Dave Heatley

Making Social Services Work for Everyone:

a summary of the recent Productivity Commission inquiry

Social services are those dedicated to enhancing people's economic and social well-being by helping them lead more stable, healthy, self-sufficient and fulfilling lives. New Zealand's social services – specifically, those provided, funded or otherwise supported by government – were the subject of a recent New Zealand Productivity Commission inquiry (Box 1). The commission's final report is wide-ranging, covering subjects from service commissioning to purchasing and contracting, programme evaluation, institutional design and system stewardship. The report's recommendations on many of these topics reflect standard social policy principles and may hold few surprises for readers of *Policy Quarterly*. The commission's report breaks new ground in its analysis and in its proposals for institutional changes to address the needs of those New Zealanders least well served by the current system. This article summarises these aspects of the report. Readers seeking further information should consult the full report (New Zealand Productivity Commission, 2015).[1]

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Longstanding concerns

The challenge of delivering effective social services in New Zealand is yet to be resolved, as evidenced by these quotations from almost a century apart:

> destitute and dependent children are dealt with in a somewhat haphazard manner. There is no controlling authority, and an utter lack of co-operation and co-ordination even between Government departments, without including the work carried out by Charitable Aid Boards and the social services agencies of the various Churches. (Officer in charge of Special Schools Branch, 1920)

Box 1: The Productivity Commission and its inquiries

The New Zealand Productivity Commission Act 2010 established the commission 'to provide advice to the Government on improving productivity in a way that is directed to supporting the overall well-being of New Zealanders, having regard to a wide range of communities of interest and population groups in New Zealand society' (section 7).

Inquiries – on topics specified by ministers – are the primary means by which the commission develops its advice (section 9(1)(a)). Typically, each inquiry takes a year and tackles a complex topic characterised by multiple stakeholders, incomplete evidence, and contested problem definitions and solutions.

The commission conducts inquiries by undertaking research, external engagement, and hypothesis development and testing. The commission tests its hypotheses for consistency with theory and empirical evidence, against the experiences of stakeholders, and through public exposure (e.g., the publication of draft reports). Where evidence is incomplete or contradictory, the commission seeks positions that, in its judgement, are intellectually coherent, consistent with theory and supported by the weight of evidence.

The commission must act independently in performing its functions (section 9(2)). Independent policy advice can help governments determine what to do when faced with competing or conflicting claims, and help them to implement changes through greater public understanding (Banks, 2011).

The commission released the final report of its seventh inquiry – *More Effective Social Services* – in September 2015. The report, supplemented by four case studies, submissions and other material, is available on the commission's website at www.productivity.govt.nz/inquiry-content/social-services.

> The current system is overly confusing. Victims, perpetrators and families often find it difficult to navigate their way through a complex maze of disconnected services and systems each with different policies and processes. Agencies operate as silos and invariably do not know what other agencies can offer and hence are unable to make appropriate referrals. (The Impact Collective, 2014)

A raft of studies document poor performance of the social services system (e.g., Ministerial Advisory Committee on a Māori Perspective for the Department of Social Welfare, 1988; Office of the Minister for Social Development and Employment, 2008). These generally identify a lack of coordination between services as a causal factor, and frame solutions in terms of improved coordination within and between the many organisations involved in service delivery. In response, governments have created substantial coordination infrastructure and made numerous and ongoing attempts at improvement. Despite this, concerns about poor performance endure.

Departing from previous studies, the Productivity Commission offers a new diagnosis of why and for whom the system is failing, and why attempts to improve the system have met with limited success.

Diagnosis

While individuals are the ultimate consumers of social services, 'social' reflects that society has a stake in their quality, in the quantities delivered and in who receives such services. This prompts government intervention, through funding, direct provision and/or regulation. The government funds and delivers social services through administrative silos: separate agencies for health, education, justice, etc. Agencies often do not recognise the links between the outcomes they seek and those sought by other agencies.

The commission's observations and discussions with service providers show that people's need for social service varies. Users (or clients) of social services can be usefully separated into four broad groups, as shown in Figure 1, each facing a different situation in dealing with the system.[2] The complexity of their needs distinguishes clients: do they need a single service best delivered by a specialist agency (quadrants A and B) or a package of services from many sources (quadrants C and D)?

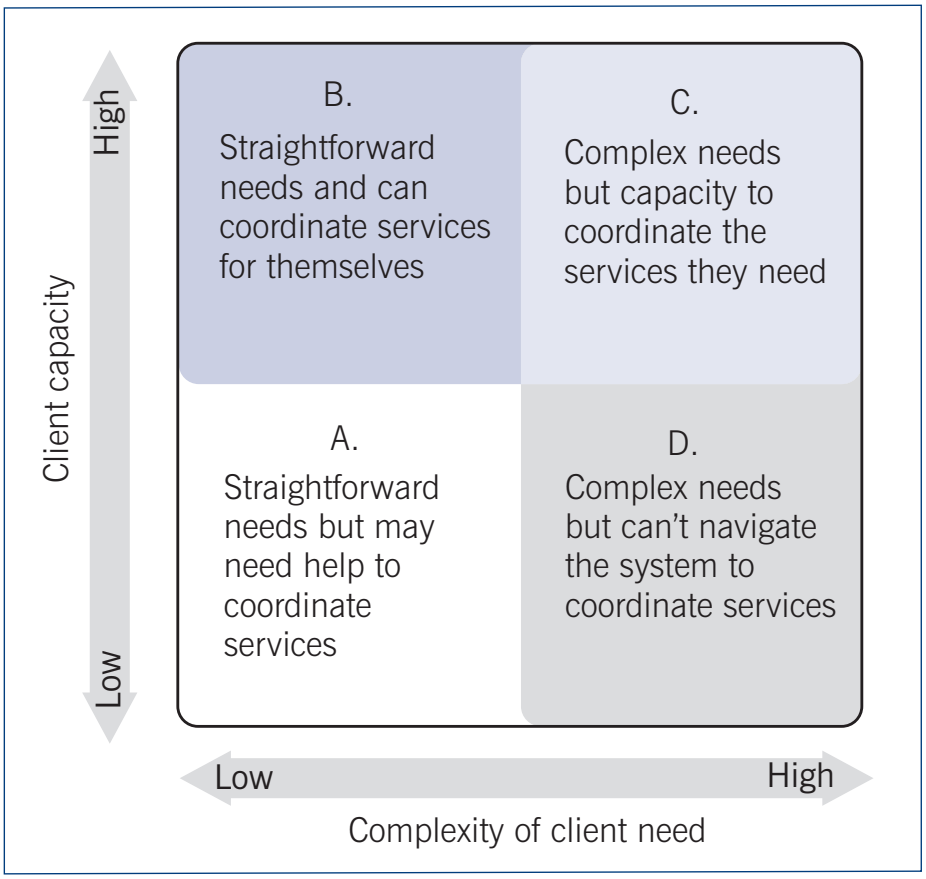
Clients also differ in their capacity to understand and manage their access to available services. Those with good capacity can and should be permitted to use it to improve the match between their needs and available services (quadrants B and C). By contrast, the system needs to make or facilitate choices for those with reduced capacity (quadrants A and D).

Four fictional examples illustrate the quadrants:

- Aroha, an older person with a heart condition, falls in quadrant A. She needs assistance with diagnosis and the coordination and selection of medical specialists. Her GP would typically do this on her behalf.
- Bernard, in quadrant B, prefers to select and coordinate services for himself and his children, including child care, schooling, GP and dentistry.
- Charlie, in quadrant C, is an intelligent, educated adult in a wheelchair due to muscular dystrophy. He requires multiple services, including medical, housing, transport and personal support. He often finds the services offered do not match his needs. He is frustrated that he doesn't have a greater say in the services he gets. After all, who understands his requirements better than he does?

- Denise, a mother of two children, has a violent partner who misuses alcohol and other drugs. Fleeing her partner, a battered Denise and her children seek emergency shelter for the night. In the morning, the difficult struggle begins to help Denise sort out her life and her children's lives. No one agency or provider has the mandate or the resources to arrange the package of assistance that Denise needs to turn her life around. Denise's situation is unique and needs a tailored, prioritised, sequenced and coordinated response. In common with other clients in quadrant D, Denise lacks the capacity and resources to organise such a response herself.

Figure 1: Social services clients face different situations



New Zealand's social services system is well suited for quadrants A and B, which describe the great majority of clients. The system needs to provide standardised services with consistent quality for those clients. Clients need information to make their own service choices (quadrant B), and professional referrals to match them to the best service (quadrant A). But a system designed around standardised services with consistent quality often performs poorly for those in society with complex needs that span administrative silos (quadrants C and D). For these people, accessing the services they need, in the form that they want and when they want, can be extremely difficult and frustrating (see, for example, Auckland City Mission, 2014). For those quadrants, the system needs to be able to deliver well-integrated services, tailored to the needs of individual clients and their families.

Importantly, clients could be in multiple quadrants simultaneously: for example, they may require assistance with a health problem (quadrant A), but be happy to organise their own tertiary education (quadrant B). It is therefore difficult to estimate the proportion of the population that might fall into each quadrant. The boundaries between quadrants are also a consequence of the system; for example, changes that made it easier for clients to select services might increase the proportions falling in quadrants B and C. The commission's report does not include estimates of the size of the quadrants. As a rough indication, more than 90% of the population would likely fall into quadrants A and B. This is consistent with estimates that 2.2% of the Australian population would be eligible for the Australian national disability insurance scheme, which targets a population similar to that of quadrant C (National Disability Insurance Agency, 2015).

Silos are an effective way to deliver standardised services

The relative success of mainstream social services in coping with the needs of the majority of the population may provide part of the explanation for why many well-being measures for New Zealand are higher than might be expected given the country's relatively mediocre ranking in terms of GDP spend per head by OECD standards (Ministry of Social Development, 2010; OECD, 2015). Despite some shortcomings, administrative silos are an effective way of managing mainstream social services. This is because these services tend to be highly specialised and have economies of scale, and siloed delivery offers strong political accountability.

Social services are highly specialised

Social services and the organisations that deliver them have developed historically to become highly specialised (Downey, Kirby and Sherlock, 2010). This reflects strong lines of political accountability and economies of scale in the administration of government services, and the role of specialised knowledge and skills and evidence-based methodologies in many parts of the social services system.

Yet strong specialisation in government administration and the social services make it difficult to exploit service synergies across administrative and professional boundaries. Moreover, specialisation in services makes it more difficult and costly for clients to get the mix and sequencing of services that best meet their needs.

Many services exhibit economies of scale

Organisations and businesses can choose different strategies to get the most out of their resources. They can specialise in particular types of goods or services, becoming more efficient through developing economies of scale. Or they can choose to diversify, taking advantage

of the synergies in the production of different types of goods and services, building on economies of scope.

Most government organisations and many social services organisations have developed historically to take advantage of economies of scale. For instance, Work and Income, a service line of the Ministry of Social Development, is highly specialised in administering the income support system and associated employment services. The health system has many independent specialised personnel who have spent years training for a narrowly defined area of practice. Scale is required to support this level of specialisation.

Strong lines of political accountability

Strong lines of accountability to Parliament through particular ministers and statutory requirements governing particular services reinforce specialisation in government organisations. This narrow political accountability discourages sharing information, budgets and expertise across silo boundaries.

The need to hold politicians accountable for public money encourages service standardisation. Knowing they will be 'held to account' by the media, opposition parties and ultimately the electorate, ministers are wary of involvement in anything outside their direct control; they do not want to take the blame for others' decisions, and they want to retain the flexibility to intervene directly. Service delivery silos act to reduce political risk. There are political risks aplenty in accountability for the delivery of a service at a minimum standard. Accountability for actual outcomes – improving the lives of specific people – would expose ministers to significantly more political risks.

But silos are an ineffective way to deliver tailored services

The defining characteristic of people in quadrants C and D is the complexity of their situation. Individuals and their families can face health, housing, employment, domestic violence and other issues simultaneously. The consequences for quality of life of having multiple disadvantages far exceed the sum of their individual effects (Stiglitz, Sen and Fitoussi, 2009). Such issues tend to occur together for a relatively small number of the most disadvantaged individuals and families. Helping them is costly to government. By way of example, the 10,000 highest-cost clients of the social services system are each expected to generate lifetime budgetary costs of $500,000 or more, involving a total cost of $6.5 billion (New Zealand Productivity Commission, 2015). This is one indication of the prospective gains from improving outcomes for the most disadvantaged New Zealanders.

No standardised programme is likely to suffice for those in complex situations. They need a tailored approach that identifies, prioritises and sequences a package of services and support. In the example described above, Denise and her children might need victim support, housing, income support, health and education services. The inability of silos to collaborate effectively often means missed opportunities for early intervention and unmet client needs. Disadvantage endures. For taxpayers, the fiscal cost of the system escalates as people re-enter the system at more costly intervention points, such as emergency units and prisons. Human and financial costs are extremely high for such clients, their families and wider society.

An insight from the Productivity Commission's inquiry is that the success of the system in meeting the needs of quadrants A and B make it resistant to change.

The relevant success measures for mainstream services in quadrants A and B – for example, hip replacements – tend to be a combination of quantity, quality and cost. It is more challenging to identify the relevant success measures for quadrants C and D. The matching of services to need is an important determinant of quality. And the cost of a service may be less relevant than its ability to reduce future costs. Society should measure success in outcomes for specific people: lives turned around, human potential realised, and a consequent reduction in future service use.

Why does the current system persist?

Much government energy and resources goes into cross-agency coordination initiatives, yet service fragmentation remains all too common. Fragmented services lead to wasteful duplication of processes, muddled diagnosis of issues, poor sequencing of services and client frustration. Poor diagnosis of issues and the complexity of client needs mean that clients pass from one service to another, without resolving their problems. This increases overall demand for, and the cost of, services (Locality and Vanguard Consulting, 2014).

An insight from the Productivity Commission's inquiry is that the success of the system in meeting the needs of quadrants A and B make it resistant to change. Successful business models are difficult to find; they tend to persist simply because any movement away from their present equilibrium makes them less able to meet the requirements of current customers (Christensen et al., 2011). The social services system delivers both universally available and targeted services; thus, the median service user is also the median voter. Political systems are responsive to the median voter.

Approaches should be matched to client needs and capability

The Productivity Commission's recommendations reflect the characteristics of the four quadrants:

- Clients who have relatively simple needs, but find it difficult, by themselves, to identify and access the appropriate service choices (quadrant A), may need assistance

in service selection. Their needs may be best met by an efficient and well-informed referral system, such as that provided by GPs for specialist services. Importantly, such clients may be perfectly able to make their own choices for other types of services.

- Relatively separate services are an efficient way to serve clients who are confident and able to make their own service choices and have relatively simple needs (quadrant B). These people are generally happy to identify the services they need (such as early childhood education, schooling or tertiary education) and to connect to them. They may regard choice of service or provider to be more important than service integration.
- Clients in quadrant C should be empowered with more control over the services they need. They can take control of their own service tailoring through, for example, client-directed budgets. These allow clients control over the mix and quality of services received, offering significant improvements over bureaucratic allocation.
- Those who are less able to make decisions (quadrant D) need support and a response tailored to their needs. These people – the most disadvantaged New Zealanders – are the targets of a long succession of government initiatives. Yet effort remains fragmented and success elusive.

More effective services for those in quadrant D

In response to the problems of service fragmentation, particularly for those in quadrant D, governments have created many ad hoc integration initiatives. Current initiatives include Strengthening Families, Social Sector Trials, Whānau Ora, Children's Teams and Year 9 Plus. Reviews of such initiatives have identified many problems, including high coordination costs, low sustainability, limited ability to scale up, inadequate budgets, unwillingness of funders to pool budgets, difficulties in achieving shared goals and common objectives, and conflicting priorities. Multiple integration initiatives targeted at the same clients compound these problems. Individually and collectively, these initiatives have failed to resolve the problems of service fragmentation.

Non-government providers often deliver social services. Many hold multiple service contracts with multiple funding agencies. Such providers often attempt to join up those services and tailor a package to suit each client. But contracts typically specify a single service, are overly prescriptive and come with complex eligibility and reporting requirements. One provider the commission met had over 30 contracts covering 20 programmes from 13 funders. Another provider held over 80 contracts. Providers also refer clients to other services and providers. These arrangements succeed to at least some degree, but appear unnecessarily complex and administratively costly.

Some government agencies have proposed the use of joint ventures between themselves as a means to provide integrated services to disadvantaged New Zealanders. This approach would have difficulty in meeting all the requirements of an effective integrated service. In particular, based on experience with models such as Whānau Ora, the parent agencies involved in a joint venture model are likely to maintain control over their contributions to a shared budget, and limit service providers' local discretion over a budget that is adequate to support client-centred decision-making.

Simply stated, in the current system there is no one with the specific mandate or incentives to focus on serving clients whose needs cross agency boundaries. The system fails the 'principle of unity of responsibility' (Holmstrom and Milgrom, 1991).

> Targeting is likely to work best if a single organisation has clear responsibility for serving the needs of a defined population.

Designing a better system

The commission identified eight features necessary for effective services for quadrant D clients:

- decision-making close to the clients (i.e., by those with information about their specific and evolving circumstances);
- capability to engage with the family/whānau and their wider social context;
- a navigator to prioritise and sequence services;
- a dedicated budget which is enough to cover the range of services needed, and devolved decision rights over the use of that budget;
- allocation of resources to where they have the most effect;
- devolution (so that close ministerial and departmental control does not lead to overreaction to individual cases, or to the over-specification of services);
- sufficient contestability to reward good providers and replace those that are not delivering; and
- experimentation and learning to improve service design.

Client-centred service design and implementation

What follows expands on some of the features mentioned above. Quadrant D clients have multiple problems that interact in complex ways and pose a challenge for finding effective solutions. Solving such proble,ms requires a service that can respond flexibly to emerging issues and changes in client capabilities and aspirations. The service needs to keep trying new approaches based on a close understanding of the client and their wider family/whānau situation. Service tailoring cannot occur at a distance from the client.

Clear identification of the target population

Quadrant D clients are often difficult to engage. Services to address their needs are relatively intensive and therefore costly. If successful, services can produce significant benefits for the clients themselves, their families and the wider community. Service targeting should be based on need and the prospect of achieving a good return on resources used.

Targeting is likely to work best if a single organisation has clear responsibility for serving the needs of a defined population. 'Defined population' in this sense means that it is clear which individuals are within and which outside the responsibility of that organisation. The population could be specified in terms of factors that increase the risk of poor outcomes. In turn, service providers would need to engage (or enrol) members of the defined population. Assessment of the needs of an enrolled client would shape the resources allocated to buying services for them.[3] Enrolment would support a system of responsibility for client outcomes, rather than the responsibility for services delivered which characterises the present system.

Devolved decision rights over a dedicated budget

An agency with responsibility for quadrant D clients needs a dedicated budget, adequate to meet the cost of the services required for its defined population. Navigators close to clients should exercise decision rights over the use of the budget.

Prioritising spending to best achieve outcomes

An agency should be accountable for improving outcomes for its defined population, recognising that improvement will not be as easy or as fast as for other client quadrants. It will need to have a decision-making framework that helps it to allocate resources to where they most improve outcomes for clients. An expanded version of the government's 'Investment Approach' would provide such a framework, but would need to be adapted to support devolved decision-making about service design and implementation.

Information systems to support decision-making

The social services system needs information networks that provide timely client-centred data to help with investment decisions. Agencies and providers should be able to monitor and obtain feedback on service performance, and track the change in client outcomes resulting from the services they receive. Improvements in data availability and analysis make this possible.

> … the Better Lives agency would be responsible for the stewardship roles of high-level design, goal setting, standard setting, data gathering, monitoring and evaluation.

Building a shared culture across service providers and decision-makers

Agencies and navigators responsible for quadrant D clients will be purchasing services from a variety of providers, including providers of mainstream services. It will be important to build a shared culture across multiple agencies and professional disciplines focused on achieving the best outcomes for clients.

Two suggested models

The inquiry report described two models which might provide the features set out above: a 'Better Lives' agency, and district health and social boards (DHSBs). However, it recognised that other variants could also be worth investigating.

The Better Lives agency model

A 'Better Lives' agency would take responsibility for integrated services to the most disadvantaged New Zealanders. Other clients would remain the responsibility of mainstream social services agencies.

A close parallel to the Better Lives agency in New Zealand is the Accident Compensation Corporation (ACC), in respect of its responsibility for accident victims with complex rehabilitation needs. Once an accident claim is accepted, the ACC carries long-term responsibility for that claimant, and can optimise its expenditure across silos and across time. Further, it is in the ACC's interests to improve their claimant's situation to the point where they no longer require the ACC's support. Another parallel to the Better Lives agency is the National Disability Insurance Agency in Australia, which carries long-term responsibility for an enrolled population (those with permanent disabilities).

Where the Better Lives agency would sit within government

The Better Lives agency would have its own budget vote, likely funded in part from a reduction in the budgets of mainstream agencies. It would pay those agencies for services delivered to its enrolled clients. This would have the effect of making mainstream agencies more neutral about the enrolment of a specific individual or family with the Better Lives agency.

The Better Lives agency should be under a minister who is not responsible for a mainstream agency. The agency should have considerable independence; it could be a Crown entity similar in status and governance to the ACC. The Better Lives agency will be responsible for clients in difficult circumstances, and short-term improvements will be elusive. The agency needs to be able to focus on its medium- and long-term performance, and not be overly responsive to short-term political pressure.

Structure of the Better Lives agency

Rather than provide services directly, the Better Lives agency would be responsible for the stewardship roles of high-level design, goal setting, standard setting, data gathering, monitoring and evaluation. It would engage a limited number of commissioning agencies. Each enrolled person or family would be the

responsibility of a single commissioning agency. Such an agency would purchase services from navigators who work closely with clients and who, in turn, hold budgets to purchase other services for clients. These commissioning agencies could be organised on regions or communities of interest. A combination would also be possible.

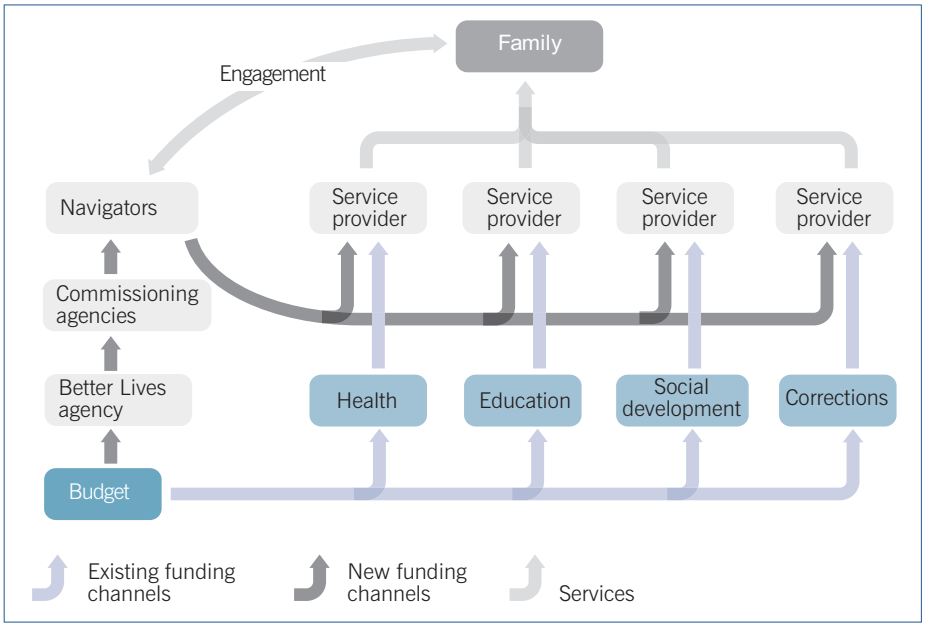
- A regional basis makes allocation clear and supports benchmark competition. But it would lack real contestability, as underperforming regional commissioning agencies would not face sanctions from client choices.[4]
- A community-of-interest basis would support the empowerment of Māori, Pasifika and other population groups. Larger non-government providers of social services may also be interested in forming commissioning agencies at a national or larger regional level. This basis would support direct as well as benchmark competition.

The Better Lives agency would allocate funding to the commissioning agencies, using an investment approach that takes account of the characteristics of enrolled clients and the potential for improving their outcomes through service provision. The agency would hold commissioning agencies and, through them, navigators accountable for results, but would not constrain service purchase decisions. For example, if a commissioning agency considered community development the best strategy for dealing with the long-term problems of a cluster of families, then it could spend resources to achieve that result.

Relationship of the Better Lives agency with mainstream agencies

Commissioning agencies would pay for services (such as health, education and housing) required from mainstream agencies for their enrolled clients (Figure 2). Independent purchasing decisions would encourage service providers to deliver high-quality, value-for-money services. First, it puts some competitive pressure on mainstream services to improve their service offerings. Second, it would increase transparency about costs and prices, which is an essential pre-condition for better understanding cost-quality trade-offs and value for money.

Figure 2: The Better Lives agency model



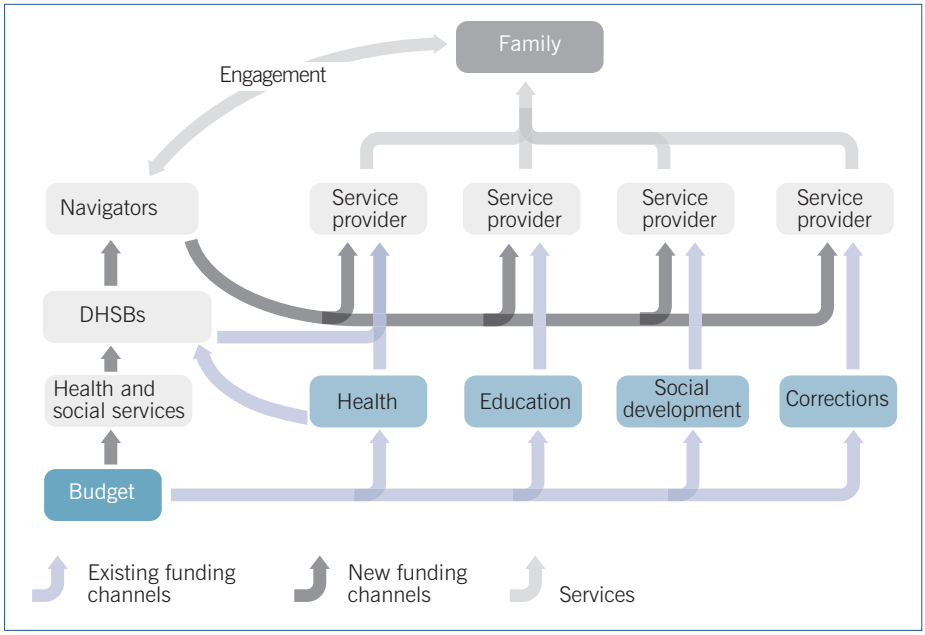
Advantages of the Better Lives agency model include:

- Community of interest-based commissioning agencies should cope well with transient people moving from region to region.
- The Better Lives agency model is well suited to deliver many of the aspirations of Whānau Ora, because of the clarity and focus from enrolment, and funding that matches the services needed to improve client outcomes.

The model also has potential disadvantages:

- Engagement with the Better Lives agency, though voluntary, might be interpreted as 'stigmatising' vulnerable people. Avoiding this would require skilful handling of client engagement and of communications.
- The model might let the mainstream service agencies 'off the hook' for people with complex needs. Mainstream agencies might regard (cross-agency) service integration as

Figure 3: The District Health and Social Boards model



Note: The health budget would cover mainstream GP services, disability services, hospital and specialist care. The social development budget would cover income support, employment services, and other statutory services, such as those provided by Child, Youth and Family.

another agency's problem that they can safely ignore.
- The model creates new boundaries: for example, as clients transition in and out of being enrolled with the Better Lives agency.

The district health and social boards model

Existing district health boards would form the basis for new district health and social boards. A new Vote Health and Social Services would fund DHSBs for services for quadrant D clients, using a population-based formula which takes account of the prevalence of at-risk groups in the region. DHSBs would commission the mix of health and social services for this defined population. Funding from Vote Health and Social Services would be in addition to the funding that district health boards receive through Vote Health.

In addition, they would take over some responsibilities that currently sit with the Ministry of Social Development – broadly, for those services targeted at the most disadvantaged New Zealanders (Figure 3). Mainstream income support services and employment services would remain with Ministry of Social Development.

Other current roles of the Ministry of Social Development and the Ministry of Health would remain centralised (e.g., the statutory roles of Child, Youth and Family, pandemic responses, international cooperation and policy support).

As with the Better Lives agency model, DHSBs through navigators would be able to purchase services (such as education and housing) from other mainstream agencies. The administration of a new Vote Health and Social Services would likely require a new ministerial portfolio and an autonomous unit within either the Ministry of Health or the Ministry of Social Development.

As with the Better Lives agency model, DHSBs through navigators would be able to purchase services (such as education and housing) from other mainstream agencies.

The DHSBs would identify and be responsible for those with multiple, complex needs. They would offer navigation services as well as the mix of other services required (e.g., mental health, housing, education and budgeting services). The designated navigator could purchase services either from other government agencies or from non-government providers. Short-term improvements will be elusive for many of those very disadvantaged clients. The DHSBs would need to be able to focus on medium- and long-term performance (as embodied in a set of district health and social outcome indicators), and not be overly responsive to short-term political or budget pressures.

How would DHSBs relate to other government structures?

DHSBs would operate similarly in many respects to current district health boards.

Primary health organisations and GP practices currently play important roles within district health boards as organisers and deliverers of primary health care. The Productivity Commission envisages that DHSBs might well commission primary health organisations and, through them, GP practices to take on broader roles. DHSBs might also commission navigation services from providers specialising in working with particular communities of interest.

DHSBs would build on existing organisations and structures, with fewer of the risks of costly disruption and unintended consequences that come with completely new organisations. District health boards already offer services devolved to the level of 20 well-defined regional areas and populations. The existing district health board enrolment model would extend to social services. Some district health boards have already moved in this direction, recognising the influence of social factors and living conditions on health outcomes. The enrolment model would support benchmark competition on social outcomes across the 20 regional populations.

The DHSB model has some disadvantages:
- The current governance arrangements for district health boards are fragmented. Board members appointed by the minister of health are accountable to the minister. Elected board members have low visibility in their electorates. Dismissal by the minister may be a more significant risk to them than dismissal by voters. New governance arrangements would be desirable to get the benefits of devolution (such as a degree of insulation from political risk).
- The needs of hospitals tend to dominate existing district health boards.
- Allocating funding on population-based formulas is complex and needs to provide adequate incentives for better performance. Bringing an investment approach into service design and targeting could strengthen performance incentives.
- DHSBs may have less ability to shift expenditure over time than central government, which can discourage early intervention.
- A DHSB model would provide less scope than the Better Lives agency for the commissioning of services through organisations representing a community of interest.

Transition to a new model

Establishing either of these models poses similar issues to the creation of the National Disability Insurance Agency in Australia. Roll-out would need staging and to follow a learn-build-learn model. The government should signal a commitment to the concept and a roll-out plan rather than a stand-alone trial or pilot, which often end up stuck in administrative and policy cul-de-sacs.

The Better Lives agency or DHSBs would get quickly up to scale if they inherited responsibility for existing programmes that integrate services to clients with multiple, complex needs (such as Whānau Ora, Children's Teams and Social Sector Trials). Yet the current governance and funding arrangements in these programmes are not necessarily a good match for either of the new models. It may be better to close down underperforming programmes that are difficult to evaluate or scale, and fold relevant parts of existing programmes into the new model. For example, the Whānau Ora commissioning agencies are possible candidates for becoming Better Lives commissioning agencies, subject to new governance and funding arrangements. As such, they could continue to maintain their strong kaupapa Māori orientation.

Either model would involve a significant amount of restructuring and associated level of disruption and distraction. Whether disruption and distraction are good or not depends on the costs and benefits of change, and the political sustainability of reform. But an underperforming system is not likely to suddenly start performing without some level of disruption. Significant changes are required to address the needs of the most disadvantaged New Zealanders. The Productivity Commission's report recommends a new approach that would make social services work a lot better for them. The government is expected to make a formal response to the report later in 2016.

1 This article draws mostly on chapters 2, 4 and 10 of the report.
2 The assignment of individuals to these groups – or quadrants – is not fixed. People will move between quadrants according their particular circumstances and the services they require.
3 There is a tension between enrolment based on individuals and that based on their families/whānau. In many, perhaps most, instances the appropriate unit will be the family/whānau.
4 There would be some contestability at the margin, as clients may decline to engage with the commissioning agency or move to another region.

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