INVESTING FOR THE FUTURE

Social investment – it's an idea that has gained big currency in recent years. How might it affect the public service in future? Adithi Pandit of Deloitte explains.

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In May, together with NZIER, Deloitte released *State of the State New Zealand 2016 – Social investment for our future*. Our report covers the thinking behind social investment in New Zealand and challenges to its wider application. In it we suggested that the practice of social investment should become a mainstream way of working for New Zealand's public sector and proposed a set of reforms in support of this goal.

A few weeks after we published the report, Budget 2016 included the announcement of $650 million over the next four years for upping the ante in applying social investment to help at-risk New Zealanders. Government's announcement included more support for vulnerable children, as well as initiatives in corrections, education and health – great news for a way of working we think should be encouraged.

But if social investment becomes mainstream, including in policy areas outside the social sector, what will this mean for the future of the public service?

Put simply, social investment is a cost-benefit business case approach to making funding decisions for social programmes, and tracking their effectiveness.

Let's take homelessness as an example. If you look at the financial costs of addressing homelessness, you might identify the cost of temporary accommodation. But the benefits of addressing homelessness lie in avoiding a series of long-term costs relating to mental health and hospital services, welfare, justice, policing and so on. And if you take a lifetime view, these costs really add up.

AVOIDING FUTURE COSTS

A social investment business case counts up all these costs, and makes a case for spending on programmes now to improve lives and reduce homelessness, so avoiding these future costs to government.

A social investment approach is evidence driven. You would need plenty of actuarial smarts to properly extrapolate costs over lifetimes, and this would require data on the current costs and projected occurrence of problems over health, education, justice, policing and social welfare systems to name a few.

You would need to continue to monitor the programmes you've put in place to check whether they are all working and drop or modify the parts that aren't performing. And then you would need to keep monitoring – sometimes for years - to check that interventions haven't been temporary, and to ensure the return on the original investment was warranted. You would need to collect evidence on the effectiveness of programmes, the long-term outcomes for individuals, and increase confidence in linking the two.

Social investment is all about outcomes and it can be hard-edged at times. Programmes or service providers that don't work may need to get scaled back, or dropped. But those programmes that really help the homeless off the street, not just for a night or two but forever, would be encouraged, enhanced and scaled up.

And that's why we're so keen on social investment. It rigorously chases "what works" for the recipients of social services on the basis of evidence and data, rather than pursuing what sounds appealing to the public, Ministers, bureaucrats or the service system.

CHALLENGES TO IMPLEMENTATION

This all sounds alluring in theory but as our research shows, there are a number of challenges to implementing social investment – ranging from the siloed nature of the public sector, to the proliferation of disconnected outcomes frameworks across government, to a still nascent data analytics capacity.

To address these challenges, we proposed a package of reforms which could be used as a model to underpin the more mainstream practice of social investment. These recommendations included the release, every four years, of a government-wide statement to define the outcomes and targets for at-risk New Zealanders; the establishment of a new agency to commission specialist social services for people at risk of poor life outcomes; the embedding of the social investment approach to funding quality and sustainability in the new agency's operating model; and enabling access to data and detailed performance and evaluation information by all service providers to assist in reducing costs and improving impact

FOUR SIGNS OF SUCCESS

If we develop these recommendations to their full conclusion and place ourselves in the future, say a decade from now, there are four things we may hope to see underpinning success in the sector.

Empowerment: In the future, rather than treating clients as 'service recipients' outside of the system, we would see a public sector system that is even more deeply connected with the communities it serves, and focused on building capabilities within those communities to sustainably serve themselves. Too often we revert to requiring "more research" when what is really required is "more empowerment."

Evidence: We proposed a government-wide statement of outcomes and targets for vulnerable people. Having accountability for outcomes is only effective when we can measure results, often over very long time scales and with courage. This requires transparency of performance of social service providers, whoever they may be (core public sector agencies, not-for-profits, social entrepreneurs). And it needs a willingness to make hard choices when we see that results are not being achieved. We need to see much more rigour in impact measurement methodology – combining quantitative, qualitative and empirical evidence, and sharing across agencies to advance practices.

Collaboration: We proposed an agency for vulnerable people – in the further future, we would see an ecosystem of partners, including employers, iwi, communities and entrepreneurs, with shared governance, funding and targets. Radical collaboration is not optional, and does not respect boundaries. It will require respecting the commercial motivations and drivers of the private sector, recognising the long-term aspirations of communities, and finding ways to work together for mutual success and mutual benefit. The infrastructure, accountabilities and measures need to be cross-cutting and oriented around outcomes.

Forgiveness: We know we need a learning system – but a learning system doesn't work when we cannot be forgiving of failure. This is a very brave step and the stigma around failure needs to be addressed. Currently our aversion to failure is probably the major barrier to embracing outcome measurement. It is a reflection on all levels of society, and we need to change these attitudes and behaviours so we can learn from failure to achieve success. This doesn't mean that failure is without consequence. We know that public sector organisations face a high price of failure, both human and reputational. But we need to recognise the risk of inaction, the level of failure we live with now, and create the infrastructure of safety nets that mitigate the impacts of failure.

RESILIENCE THE ULTIMATE MEASURE

Finally, how could we measure success on this journey? For us, resilience is the ultimate measure – how often and how well are individuals succeeding despite tough circumstances - because this measure counts not only the impact of the state, but also of peers, their economic and physical environment, and the strength of our social fabric.

When all our energies align to help people succeed despite their circumstances we will know the social sector, and perhaps society more generally, is working.

To read the entire "State of the State New Zealand 2016 – Social investment for our future" report go to www.deloitte.co.nz/stateofthestate.

A MODEL FOR SOCIAL INVESTMENT