making those dreams real.
- TRUTH (Tomorrow's Rangatira Uniting to Heal) provides a vehicle for rangatahi to find their own voice and vent about social issues impacting on them.
- Whānau waānanga at their homes.
- Papakāinga development, which supports reconnection to whenua, whānau and whakapapa.

These kaupapa have been developed by a team with a combined 75 years' personal and professional experience within the mental health and addiction sector based on a model that centres Te Tiriti and a whānau voice. This approach helps people to understand how they came to develop damaging and unhelpful thought processes and reconnect to their true selves: building better lives for parents, aunties and uncles, cousins, children, grandchildren is all part of the mix.

Source: Mauria te Pono (interview 2022).

We can build broad social and political consensus for change

There are many inspiring examples where sufficient social and political consensus has been achieved to shift policy direction. Indeed, Aotearoa New Zealand led the world on giving women the vote, beginning the process of releasing the patriarchy's exclusive grip on power. More recently in the environmental domain, new legislation on climate and freshwater has also demonstrated that the balance of power can be shifted.

A decade ago, there was very little progress on climate and freshwater. Yet collaborative processes were under way that laid the groundwork for the Essential Freshwater reforms introduced in 2020. These reforms aim to stop further degradation of freshwater, make improvements within five years, and restore waterways

to health within a generation (MFE, 2020). The Land and Water Forum followed a collaborative process and made direct recommendations to central government through five reports between 2009–2018. This process was inspired by Nordic governance models in which all affected parties are invited to collaborate (Kirk et al., 2021).

In 2019, successive waves of youth climate activism came together with the global School Strike for Climate mobilising 170 000 New Zealand school children in September, and Parliament passing the Zero Carbon Act with near unanimous support in November. Generation Zero was founded in 2010 and launched its Zero Carbon Act campaign in 2016, modelled on the United Kingdom's Climate Change Act.

> One of the biggest successes of our campaign was seeing thousands of people from all backgrounds engaged in the political process in a meaningful way. Our Zero Carbon Act team led the Adopt an MP tactic which saw people around the country meeting with their elected representatives. Generation Zero developed submission guides to make submitting on the Zero Carbon Bill easier. The consultations, run by the Ministry for the Environment and Select Committee, attracted over 10,000 submissions each. The growing public pressure saw the national conversation switch from "should we act on climate change" to "how do we act on climate change." (Generation Zero, 2020)

It should be noted that the climate and freshwater shifts are part of a continuing transition, a step in the journey, rather than the destination. Women gained the right to vote in 1893, but it took another 26 years before they gained the right to stand for Parliament. Generation Zero was disappointed the enacted Zero Carbon Bill fell short of the ambition they called for, but acknowledged it as a step forward (Generation Zero, 2020). In some parts of Aotearoa New Zealand levels of nitrates harmful to human and aquatic life are still getting worse, not better (Richards et al., 2022; Stats NZ, 2020, 2022).

F7.2 Societal change is an ongoing journey. It is also a path we have travelled together many times as New Zealanders. We'll also need a broad social and political consensus to address persistent and intergenerational disadvantage.

Devolve funding for wellbeing for as long as it is needed

There are many models for devolving funding. In section 7.3 we discuss Housing First, which provides integrated, in-place support for as long as clients need it. Another empowering approach is the client-centred funding used in the disability sector. Other models, such as Whānau Ora, devolve funds through commissioning agencies that contract whānau-centred providers.

There are also many examples of devolving funding through "anchor institutions", such as iwi and local governments that have cultural, historical and physical connections to people and places. Examples include Maanaki Tairāwhiti, an iwi-led PBI, while Te Aka Whai Ora (the Māori Health Authority), discussed in the following section, was allocated funding to commission services through iwi (New Zealand Government, 2022).

Recent Wellbeing Budgets have included investments spread across multiple Budgets and funding to multi-agency "clusters". Budgets since 2019 have used a wellbeing analysis to drive decision making instead of just an economic and fiscal perspective. New spending must align with one of five wellbeing priorities (Hon Grant Robertson, 2018). The priorities of the first Wellbeing Budget in 2019 were mental health, child wellbeing, supporting Māori and Pacific peoples' aspirations, encouraging productivity, building a productive nation and transitioning to a sustainable and low emissions economy.

Wellbeing has been integrated into the PFA 1989 following amendments in 2020 to embed a Wellbeing approach within the Budget process. As part of these changes, the Minister of Finance must include wellbeing objectives in the annual Budget Policy Statement to guide the Government's Budget decisions and explain how these objectives are intended to support long-term wellbeing.

Wellbeing objectives are intended to be enduring "to ensure there is sustained investment across multiple Budgets to address Aotearoa New Zealand's most significant, intergenerational challenges" (New Zealand

Government, 2022, p. 12). A similar list of priorities has continued across the four Wellbeing Budgets since 2019.

7.2 Shift discrimination with equity, cultural responsiveness, and supporting the aspirations of whānau

As we highlighted in Chapters 4 and 5, Māori continue to be disadvantaged by the trauma and injustice of colonisation, the longstanding inequities it has caused, and ongoing discrimination against them as a minority ethnic group. In this section we provide examples to demonstrate how an equity approach can start to undo the impacts of colonisation and discrimination on Māori, and for other groups facing discrimination.

As identified elsewhere in this report, Māori and other minority groups generally receive fewer resources and opportunities and suffer inequitable outcomes. Equity recognises that people (and groups) have different circumstances and allocates resources and opportunities to achieve equal outcomes.

Complementary but distinct initiatives for Māori can help address the ongoing impacts of colonisation

> The health system reforms will enhance rangatiratanga for Māori over hauora Māori and ensure greater influence throughout the entire health system. This is central to Te Tiriti o Waitangi and will help ensure everyone has the same access to good health outcomes. That includes strengthening mana motuhake for whānau – supporting them to take control of their own health and wellbeing. (DPMC, 2022)

While it is too early to comment on their success, the recent health reforms aim to improve Māori health equity and embed the principles of Te Tiriti.[38] As part of the reforms two new agencies were launched in July 2022. Te Whatu Ora (Health New Zealand) replaces District Health Boards and is responsible for improving Māori health outcomes and equity through all of its strategic and operational functions nationally, regionally and locally. Te Aka Whai Ora is a complementary but distinct agency that will work in partnership with Te Whatu Ora. Te Aka Whai Ora's goals are:

- leading change in the way the entire health system understands and responds to Māori health needs;
- developing strategy and policy which will improve Māori health outcomes;
- commissioning Māori customary services and other services targeting Māori communities;
- co-commissioning other services alongside Health New Zealand; and
- monitoring the overall performance of the system to reduce Māori health inequities (DPMC, 2022).

The recent health reforms also established Iwi-Māori Partnership Boards, which will work with Te Aka Whai Ora and Te Whatu Ora in the design and delivery of local health services. The establishment of Iwi-Māori Partnership Boards are part of the emphasis on achieving equity of outcomes for Māori (DPMC, 2022). Their role includes assessing and agreeing local Māori health priorities and plans, and monitoring the performance of the local health system against "locality plans" (DPMC, 2022).

This "complementary but distinct" approach to seeking equitable outcomes has also been applied to disability support. Whaikaha, the new Ministry for Disabled People, lifts disability support out of the health system in recognition that a broader whole-of-life approach to disability is needed, rather than seeing disability as a health issue. This new ministry will build on the Enabling Good Lives approach, which gives disabled people greater choice and control. Enabling Good Lives is a partnership between government agencies, disabled people and the disability sector being scaled nationally following a decade of development and advocacy (Sepuloni, 2022).

[38] Māori health equity has been in focus for the health sector for decades. When first launched in 2002, He Korowai Oranga, the Māori Health Strategy, recognised institutional racism as a barrier and included actions to address health outcome inequalities (Ministry of Health, 2002).

Workforce diversity is important, especially at the top

The Chief Executives of Te Whatu Ora and Te Aka Whai Ora bring Samoan and Māori cultural connections through their respective ancestries. They are also both women, bringing more gender balance to public service leadership. In the wider leadership team of Te Whatu Ora men outnumber women by more than two to one (Te Whatu Ora Health New Zealand, 2022b). The boards of both Te Whatu Ora and Te Aka Whai Ora also include Māori (Te Whatu Ora Health New Zealand, 2022a, 2022b). Collaborative initiatives, such as Manaaki Tairāwhiti and the SASWB, include people who can be responsive to culture and place in their governance. Manaaki Tairāwhiti is iwi-led with independent co-chairs and members from 13 participating government agencies. The government-led SASWB has members from 13 participating agencies, with an independent chair who is a highly respected member of the South Auckland Pasifika community. While their models differ, they both share the whānau-centred purpose (Smith et al., 2019).

Discrimination is experienced by members of marginalised groups as the threat and reality of social exclusion, economic hardship, injustice and harm. Discrimination has direct mental and physical health impacts from the resulting stress coupled with reinforcing negative feedback mechanisms (Brondolo et al., 2017). Culturally safe services can reduce the risk of discrimination in interactions with the public service, reducing the risk of further harm. Cultural safety focuses on professional behaviours and institutional responses, with an emphasis on power dynamics and service users' perceptions and experiences to evaluate safety (DeSouza, 2008). This approach is more effective than cultural competence, which is externally orientated toward understanding other cultures (Curtis et al., 2019; DeSouza, 2008).

A lack of diversity in health care leadership and the workforce has been identified as a barrier to culturally safe and responsive care (DeSouza, 2008). The gains from workforce diversity are maximised when diversity is reflected in top management and board positions (Gomez & Bernet, 2019).

F7.3 Providing culturally safe and responsive services is essential to addressing inequities and workforce and leadership diversity are important enablers. Responsiveness to culture and place are core leadership capabilities for supporting a whānau-centred approach.

Whānau and rangatahi are best placed to lead the way on intergenerational wellbeing and equity

The pathway for Māori and Pacific peoples to bring cultural competency and responsiveness to public sector leadership and to our society starts with supporting the dreams and aspirations of whānau in our local communities.

TSI (the Southern and Western Initiative) is an innovation unit within Auckland Council and takes a "mission-led approach" to unleashing the human and economic potential of South and West Auckland. The Auckland Co-design Lab (The Lab) is a collaboration between local and central government and is nested within The Southern Initiative. TSI and The Lab work alongside whānau, rangatahi and system partners to learn to enable culturally grounded, locally-driven equity approaches to wellbeing, with Te Tiriti as the foundation. The central insight of this work is that whānau and rangatahi are best placed to lead the way on intergenerational wellbeing and equity (Hagen et al., 2021).

Te Tokotoru (Unbreakable Three) has emerged from TSI's work and is now being used to inform wider systems change practice. Te Tokotoru is built on practice-based evidence that includes whānau lived experience and mātauranga, indigenous and western knowledge. It is grounded in commitments to indigenous and tangata whenua-led perspectives of wellbeing to address the imbalance embedded in conventional government approaches. The three interconnected dimensions of Te Tokotoru are:

- Strengthening – Investing in the relationships, conditions and capital that enable whānau and communities to thrive, lead and pursue their aspirations. This encompasses primary prevention and

enhancing known protective factors for child and youth wellbeing (such as social connection, sense of belonging and strong cultural identity).

- **Healing** – Intentional investment to enable healing, protection, respite, recovery, rebalancing and restoration for people and environments. It includes personal opportunities to heal, such as access to natural environments and spaces of respite, customary healing practices and rongoā, as well as mental health and trauma-informed support.
- **Responding** – People can access support from many sources and forms, before crisis. It also legitimises and recognises informal helpers and support that may come through family, friends, community, whānau and hapori (Hagen et al., 2021).

Te Tokotoru highlights the critical role that anchor institutions, such as marae, schools, community organisations and social and health providers within communities, play in supporting cultural and social infrastructure. It invites local and central government to start from strengths and what matters to whānau, rather than starting from services and deficits, and to bring together disparate wellbeing efforts to create a more complete "wellbeing ecology".

> Te Tokotoru recognises that our communities often already have within them many of the things that we need to be well. The opportunity for government as we shift towards more centrally enabled and locally led approaches is how we can better organise ourselves (resources, policy, power, structures, funding) around enacting, enhancing, and enabling those ecologies of wellbeing. (Hagen et al., 2021)

Te Tokotoru is being applied by teams across local and central government to reframe wellbeing efforts and re-think approaches to design, investment and evaluation (Hagen et al., 2021). One early stage initiative, Te Arataki, builds relationships between agencies and whānau to share connections and social capital to progress whānau aspirations. Te Arataki is helping local agency leaders to learn how to reorient people and investment toward strengths-based support to enable whānau to thrive (Hagen et al., 2021).

F7.4 Whānau and rangatahi are best placed to lead the way on intergenerational wellbeing and equity and we can learn how to apply a strengths-based approach to help them achieve their aspirations.

Q7.1 What other examples are there of power being rebalanced within the public sector, here or internationally? What else could we consider?

7.3 Align government to unleash the spirit of service

Aotearoa New Zealand's PSA 2020 is intended to provide the foundation for a more adaptive and collaborative public service. Public service leaders "must preserve, protect, and nurture the spirit of service to the community that public service employees bring to their work" (PSA, 2020). In Chapter 5, we identified that risk aversion and power imbalance are the underlying causes of the constraints faced by providers of wrap-around services. How can the Government be more confident in and responsive to providers and the citizens they serve?

We see three complementary parts to unlocking the "siloed government" system barrier:

- aligning government and provider efforts around common long-term goals;
- establishing dual and multiple accountabilities between the Government, providers and citizens; and
- connecting up a complete "ecosystem" for learning and innovation, from proof of concept to societal impact.

In this section we draw on examples that demonstrate how different initiatives have tackled the siloed approach to government through alignment, accountability and connecting a social innovation ecosystem. We see these as complementary as they support the "learn by doing" approach to tackling complex issues, as discussed in section 6.5.

Choosing an appropriate governance and organisational model (and adapting over time) is also important. Issues about persistent disadvantage are being tackled through a spectrum of initiatives ranging from increased coordination across government agencies, to inclusive formal partnerships that bring together all the people needed to address an issue systemically. The new PSA 2020 has formalised governance and coordination options to assist agencies to join up more effectively. The Public Service Commission provides detailed guidance on options which cover a spectrum that includes:

- Taking a systems approach within sectors – Through chief executive boards with shared responsibility and/or collective accountability (sector boards).
- Establishing formal system leadership roles – For example, Government Chief Information Officer, Functional Leader for government procurement and property.
- Organising around customer and place – Through collective impact networks or boards that include both agencies and NGOs (Public Service Commission, 2018).

Substantial implementation experience from the perspective of public servants has recently been summarised by Scott and Merton (2022), drawing on different examples across this spectrum. They observed that collaboration was most successful when there was a clear and worthwhile goal that public servants were making meaningful contributions to, with a shared commitment to sustain the effort needed to succeed (Scott & Merton, 2022).

Create alignment of government and provider efforts around common long-term goals

The Child Poverty Reduction Act 2018 aims to reduce child poverty and improve child wellbeing. It became law in 2018 with near unanimous parliamentary support. The Act requires the Government to set long-term (10-year) and intermediate (three-year) targets, report annually on child poverty indicators, report on progress at each Budget, as well as on how each Budget will reduce child poverty.

Amendments in 2018 to the Children's Act 2014 require governments to develop and publish a strategy to improve the wellbeing of children and young people, with a focus on those with greater needs. The first Child and Youth Wellbeing Strategy was launched in 2019 and includes more than 100 actions from over 20 government agencies. The strategy's core purposes are to:

- provide an accessible framework to improve child and youth wellbeing, which can be used by anyone;
- drive government policy in a unified and holistic way;
- clearly outline policies which are to be implemented;
- harness public support and community action; and
- increase political and public sector accountability for improving wellbeing (DPMC, 2019).

An evaluation by Carter et al. (2022) found that the strategy is performing well as a mechanism for ministerial and central government accountability. While it is not yet playing a substantive role in driving policy, investment or actions, it is easy to use and is being used to drive cross-government collaboration to improve child wellbeing.

> The evaluation concludes that the implementation and functioning of the Strategy have good potential to achieve its intended outcomes, pending amendments as it goes into the next phase of its delivery. (M. Carter et al., 2022)

The strategy provides a foundation to coordinate efforts to enhance child and youth wellbeing. It sets clear goals that are widely supported and these are backed by a transparent and legislated measurement and accountability framework (M. Carter et al., 2022). Crucially, applying evaluation to drive ongoing learning and improvement opens the door for the transformation needed to achieve the strategy's bold vision – to make Aotearoa New Zealand the best place in the world for children and young people.

The governance of the Child and Youth Wellbeing Strategy reflects its current application as a central government framework. Work is coordinated by the Social Wellbeing Board, and Deputy Chief Executives and General Managers groups. Iwi, community development leaders and academics were included in the development phase, but the implementation has lacked this wider representation (M. Carter et al., 2022).

F7.5 Clear goals, backed by a transparent and legislated measurement and accountability framework, and integrated with the Budget process, can drive cross-government collaboration.

Establish reciprocal accountability and trust between the Government, providers and citizens

The SASWB's vision is for all children in south Auckland to be healthy, learning, nurtured, connected to their communities and culture, and building a positive foundation for the future. A government agency-led PBI, the SASWB has 13 agency and local government members and an independent non-government chair (Ministry of Social Development, 2020).

As we established in section 6.4, trust and accountability are interdependent and trust can be earned or lost by meeting or failing expectations, and thwarted by power imbalances (Haemata Limited, 2022).

Taking time – years – to build trusted relationships and a supportive enabling environment has been fundamental to the SASWB way of working. Without these foundations it is not possible to challenge norms or make bold and transformative progress:

> Our work has demonstrated that driving systemic change and achieving collective impact requires relational investment to build trust across and between many groups and spaces, including between agencies, agencies to NGOs, agencies to whānau, NGOs to NGOs, practitioner to whānau and whānau to whānau, and within frontline staff, leadership and governance spaces both locally, regionally and nationally. We have often said that the SASWB kaupapa is an exercise in trust at all levels. (SASWB, Forthcoming, p. 7)

The SASWB has made considerable progress when it comes to developing relationships between government agencies, whānau and service providers, and between service providers from different organisations at the local level, including through the multidisciplinary cross-agency team (MDCAT) model.

It was noted that at Christmas, whānau experience higher risk of family harm due to higher stress levels, but because staff in government and community agencies take leave at this time support services are in short supply. This led to a co-located MDCAT that could address key stressors to keep families out of crisis: MSD provides emergency payments, and NGOs provide mental health support. A flat leadership structure enabled staff from multiple agencies to work together better, to remove barriers to information sharing, and this has led to improved outcomes. Acknowledging that for many whānau experiencing multiple stressors Christmas is not the only time they need support, this way of working has now become embedded as part of core business (Fry, 2022).

The SASWB works by investing in building relationships and trust to enable multiple agencies and community organisations to work together better. While the SASWB has built strong connections into the community, the connections back upstream needed to achieve system change have to be strengthened, as discussed in Chapter 6 (Box 6.4).

F7.6 Learning, improvement and accountability are critical for building the trust and confidence needed to drive transformative change. Accountability and trust are interdependent, and both must be reciprocal.

Q7.2 How can anchor institutions such as commissioning agencies, Place-based Initiatives, iwi and local government help drive system change?

Building a complete ecosystem for ground-up innovation and learning from proof of concept to societal impact

There is a very large difference in scale between Whānau Ora, which received $172 million in 2021/22, and initiatives such as Manaaki Tairāwhiti, which have budgets in the single digit millions or less (Fry, 2022). As noted in Together Alone, such initiatives commonly encounter overwhelming levels of unmet demand (Fry, 2022). The abundance of place-based innovation coupled with overwhelming demand indicates unrealised potential for far greater impact.

A mantra we've heard from many people since starting this inquiry is "locally-led, centrally enabled". What might this look like?

Start with a compelling idea

The People's Project was established in 2014 in response to concerns about a growing number of people living on the streets or sleeping rough in Hamilton. Their inspiration was the Housing First approach that uses housing as a starting point, rather than an end goal (The People's Project, 2022). Housing First focuses on consumer choice and self-determination, immediately offering permanent independent apartments to clients who also determine their own support and treatment needs. Housing First also employs clients as a high proportion of their staff (Tsemberis & Eisenberg, 2000).

Housing First draws its inspiration from a community-based mental health treatment programme, that was first developed in the 1960s (Stein & Test, 1980; Tsemberis & Eisenberg, 2000). Assertive Community Treatment focused on people who needed the most support, and provided integrated, in-place support for as long as clients needed it, while respecting and promoting their independence (Tsemberis & Eisenberg, 2000)

Housing First began in the United States in the 1980s and 1990s. It evolved in response to the failure of the "linear model" to help homeless people concurrently struggling with mental health or addiction. The linear model attempts to "fix" people by stabilising their mental health and addictions to make them "housing ready". Clients must accept treatment and demonstrate sustained recovery to meet eligibility requirements for a house (Tsemberis & Eisenberg, 2000).

While intuitively sensible to those prescribing it as a "solution", the linear model exacerbates the consequences of homelessness for people who choose living on the street over the loss of freedom and choice that comes with residential treatment (Tsemberis & Eisenberg, 2000).

Validate the new approach with evidence

Research comparing the Housing First approach with the linear model in New York demonstrated its far greater effectiveness, with 88% versus 47% remaining housed after five years (Tsemberis & Eisenberg, 2000). Similar results have been replicated through trials in other cities in the United States, Canada and Europe as the Housing First model spread (Busch-Geertsema, 2013; O'Campo et al., 2016).

Reconfigure around the new approach at scale and continue to learn and adapt

Following the People's Project lead, the Government funded a Housing First pilot with Housing First Auckland. The Ministry of Housing and Urban Development now funds 12 Housing First programmes with 17 providers across 11 locations in Aotearoa New Zealand.

Aotearoa New Zealand's Housing First programme draws on the international model and focuses on people experiencing chronic homelessness for more than 12 months and who have high, multiple and complex needs (Smith et al., 2022). There was no targeted government support for homelessness before the establishment of Housing First in New Zealand (Smith et al., 2022).

In 2020, a Rapid Rehousing trial targeting people experiencing homelessness for less than 12 months and with low-to-medium social service needs was established. Fourteen Housing First providers are contracted to deliver Rapid Rehousing (Smith et al., 2022). In New Zealand, most Housing First clients are male (63%) and aged over 36 (63%) and Māori (58%), while 24% of clients identify as New Zealand European and 9% as Pacific peoples (Smith et al., 2022).

Despite Māori being over-represented as clients of Housing First, iwi and Māori were not involved in the co-design of Housing First and have not been included in the national-level governance of the programme. Iwi and Māori providers are drawing on the insights of delivering Housing First to develop a kaupapa Māori and whānau-centred service. Iwi and Māori-led models are using similar governance and organisational models to other providers, while adapting the Housing First values and principles to fit within a te ao Māori worldview (Smith et al., 2022).

Māori and iwi providers focus on mana motuhake to enable Māori to be Māori, to exercise authority over their own lives, and to live on their own terms as Māori. All Housing First providers in Aotearoa New Zealand need to understand and adopt the values of rangatiratanga (self-determination), whanaungatanga (positive connections) and manaakitanga (self-worth and empowerment) (Smith et al., 2022).

The Government is investing $197 million in Housing First. A two-phase evaluation has been commissioned and evaluation of the establishment phase has been completed (Smith et al., 2022).

F7.7 Mana-enhancing and empowering approaches to services are effective across different sectors and can be adapted and scaled with government support. In Aotearoa New Zealand, iwi and Māori should be involved at the start as Treaty partners and as Māori often make up a significant proportion of the affected population.

Box 7.2 **Sharing learning and building capacity across agencies to accelerate equity-focused innovation**

The Southern Initiative and the Auckland Co-design Lab are currently establishing an Early Years Implementation Learning Platform to bring together a range of different agencies to support a collective, cross-agency focus on the first 1 000 days of a child's life. The platform is supporting shared learning on how to reconfigure policy settings, investment, roles and ways of working to enable a whānau-centred, equity focused early years system. This learning links into the implementation of the Child Youth and Wellbeing Strategy, to understand how the strategy can be activated in communities.

The purpose of the platform is to:

- Build, share and leverage across the system practice-based evidence about enabling whānau and tamariki wellbeing, connecting action and learning on the ground with whānau, with policy and commissioning innovation processes.
- Build the learning capability in public sector teams and establish structures and practices that support agencies to meaningfully embed the shift toward culturally grounded and locally-led ways of working we have committed to – at scale.
- Build the capability of public sector teams to learn alongside communities, strengthening relational, partnership-based approaches and ways of working that enable reciprocal accountability and give effect to Te Tiriti obligations.

- Identify and create opportunities for agencies and communities to take collective action, and to pool and share resources to support shared aspirations for child and whānau wellbeing in the first 1 000 days, to achieve the Government's vision of a holistic, integrated and whānau-centred system of supports and services.

While the platform is still in its early establishment stages, it is providing an important mechanism for agencies to work together to enact a shift toward more whānau-centred, locally-led and centrally enabled ways of working – with the ultimate aim of activating an "ecology" for intergenerational wellbeing.

Source: The Southern Initiative

7.4 Anticipate and legislate for a thriving future

One of the barriers we identified in the system was being able to tackle persistent disadvantage was short-termism and a status quo bias. In this section we take inspiration from abroad to describe two models that take a more future-focused, innovative and long-term view.

The first example is the Well-being of Future Generations Act, adopted by the Welsh Parliament in 2016. The second is an anticipatory governance model currently being proposed in Finland, which itself builds on a previous initiative by the Finnish Government to bring an experimental ethos into the heart of government. These approaches can address power imbalances, siloed government and short-termism.

Legislate for the needs of future generations

In Wales in the mid-2000s, concern was growing around socio-economic issues such as: social justice; poverty; communities "left behind" by economic diversification from coal to steel; and the inability to effect change through the Welsh public management system. There was increasing acknowledgement of the limitations of the existing system, yet goals were misaligned and mindsets outdated. This was described as a "crisis of perception" (Davidson, 2020).

The Welsh Government acknowledged the fallibility of past decisions, and the limitations of the system at the time to address environmental degradation and rising challenges to social cohesion (eg, social justice, inequality and poverty). They adopted a systems approach and undertook a national consultation process called 'the Wales we want' to develop a vision of change: 'One Wales, One Planet' (Welsh Assembly Government, 2009).

This vision became the foundation for the development of the Well-being of Future Generations Act 2015 (Wellbeing Act). The nationwide conversations and consultation on the need for change provided widespread support for the Wellbeing Act (Davidson, 2020).

The Wellbeing Act is a law for future generations. It "requires that the legacy of each generation to its successors be the positive one of just, resilient and ecologically sustainable society that will enable humanity to not just continue to exist but flourish – the golden thread of intergenerational fairness" (Davidson, 2020).

The Wellbeing Act is seen as mechanism for enabling positive change in Wales. It sits at the macro level across the whole public service system as the anchoring strategic framework for public policy. The underlying theory of change is that if you want to change perception or behaviour you need to change the system first (Davidson, 2020).

Give the legislation some teeth

The Wellbeing Act has a number of compliance and accountability powers and functions (such as the powers of the Future Generations Commissioner, the Auditor-General of Wales, goals and milestones, national indicators and the Future Trends Report), which drive the duty to deliver on the goals in policy and decision making.

Some of the Wellbeing Act's key features include:

- An obligation on public bodies, over which the devolved Parliament has jurisdiction, to commit to sustainable development "in a manner which allows the needs of current generations to be met whilst also allowing future generations to also meet their own needs".
- Seven future-focused goals, with the aim of improving the economic, environmental, social and cultural wellbeing of the nation through a sustainable development approach. The definitions of these goals are specified within the new law, and it is these definitions that public bodies have to act on. These goals aim to create a Wales that is more: resilient, prosperous, healthy, equal and globally responsible, with cohesive communities, a vibrant culture and a thriving Welsh language.
- Holding public bodies accountable to future generations by placing a wellbeing duty on them. It requires these public bodies to set wellbeing objectives that contribute to the achievement of all seven wellbeing goals, and issue annual reports on progress towards them. Effectively, the Wellbeing of Future Generations Act creates a forecasting and backcasting responsibility, and accountability across the system.
- National indicators to be set by Welsh Ministers, to measure progress towards achieving the goals (s.10(1)(a). A copy of these is laid before the National Assembly.
- Time-bound milestones set by Ministers for these national indicators, and there must be clear determination of the criteria upon which it will be determined if the milestone has been achieved (ie, by reference to the value or characteristic by which the indicator is measured). These are adaptable and change if the wellbeing goals change. These can also be revised (at any stage or upon a review under subsection 5) if determined that either the milestone or the national indicator used to measure progress towards it is no longer appropriate.
- Creation of a new position – the Future Generations Commissioner, who is responsible for providing guidance, advice and support to public bodies, and issuing an annual and five-yearly report on their progress towards the seven wellbeing goals.

Box 7.3 **Be prepared for setbacks and make refinements along the way**

The Welsh Wellbeing Act was enacted in 2016 and took a number of years to get functions working across the system. The five-year report by the Future Generations Commissioner was published in May 2020. The report identifies that some goals have not been well understood, with a lack of clarity on how public bodies are meeting them. The report identified a propensity to merely act towards the title of the goal, and not the full legal definition, and the use of language was also identified as an ongoing problem – with misuse and paraphrasing causing confusion.

This was particularly true for the Resilient Wales, Globally Responsible Wales and Prosperous Wales goals. The Report found that objectives on the environment were often reliant on other existing strategies, duties (within the Environment (Wales) Act or plans, and that the connections between these instruments was often missed. In summary, the report noted room for improvement, but acknowledged that systems change takes time and that a positive direction was being taken as a result of the new Act

Source: Future Generations Commissioner for Wales (2020)

Be better prepared – the role of anticipatory governance

The challenge for 21st century societies is to overcome our individual cognitive limitations and make better decisions together. A host of cognitive biases and social and psychological dynamics make it difficult for people to address "slow" or "creeping" issues (Olson, 2016). The short-termism and status quo bias system barriers we identified in Chapter 4 reflect these individual decision-making limitations. How might we overcome them collectively?

The OECD has developed "anticipatory governance" as a tool to help governments be both forward-looking and innovative (OECD, 2022). Anticipatory governance provides an evidence-based approach to dealing with systematic risks and failures of current policy settings, towards improving strategic longer-term thinking and integrated decision making. Complex and multi-dimensional issues like persistent and intergenerational disadvantage cannot be addressed through reactive and conventional measures (OECD, 2022).

Anticipatory governance helps address the overlooked risks that are considered "looming, "creeping", "slow" or "emerging", but that cumulatively become complex and overwhelming. Issues of this nature connected to persistent disadvantage include: long-term demographic changes; workforce shortages and stresses; growing chronic disease burden; the spread of antimicrobial resistance; growing economic and environmental impacts of climate change; and housing shortages. Anticipatory governance uses scenarios to "stress test" the robustness of current institutional, policy and regulatory settings to respond to such issues (OECD, 2022).

Anticipatory governance takes a medium- to long-term systems perspective, and allows for early detection, and to keep sight of "creeping" or "slow" issues amongst the reactive and responsive churn. It provides an evidence-based approach to dealing with systematic risks and failures of current policy settings, and action towards improving strategic longer-term thinking and integrated decision making. It helps us address the dangers of making decisions that lock-in unsustainable pathways, power imbalances and short-termism. There is growing recognition that this is international best practice (OECD, 2022).

The complex challenges we now face in the 21st century are well beyond the capacity of individuals and markets. In the 20th century, modern economies developed services, such as childcare and education for the young, healthcare for the sick, and income support for the elderly and those in need. These services were traditionally provided informally through family and community, and while markets are also possible, pooling our resources through the social state has been much more effective (Saez, 2021). Looking back, we could characterise the provision of heath care and education as "simple" relative to the complexity of addressing issues, such as inequity and poverty, but they also require long-term commitment, investment and ongoing social consensus.

F7.8 We can learn from the "anticipatory" governance models being explored by other governments.

All findings, recommendations and questions

The Productivity Commission welcomes and encourages your views on any or all of the findings, recommendations or questions in this report. Submissions are open until 11 November 2022 and can be made at: www.productivity.govt.nz/have-your-say/make-a-submission.

Chapter 2 – Our approach to creating a fair chance for all

Q2.1 Do you support our framing of wellbeing and how disadvantage can arise from a lack or break down in one or more of the four dimensions? Are there any core factors or elements missing that would help us to understand and break the cycle of persistent disadvantage?

F2.1 The Living Standards Framework cannot integrate mātauranga Māori-sourced understandings of wellbeing while retaining the integrity of Māori worldviews. In the absence of suitable measures for He Ara Waiora, we have had to draw on the Living Standards Framework for descriptions of wellbeing domains and outcomes associated with the resources and living environment that contribute to enhancing the four dimensions of mauri ora.

R2.1 We recommend that Te Puni Kōkiri, the Treasury and other relevant agencies finalise develop and publish a bespoke indicators framework for measuring the state of wellbeing in accordance with He Ara Waiora, as this is critical to its successful use in policymaking.

Chapter 3 – Measuring persistent disadvantage in Aotearoa New Zealand

F3.1 Aotearoa New Zealand has a poor track record in collecting longitudinal data that could assist in assessing and reporting on persistent disadvantage, whether this be for individuals, families or households.

R3.1 The Government should commit to long-term investment in the Living in Aotearoa survey (or another survey), to expand its measures and set up longer-term panels to allow wellbeing and disadvantage to be measured over the life course and between generations.

The Commission also recommends that the Government establish a new (or expand an existing) cohort study to specifically examine the complexity of persistent disadvantage, with a view to identifying and understanding underlying causes and interrelationships.

F3.2 There is a lack of data to create a comprehensive measure of persistent disadvantage in Aotearoa New Zealand, especially for minority groups. It is important to treat the results in this report as preliminary and subject to further expansion in our final report.

R3.2 The Commission recommends that efforts be made to ensure appropriate sample sizes are created within existing and new surveys and data collections for population groups, such as Pacific peoples, disabled people and diverse communities, and for a broader range of being left out measures, particularly about social connection, discrimination, sense of identity and belonging, and community participation.

Q3.1 Do you have any additional suggestions as to how the Government might measure or assess persistent disadvantage?

F3.3 About 17% of New Zealanders experienced persistent disadvantage in one or both domains of income poor and being left out in both 2013 and 2018.

Just over 4% of the population aged below 65 years (179 000 people) experienced persistent disadvantage in both domains in 2013 and 2018. Of these, 66 000 were Māori and 23 000 were Pacific peoples.

F3.4 Sole parents, Māori and Pacific peoples, disabled people and households without any high school or tertiary qualifications were more likely than the average New Zealander to be in persistent disadvantage in one or two domains in 2013 and 2018.

F3.5 Drawing on the Household Economic Survey data for 2012/13–2020/21, we found that population groups more likely to be in persistent disadvantage are also more likely to experience higher rates of disadvantage, measured at a given point in time, than the average New Zealand population. While higher, we found that the rate of disadvantage (whether being left out, doing without or both, or even disadvantage across all three domains) has been declining over the past few years in Aotearoa New Zealand.

Chapter 4 – Causes of persistent disadvantage

F4.2 There are some key life events that are associated with becoming disadvantaged: relationship breakdown and change in family formation; living with a long-term physical or mental illness or being injured; and important transitions in life.

F4.3 Most people will experience disadvantage in their lives at some point, but it does not persist.

F4.4 Employment is an important way to reduce income poverty, but people who move into low-paid jobs have a lower probability of staying in employment and moving into a higher-paid job in the future.

F4.5 There are factors that can protect people from becoming persistently disadvantaged. These include: adequate income, wealth; and housing; health and social connection; knowledge and skills; access to employment; stable families; and government policies and supports.

F4.6 Getting a good start in life lays the foundations for building the capabilities an individual needs to avoid and respond to disadvantage. The evidence points to the importance of the early years, but also the benefits of supporting children throughout childhood.

F4.7 Aotearoa New Zealand's social, economic and political context creates power dynamics and discrimination that leads to people being stratified into groups that experience different levels of exposure and vulnerability in their lives to disadvantage.

Chapter 5 – Barriers in our public management system

F5.1 Inadequate government services can increase a person's chance of becoming persistently disadvantaged and can make it harder for people to use their strengths to live the life they want to live.

F5.2 Current reforms in discrete areas of government policy are part of the solution to addressing persistent disadvantage, but we do not think they are sufficient to address the complexity and interconnection of factors that create inequities.

Q5.1 Do you have any comments to make on specific policy areas listed in Table 5.1, where reforms are currently under way, and what needs to happen in those areas so that the chances of someone ending up in persistent disadvantage are minimised? Do you agree that the reforms may well be necessary, but will not be sufficient in completely unlocking persistent disadvantage?

F5.3 Systems change is needed to ensure Aotearoa New Zealand's public management system can respond to persistent disadvantage.

F5.4 Our history has shaped the prevailing "assumptions" on which our public management system is built and the distribution of power within it. We summarise and characterise these assumptions as:

- "Economic growth is the goal".
- "Some people are not deserving of support".
- "Everyone has the same political power".
- "Short-term interests trump long-term interests".
- "Government knows best".

F5.5 The prevailing "assumptions" that underpin our overall system settings are inconsistent with the values set out in He Ara Waiora.

Q5.2 How embedded are these ways of thinking in the public management system we have today? Or do you see different assumptions embedded now?

F5.6 We see four barriers that contribute to some people in Aotearoa New Zealand experiencing much more disadvantage in their lives than other people, and they inhibit the public management system from being able to address persistent disadvantage. These barriers are:

- power imbalances;
- discrimination and the ongoing impact of colonisation;
- siloed and fragmented government; and
- short-termism and status quo bias.

Q5.3 Do you agree with the barriers we have identified? How can they be overcome?

Chapter 6 – The system shifts that are needed

F6.1 The Commission's view is that our public management system has been relying on a set of system settings and assumptions that are now no longer fit for purpose for the contemporary challenges we face, including tackling persistent disadvantage. Based on our assessment of the evidence, we consider that re-thinking these settings and assumptions (and implementing corresponding changes to policies, practices and decision-making frameworks) will create a cascade of systems change that will, over time, make the biggest difference to people living in persistent disadvantage.

F6.2 Wellbeing approaches will not achieve their full potential to address persistent disadvantage until the values and ethos inherent in them are embedded throughout every aspect of the public management system.

R6.1 He Ara Waiora should be given greater prominence in policymaking in Aotearoa New Zealand and the values should guide the ongoing implementation of public sector reform and a wellbeing approach.

F6.3 Significant and interconnected shifts to macro-level settings and processes that govern the public management system are needed to break down the system barriers and achieve an equitable future. This includes establishing system stewardship for some settings that are currently missing to support the full expression of a wellbeing approach. A core thread is the broad application of He Ara Waiora (and other indigenous frameworks such as Pacific Wellbeing Strategy) organised around the goal of mauri ora, reciprocity of accountability and continual learning.

R6.2 The four system shifts we propose are:

- Shift 1: Re-think our macro-level system settings to better prioritise equity, wellbeing and social inclusion.
- Shift 2: Re-focus public accountability settings to activate a wellbeing approach.
- Shift 3: Broaden and embed a wellbeing approach across policymaking and funding frameworks.
- Shift 4: Enable system learning and improvement through monitoring and evaluation.

Shift 1: Re-think our macro-level system settings to better prioritise equity, wellbeing and social inclusion

F6.4 We see being guided by the mana-enhancing values of indigenous frameworks, such as He Ara Waiora, and the Pacific Wellbeing Strategy as one way of shifting our assumptions. By doing this, we broaden out the values the system holds to wider socio-ecological values and organise our responses around the goal of mauri ora.

R6.3 A national conversation is needed to come up with an updated strategic purpose and direction for the public management system (including fit-for-purpose values and assumptions), so that it is better placed to address persistent disadvantage. This needs to be a participatory process that includes the voices and perspectives of all people who call Aotearoa New Zealand home.

Q6.1 What are the values and assumptions that you think are needed to shift our public management system to be better equipped to deal with persistent disadvantage?

Shift 2: Re-focus public accountability settings to activate a wellbeing approach

F6.5 Responsibility for establishing and reviewing accountability settings within the public management system is fragmented, with elements sitting across different pieces of legislation and entities.

R6.4 An all-of-government system lead role under the provisions of the PSA 2020 should be formally designated for public accountability. We have no firm view about which entity or public service chief executive should hold this mandate, and it could be more than one, but there is a clear gap in system leadership for public accountability. Options for consideration could include one of the Central Agencies, or a separate entity.

Q6.2 Do you agree with our assessment that an all-of-government system lead role for public accountability should be designated? Do you have any views on which agency or agencies should have overall responsibility for establishing and reviewing public accountability settings? This could be an existing agency or a new agency.

R6.5 A first-principles review of public accountability settings across the public management system is needed. This could be done by a new designated system lead or an independent taskforce. Reviewing accountability settings has the potential to alleviate all the system barriers we have identified.

F6.6 For the public management system to address persistent disadvantage, we see the need for public accountability settings to:

a) Value *how* the public sector does its work.

b) Enable and encourage joined-up government.

c) Tailor accountability arrangements for devolved services and the future of social sector commissioning.

d) Increase transparency and hold spending to account in new ways.

e) Allow greater participation in governance and accountability mechanisms.

f) Take account of intergenerational wellbeing.

Q6.3 What do you see as the necessary changes to our public accountability settings so that they enable our public management system to respond better to those in persistent disadvantage? How might those changes come to life? What changes might be needed at different levels of the system?

F6.7 There are limited measures of how the public sector does its work, the values it upholds, or how it demonstrates the "spirit of service" to the community now required by the Public Service Act 2020. The five values or means of He Ara Waiora set out how the Government or the public management system should act responsibly to support individuals, their families, whānau and communities in enhancing mauri ora. There is an opportunity to consider how to build these values into our public accountability

settings. If we do this, we have the potential to address discrimination, power imbalances and siloed and fragmented government.

Q6.4 How do you think the public sector should be held accountable for how it does its work and the values it upholds?

F6.8 Public sector reform efforts towards joined-up government have largely focused on the availability of different funding mechanisms (in the Public Finance Act 1989) and the creation of new structural forms, such as public service joint ventures (in the Public Service Act 2020). The reform of reporting requirements and other public accountability settings does not appear to have been undertaken to match this intent.

Q6.5 How do public accountability reporting requirements need to change to align to the intent of a more joined-up and collaborative public service?

F6.9 Public accountability arrangements do not work well for devolved services and require tailoring. They need to prioritise strong, trust-based relationships as the core of accountability and ensure mechanism for feeding back system barriers to the centre. Changes here will make a strong contribution to redressing power imbalances and helping government to be more joined-up and take a longer-term view of issues.

F6.10 Our analysis to date indicates that current accountability settings are likely to pose a major barrier to implementing Ministers' intentions for social sector commissioning. Resolving these barriers will take the input and leadership of Central Agencies to ensure a consistent approach is taken across all sectors

R6.6 We see value in establishing a functional leadership role for social sector commissioning across government under the provisions of the PSA 2020.

Q6.6 In what ways do you see accountability for devolved services, or the future of social sector commissioning being tailored? What are the essential issues to be considered?

F6.11 Allowing a greater range of voices in public accountability arrangements is an effective way to address power imbalances and discrimination and achieve better policy outcomes. Ways of achieving this have been put forward by the Public Service Commission in its recently published Long-term Insights Briefing on enabling active citizenship. We encourage the Public Service Commission and the public service to take forward work in this area.

Q6.7 What ideas do you have to increase the ability for people to be involved in governance, decision making and accountability of the public management system? What is getting in the way of making this happen?

F6.12 A key focus of this inquiry is to better understand what actions can be taken to eliminate the transfer of persistent disadvantage from one generation to the next. There is very little in our accountability settings around being accountable to future generations and this helps to keep the short-termism and status quo barrier in place.

Q6.8 Do you have any ideas about how our public accountability settings could improve accountability to future generations?

F6.13 There is very limited holistic retrospective analysis or evaluation of the total Budget spend against overall government objectives or commitments.

Q6.9 What ideas do you have for how the Government and public sector can increase transparency of Budget spending decisions and how that spending can be evaluated against certain goals?

Shift 3: Broaden and embed a wellbeing approach across policymaking and funding frameworks

F6.14 For the public management system to address persistent disadvantage, we see the need to broaden and embed a wellbeing approach across our policymaking and funding frameworks to:

a) Strengthen joined-up, anticipatory and participatory policymaking.

b) Re-orient most spending towards wellbeing, guided by He Ara Waiora.

c) Make the pooling of funding easier across agencies.

d) Develop a framework to guide decisions about devolved funding.

e) Re-think expenditure strategy.

Q6.10 What do you see as the necessary changes to our policymaking and funding frameworks so that they respond better to supporting those in persistent disadvantage and prevent the intergenerational transmission of that disadvantage? How might those changes come to life? Who (which agency/agencies) do you think needs to take responsibility for steering these changes?

F6.15 Additional thinking is required about how our policymaking can better incorporate a system-wide and intergenerational way of viewing and analysing issues, and how policymaking can better involve those who the Government is there to serve, particularly those in persistent disadvantage. This can build on mechanisms such as: Long-term Insights Briefings; models of anticipatory governance being explored in several OECD countries; the wider application of the values or "means" in He Ara Waiora across the public sector; and new ideas from the Public Service Commission on enabling active citizenship.

R6.7 Several OECD countries are exploring anticipatory governance models and we recommend this be looked at further by Central Agencies.

Q7.3 What ideas do you have for how our policymaking can better incorporate a system-wide and intergenerational way of viewing and analysing issues?

Q6.12 What ideas do you have for how our policymaking can better involve those who the Government is there to serve, particularly those in persistent disadvantage?

F6.16 To truly adopt a wellbeing approach, most government expenditure, not just the marginal new spending through the annual Budget, should be oriented towards wellbeing goals.

R6.8 We see value in expanding the Treasury's "Clusters" and spending review approach by building on: the approach taken in Budget 2022 with 'Natural Resources' and 'Justice' Clusters; the incorporation of He Ara Waiora concepts into spending reviews for those clusters; and the better alignment of spending reviews into the Budget cycle.

Q6.13 Do you see value in developing He Ara Waiora to guide Budget allocation and baseline spending review processes? Do you have any other comments to make about how else the Budget allocation and baseline spending review processes could be improved?

F6.17 Collaborating and pooling of funding and moving resources around is still not as easy as intended under the Public Service Act 2020 reforms. There is an opportunity for the Treasury and the Public Service Commission to explore how innovative funding solutions can be applied to support future collective impact initiatives, as well as more easily facilitate cross-agency resourcing.

Q6.14 How do you think cross-agency resourcing or the funding of collective impact initiatives can be made easier? What are some of the issues or unintended consequences to guard against in doing this?

F6.18 Persistent disadvantage is often more responsive to devolved services, but there are limits. Central Agencies need to develop a framework to guide government decision makers in determining the conditions under which devolution of services and funding is and is not likely to lead to better outcomes, how best to implement this, and what public accountability looks like for these.

Q6.15 What would you include in a framework to guide decision makers in determining the conditions under which devolution of services and funding is appropriate?

F6.19 The Government should consider adopting further wellbeing targets as part of its Wellbeing Budget approach. These should be used alongside fiscal targets so that it is clearer to see what trade-offs the Government is making between competing needs.

Q6.16 Do you agree that the Government should adopt further wellbeing targets and that these should be used alongside fiscal targets? What targets would you suggest?

F6.20 It is time to re-examine the "low debt" orthodoxy and our fiscal rules, and with it our approach to accounting for future government liabilities.

Q6.17 Do you think that our fiscal rules and approach to accounting for future government liabilities constrain our ability to address persistent disadvantage? What would you like to see change with these?

Shift 4: Enable system learning and improvement through monitoring and evaluation

F6.21 Leadership and stewardship for system learning and improvement in the public management system is missing, and the situation appears worse than when the Commission reviewed the effectiveness of social services in 2015.

R6.9 An all-of-government system functional lead role should be designated for system learning and improvement.

Q6.18 Where should system leadership for learning and improvement sit? How might we secure the commitment and stability needed for this function to be effective over time?

F6.22 Monitoring and evaluation practices need to adapt in the face of complex systems. They should be about enabling continuous learning as much as they are an accountability tool. The role of evaluators should also be re-assessed. They should be seen more as "critical friends" than external auditors.

Q6.19 Do you have any comments on how monitoring and evaluation practices need to adapt in the face of complex systems? And how those changes might be implemented?

Chapter 7 – Inspiration for the way forward

F7.1 Reorientating the system around the needs of whānau is the first step toward addressing power imbalances. A whānau-centred delivery approach can address all four of the barriers we identified.

F7.2 Societal change is an ongoing journey. It is also a path we have travelled together many times as New Zealanders. We'll also need a broad social and political consensus to address persistent and intergenerational disadvantage.

F7.3 Providing culturally safe and responsive services is essential to addressing inequities and workforce and leadership diversity are important enablers. Responsiveness to culture and place are core leadership capabilities for supporting a whānau-centred approach.

F7.4 Whānau and rangatahi are best placed to lead the way on intergenerational wellbeing and equity and we can learn how to apply a strengths-based approach to help them achieve their aspirations.

Q7.1 What other examples are there of power being rebalanced within the public sector, here or internationally? What else could we consider?

F7.5 Clear goals, backed by a transparent and legislated measurement and accountability framework, and integrated with the Budget process, can drive cross-government collaboration.

F7.6 Learning, improvement and accountability are critical for building the trust and confidence needed to drive transformative change. Accountability and trust are interdependent, and both must be reciprocal.

Q7.2	How can anchor institutions such as commissioning agencies, place-based Initiatives, iwi and local government help drive system change?
F7.7	Mana-enhancing and empowering approaches to services are effective across different sectors and can be adapted and scaled with government support. In Aotearoa New Zealand, iwi and Māori should be involved at the start as Treaty partners and as Māori often make up a significant proportion of the affected population.
F7.8	We can learn from the "anticipatory" governance models being explored by other governments.

Appendix A Public consultation

Submissions were made on a Consultation Paper the Commission published in June 2021 to help shape the Terms of Reference for the Inquiry. Substantive submissions are listed here and are published on the Commission's website. Other submissions were made via an online survey and are not published on our website.

Submissions

INDIVIDUAL OR ORGANISATION	SUBMISSION NUMBER
Adelphi Motel	075
Adrian Hobson	011
Advocacy Anglican Care South Canterbury	037
Age Concern New Zealand	067
Ako Aotearoa	085
Alastair Robertson	003
Alex Dyer	052
Anonymous	019
Anonymous	071
Anonymous and unpublished	030
Aotearoa New Zealand Association of Social Workers	057
Asian Family Services	026
Ben Wybourne	063
Bev James	043
Challenge 2000	073
Child Poverty Action Group	048
Christopher Boxall	072
COMET	054
Comfort Christchurch	081
Community Housing Aotearoa	060
ComVoices	049
David Robinson	042
David Sinclair	074
Deborah Robertson	017
Don McKenzie	013
Douglas G Higgins	082
Enoch Qualls	034
Environment Communications Ltd	035
FinCap	025
Gary Wills	009
Graeme Dingle Foundation	061
Grant Beaven	005
Grant Nelson, Trustee of The Gama Foundation	012
Green Party of Aotearoa New Zealand	059
Hamilton City Council	077
Hauraki District Council	022
Housing Foundation	027
IHC	014
Imagine Better	016

Isabella Cawthorn	065
Joseph Newdick, Rakau Ora	004
Laura Williams	008
M A Mancer	015
Marci Rowe	055
Maternal Care Action Group NZ	086
Mike Lear	029
Mike Styles	084
Naomi Pocock	007
New Zealand College of Midwives	062
New Zealand Council of Christian Social Services	047
New Zealand Medical Association	028
Ngarangi Kanewa Stokes	066
Office of the Children's Commissioner	080
Patty Towl	020
Paula Cross	006
Payal Ramritu	023
Percy Harpham	083
PGF Group	078
Phillip Coghini	068
Platform Trust	053
Pringle Group	070
Professor Boyd Swinburn	018
PwC Aotearoa	050
R J Skinner	036
Regional Arts Network of Aotearoa	032
Royal Australasian College of Physicians	039
Royal Australian and New Zealand College of Psychiatrists	024
Ruapehu District Council	021
Ruth Herbert	069
Shar Gardiner	058
Six former members of Welfare Expert Advisory Group	044
Social Service Providers Aotearoa	079
SociaLink	033
Te Hiringa Hauora	031
Te Rūnanga o Ngāti Whātua	056
The Helen Clark Foundation	001
The Methodist Alliance	051
Tim Cadogan	041
Tokona Te Raki and BERL	010
Trina Sellers	002
Waikato Wellbeing Project	064
Waipa District Council	040
Wesley Community Action	045
Xero	038
Youthrive NZ	076
YWCA Auckland	046

Engagement meetings

INDIVIDUAL OR ORGANISATION

Action Station

Ako Aotearoa

Alwyn Poole, Villa Education Trust

Arthur Grimes

Auckland City Mission

Ben Preston, Hutt City Council

Birthright

Brian Easton

Business New Zealand

Carolyn Gullery

Centre for Evidence and Implementation

Child Poverty Action Group

Christchurch Health and Development Study

Community Housing Aotearoa

Cooperative Business New Zealand

Crow's Nest Research

Danny Mollan

Department of Prime Minister and Cabinet

Dr Gretchen Good, Massey University

Dr Luke Chu, Victoria University of Wellington

Dr Michael Fletcher

Dr Omoniyi (Niyi) Alimi, The University of Waikato

Dr Simon Chapple

Federation of Māori Authorities

E Tu

FinCap

FIRST Union

Gael Surgenor

Gissie Kai Rescue

Graham Scott

Growing Up In New Zealand Study

Helen Clark Foundation

Hikoikoi Kaumatua Ropu

Hikoikoi Management Ltd

Hoku Group

I Have A Dream Charitable Trust

ImpactLab

Inspiring Communities

Institute of Environmental Science and Research

Jane Higgins

J R McKenzie Trust

Professor Jonathan Boston

Joint Venture Family Violence and Sexual Violence

Karo Data Management

Koi Tū

Lifting Literacy Aotearoa

Le Va

Māori Senior Officials' Group

Max Rashbrooke

Manaaki Tairāwhiti

Mental Health and Wellbeing Commission

Methodist Mission Southern

Mike Styles

Ministry for Pacific Peoples

Ministry of Business, Innovation and Employment

Ministry of Education

Ministry of Education

Ministry of Housing and Urban Development

Ministry of Justice

Momentum Waikato

Ministry of Social Development

Motu Research

New Zealand Council for Educational Research

New Zealand Council of Trade Unions

New Zealand Human Rights Commission

New Zealand Nurses Organisation

New Zealand Police

Oregon Department of Human Services

Office of the Auditor-General

New Zealand Red Cross

Office of the Children's Commissioner

Oranga Tamariki

Pia Andrews

Professor Francis Collins, The University of Waikato

Professor John Creedy, Victoria University of Wellington

Professor Tahu Kukutai, The University of Waikato

Professor Darrin Hodgetts, Massey University

Professor Norman Gemmell, Victoria University of Wellington

Public Service Commission

Reserve Bank of New Zealand

Royal Society Te Apārangi

Sacha McMeeking

Social Services Providers Aotearoa

Rural Women New Zealand

Social Wellbeing Agency

South Auckland Social Wellbeing Board

Te Arawhiti

Te Hā Oranga

Te Rūnanga o Ngāi Tahu

Tokona te Raki/Māori Futures Collective

Statistics New Zealand

Tairāwhiti Community Voice

Te Puni Kōkiri

The Cause Collective

The Family Centre

The Howard League

The Southern Initiative

The Treasury

The Wise Group

Unite Union

Vodafone Foundation

Waikato Wellington Project

Wesley Community Action

Wellington City Mission

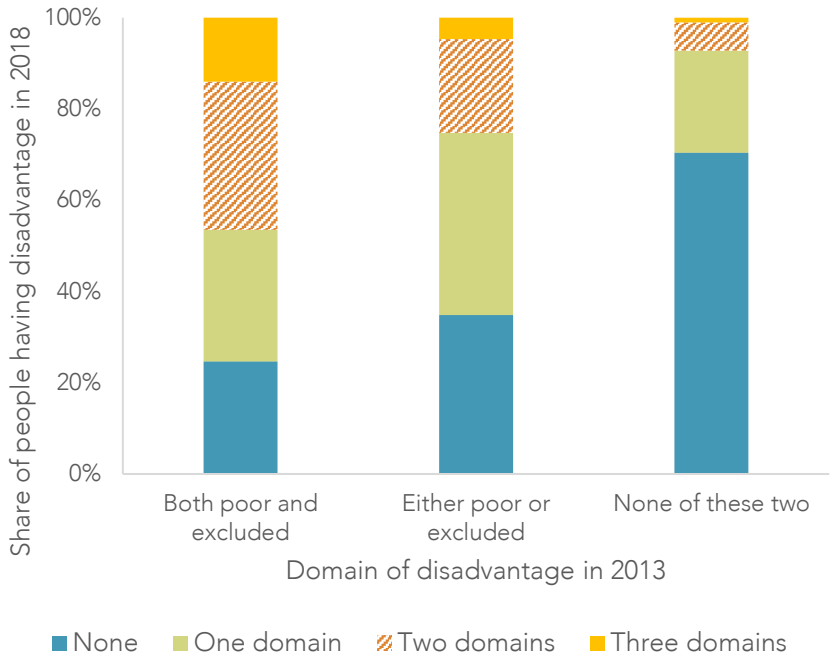
Whāngaia Ngā Pā Harakek

Appendix B Additional information on trends in persistent disadvantage

Table B.1 Measures used to describe the three domains of disadvantage

Domain of disadvantage	Persistence measure based (largely) on 2013 and 2018 Censuses	Pseudo panel description and Linked Census / HES analysis 2012-2020 *Italics denotes DEP-17 measures*
Income poor	≤50% of median equivalised family income	≤50% of median equivalised family income (subjective) how well total income meets everyday needs
Doing without	2018 only – Those with 2 of 4: • overcrowding • mould • dampness • lack of basic amenities	*Don't have 2 pairs of shoes in good condition* *Don't have home contents insurance* *Don't have a meal with meat, fish or chicken, vegetables at least each 2nd day* *Gone without or cut back on fresh fruit and vegetables* *Buy cheaper cuts of meat or bought less meat than you'd like* *To keep costs down:* • *put up with feeling cold* • *delay replacing/repairing appliances* *Unable to afford unavoidable $500 expense* *More than once in last 12 months could not pay on time:* • *electricity, gas, rates, water bills* • *car insurance, reg, WOF* • *borrowed from friends/family to meet everyday living costs* • behind on rent or mortgage *Feel limited by the money available in buying or thinking about buying clothes or shoes for self* Major problem with dampness or mould Major problem with heating accommodation in winter Received assistance from foodbank or other community organisation
Left out	Those with 1 of 4 in both 2013 and 2018: • jobless household • no-qualification in household • no internet • no vehicles	*Suitable clothes for important or special occasion* *Presents for family/friends on special occasions* *To keep costs down:* • *done without or cut back on trips to shops or other local places* • *postponed visits to the doctor* • *postponed visits to the dentist* No qualification in household Jobless household Holiday away from home at least once every year Ability to spend $300 on non-essential purchase Access to vehicle for personal use (from 2019/2020) Access to both a computer and internet at home (from 2019/2020) Children don't have school uniform (from 2018/19) Cannot pay for child's school trips/events Limited child's involvement in sport
Outcome		How do you feel about your life (satisfaction)

Figure B.1 Distribution of disadvantage in 2018, conditioned on the individual's experience of disadvantage in 2013

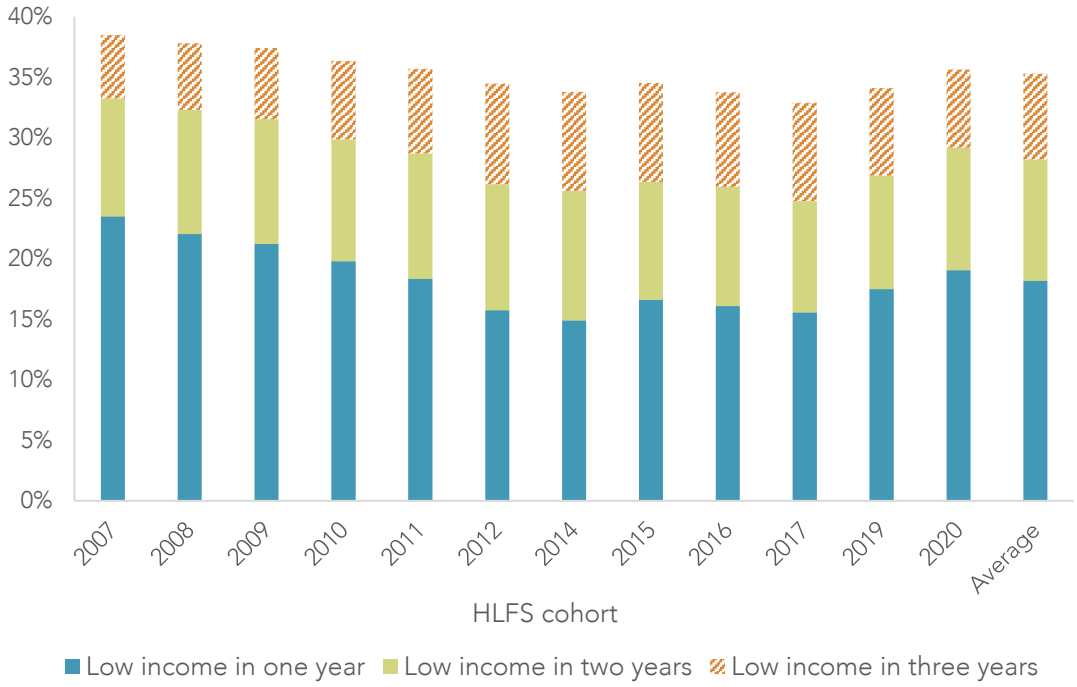


Source: NZPC estimates using the 2013 and 2018 Censuses.

Notes:

1. Baseline population: New Zealanders aged below 65 years.
2. Three domains of disadvantage in 2018: Income poor, Deprived and Excluded.

Figure B.2 Prevalence of low income for different samples

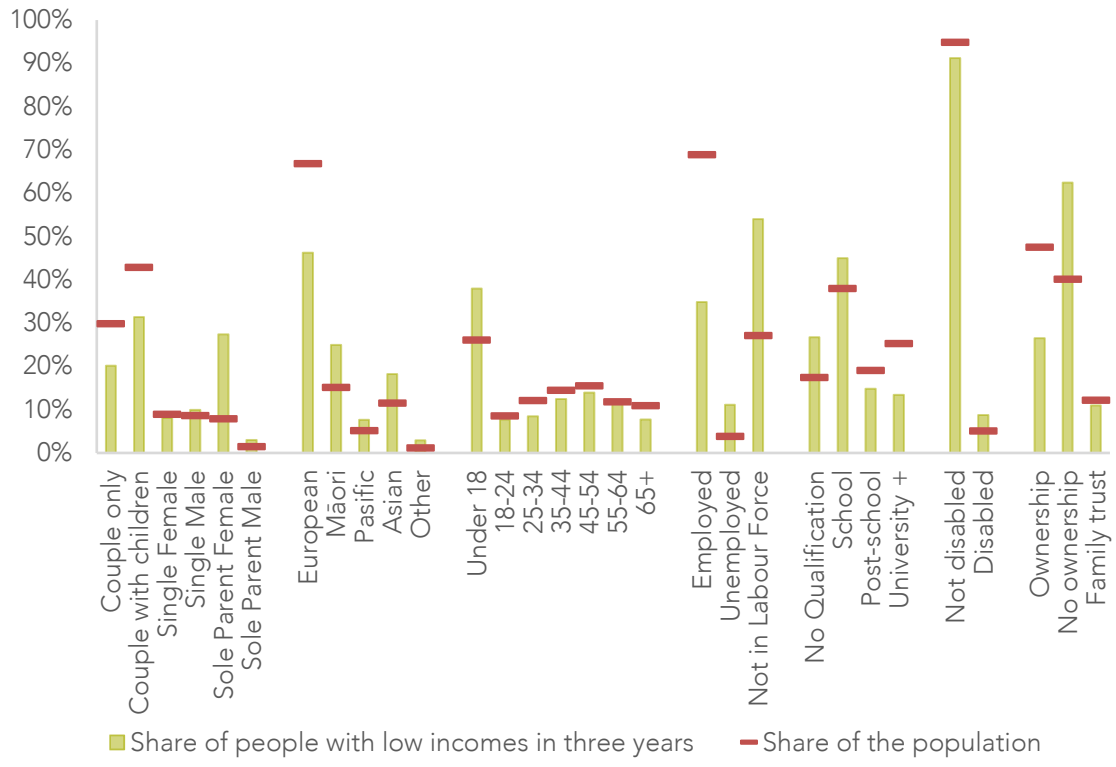


Source: NZPC calculations using the Household Labour Force Survey years 2007–2020 and the 2013 and 2018 Censuses.

Notes:

1. Each HLFS sample (cohort) was linked by the two censuses to create a longitudinal dataset with three points in time over the medium to-long term.

Figure B.3 Demographics of people with low-income persistence



Source: NZPC calculations using the Household Labour Force Survey in 2020 and the 2013 and 2018 Censuses.

Notes:

1. The HLFS sample in 2020 was linked by the two censuses to create a longitudinal dataset.

2. The difference between the height of the blues bars and the red dashes shows who in each of these groups is (relatively) more likely to have persistent low income (eg, Māori and others who are not New Zealander European, those with low qualifications and sole parents).

Table B.2 The extent of exclusion in 2013 and 2018 (in percentage)

	Sole parent	No high school qualification	Māori	Pacific	Disabled	Renters	Income-tested benefits	Young 18–24	Old 65+	Aged < 65
Share of baseline population	12.0	10.1	27.4	27.3	6.2	50.9	17.8	9.7	12.5*	100
Jobless in 1 year	45.1	40.3	19.9	17.6	43.5	20.3	55.2	31.9	63.9	15.6
No qualification in 1 year	21.4	100.0	12.9	14.1	25.7	12.6	27.0	8.7	27.5	10.1
No internet in 1 year	11.2	22.1	9.3	7.2	17.7	8.8	18.5	6.1	24.4	6.9
No vehicles in 1 year	11.9	12.7	9.3	8.5	12.2	7.2	15.1	7.3	7.1	4.2
Jobless in 2 years	13.7	18.0	7.7	6.7	25.9	7.1	22.1	6.9	53.4	5.7
No qualification in 2 years	7.2	46.8	8.7	9.3	14.9	5.5	12.0	3.1	19.6	4.7
No internet in 2 years	7.3	16.2	2.4	1.8	12.7	5.4	13.0	2.8	19.9	4
No vehicles in 2 years	3.0	4.8	21.0	20.8	6.3	2.1	5.5	1.2	4.6	1.2
Experience 1+ factor in each of both years	26.2	71.1	16.4	14.7	39.9	14.8	40.4	13.1	65.6	11.7
Experience 2+ factors in each of both years	18.2	40.7	27.4	27.3	25.7	9.6	27.4	7.4	31.8	6.2

Source: NZPC calculations using the 2013 and 2018 Censuses.

Notes:

1. Baseline population: New Zealanders aged below 65 years. Population groups are based on the characteristics of individuals and their families in the 2013 Census.
2. Asterisks refer to the shares of the entire population at all ages.

Table B.3 Prevalence of persistent disadvantage for sole parent, Māori and Pacific peoples in 2013 and 2018 (in percentage)

Group or characteristic in 2013	% of group's population	Low income in both years	Excluded in both years	Income poor & excluded in both years	At least one domain
1. Sole parent		27.3	26.2	17.0	36.5
Unqualified	21.4	38.6	65.4	38.3	65.7
Jobless	45.1	44.6	52.4	37.9	59.1
Income-tested benefits	55.0	39.4	42.4	29.5	52.3
2. Māori		15.6	21.0	9.5	27.0
Young (18–24)	11.3	15.7	22.3	11.0	27.1
Sole parent	25.9	32.9	37.7	25.6	45.1
Unqualified	19.9	25.1	71.1	25.6	70.6
Jobless	27.4	37.4	61.3	36.6	62.2
Income-tested benefits	37.2	31.2	45.8	25.9	51.1
3. Pacific		15.8	20.8	8.7	27.9
Young (18–24)	12.4	15.5	21.9	10.3	27.2
Sole parent	18.6	31.1	37.0	23.2	44.9
Unqualified	17.6	22.6	69.8	22.0	70.5
Jobless	27.3	34.2	56.9	30.6	60.5
Income-tested benefits	31.4	31.1	43.2	23.5	50.8

Source: NZPC calculations using the 2013 and 2018 Censuses.

Notes:

1. Baseline population: New Zealanders aged below 65 years.

Table B.4 Share of people living in deprived areas in 2013 and 2018 (NZDep score)

Group or characteristic in 2013	% of baseline population	In one year			In both years
		score 9-10	score 7-8	score 7-10	score 9-10
Sole parent	12	22.5	35.0	57.6	25.4
Unqualified	10.1	24.1	40.8	64.9	29.9
Māori	27.4	22.7	39.9	62.6	28.8
Pacific	27.3	19.8	54.4	74.3	44.6
Disabled	6.2	23.6	30.6	54.2	20.7
Renters	50.9	20.1	23.7	43.9	15.4
Jobless	15.6	22.0	37.5	59.6	27.9
Benefits	17.8	23.9	41.5	65.5	30.0
Young 18–24	9.7	22.2	23.1	45.5	13.2
Old 65+	12.5*	21.9	16.8	38.8	10.7
Aged < 65	100	19.5	19.5	39.1	12.5

Source: NZPC calculations using the 2013 and 2018 Censuses.

Notes:

1. Baseline population: New Zealanders aged below 65 years.
2. Asterisks refer to the shares of the entire population at all ages.

Table B.5 Prevalence of persistent disadvantage in 2013 and 2018 by location (in percentage)

Group or characteristic in 2013	% of baseline population	Low income in both years	Excluded in both years	Income poor & excluded in both years	At least one domain
Northland	3.3	14.4	16.2	6.7	23.8
Auckland	33.5	11.0	11.1	4.9	17.2
Waikato	9.6	10.3	12.7	4.5	18.5
Bay of Plenty	6.0	10.7	12.8	4.9	18.6
Gisborne	1.0	12.9	17.0	6.8	23.2
Hawke's Bay	3.5	10.3	13.6	4.7	19.2
Taranaki Region	2.6	10.2	13.2	4.0	19.4
Manawatu-Wanganui	5.2	11.2	14.5	5.2	20.6
Wellington Region	11.3	8.2	10.3	3.6	15.0
West Coast Region	0.7	8.4	13.9	3.6	18.7
Canterbury Region	13.0	7.3	10.0	2.9	14.4
Otago Region	4.7	8.2	10.0	3.0	15.2
Southland Region	2.3	7.7	12.2	3.0	17.0
Tasman Region	1.1	10.7	9.7	3.2	17.2
Nelson Region	1.1	9.4	11.8	3.8	17.4
Marlborough Region	1.0	8.3	10.8	2.7	16.4
Auckland/Waitemata	21.5	10.2	9.5	4.2	15.4
Manukau	11.1	12.7	14.4	6.4	20.7
Waikato	8.8	10.7	13.2	4.8	19.0
Rest of North Island	34.4	10.3	12.7	4.6	18.4
South Island	24.1	7.9	10.5	3.1	15.3
Urban	82.5	10.0	12.2	4.6	17.6
Non-urban	17.5	9.7	9.3	2.8	16.1

Source: NZPC calculations using the 2013 and 2018 Censuses.

Notes:

1. Baseline population: New Zealanders aged below 65 years.

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