From transactions to outcomes: the Ministry of Social Development

When the New Zealand Ministry of Social Development (MSD) was established in 2001, Social Services and Employment Minister Steve Maharey said that it would move the welfare system "from a passive income transfer model, to an active investing-in-people approach,"[1] and lead the state sector in the direction of social development.

Social development had been a central policy theme for the Labour-led Government elected in 1999. Social development was not just about moving people off benefits, it said: it was a whole-of-life, whole-of-government approach to coordinated social change aimed at enhancing the wellbeing of the population as a whole, and disadvantaged groups within it. It embraced many areas – social assistance, employment, health, housing, education, and safety. It saw income support not as a handout, but as "an investment in people's potential, ensuring they can take up opportunities when they arise," the Minister said. And social development was a necessary counterpart to economic development, he stressed: "Good social outcomes such as improved health and high levels of knowledge and skills are important for economic growth. Unemployment, poverty, criminal victimisation, poor health and housing are not just unjust – they are also likely to damage the future productive potential of our country."[2]

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[1] 'Social development focus supported', media release 2 May 2001, available on www.beehive.co.nz, accessed 24 May 2007)
[2] 'Creating a policy context for social development', media release 8 Aug 2001, available at www.beehive.govt.nz, accessed 24 May 2007

The MSD's goal was to build "an inclusive New Zealand where all people are able to participate in the social and economic life of their communities." To realise this vision, the organisation would focus not on measurable targets, but on achieving better outcomes for different groups of New Zealanders – children and young people, working age people, older people, families/whānau[3] and communities.

Focusing on social development outcomes, rather than specified performance targets, was a major departure for a Government social agency, and a challenge for Peter Hughes. Hughes was appointed as the founding chief executive when the Ministry of Social Development was established in April 2001.

From Social Welfare to Social Development

The formation of MSD was the latest attempt by successive governments to improve the delivery of social services. Its predecessors the Pensions Departments, the Social Security Department and, from 1972, the Department of Social Welfare (DSW), had been seen by critics as epitomising centralised, cumbersome and hierarchical bureaucracies.

In 1991, under pressure to deliver with more than 10 percent of New Zealand's workforce unemployed, the DSW was broken into four separate business units (see *Exhibit 1*). Three units focused on service delivery to different clients while the fourth, the Social Policy Agency, concentrated on policy.

The policy/delivery separation reflected a broader government belief that it was in the public's interest for policy to be developed at arm's length from the providers of services. This would protect policy formulation from "delivery capture" – in other words, the risk that policy would be developed purely to suit the in-house delivery arm.

Between 1992 and 1996, the number of unemployed fell steadily. But in 1998, with the unemployment rate again climbing, the National/New Zealand First Coalition Government made a commitment to reduce welfare dependence. "From welfare to work" became the mantra[4] and the rationale for integrating income support and employment services in one agency, the Department of Work and Income. The Income Support Service of the Department of Social Welfare was combined with some employment-focused divisions of the Department of Labour (DoL).[5] The new department, which branded itself as Work and Income New Zealand (WINZ), had a nationwide presence as a "one-stop shop" where case managers would provide clients both with income support and employment services – benefits payments, skills training, job and community work placements. It would have no policy role. Income support policy would be provided by DSW's Social Policy Agency, and employment policy by DoL.

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[3] Māori word meaning extended family.
[4] See Ministerial Review into the Department of Work and Income, Annex I, available at www.executive.govt.nz/minister/mallard/winz/sec1s1.htm, accessed 24 May 2007
[5] The New Zealand Employment Service; the Community Employment Group; and Local Employment Co-ordination

With the formation of WINZ, DSW shrunk from a giant bureaucracy of 6,500 staff spread across 140 sites and responsible for more than $NZ11 billion of public funds, to fewer than 2,500 staff managing $500 million of public funds.[6] The department's dismantling continued the following year when another business unit, the Children, Young Persons and their Families Service, was also created as a standalone department. By the end of 1999, all that remained of the former DSW was its Social Policy Agency, now reborn as the Ministry of Social Policy.

Despite WINZ's explicit focus on moving people off welfare and into work, the payment of benefits continued to comprise the bulk of its business. From 1999, WINZ took over the payment of student allowances and, from 2000, it handled student loans. In 2000, it was estimated that 70 percent of the agency's work was benefit-related, with 30 percent focused on employment.[7]

By that time, WINZ was under close scrutiny from the Labour/Alliance Coalition Government elected in 1999. The agency, which had been embroiled in several high-profile controversies, was harshly criticised in a subsequent Ministerial Review. Of particular concern was its "corporate" culture, deemed to be inappropriate for the public service. The incumbent chief executive's contract was not renewed. As the Department of Work and Income, WINZ effectively made a new start, while the Government took the opportunity to make major structural change.

Changing society, shifting social needs

The Government was looking for an agency that could lead a more coherent approach across the social sector. It wanted national leadership, and leadership at a regional level, as it moved forward in a changing environment.

A distinctly different parliamentary and political environment was emerging under the new Mixed Member Proportional Representation (MMP) model, introduced in 1996. At the same time, major changes were taking place in New Zealand society, such as the development of new and different family units, and the arrival of migrants from diverse cultures.

A lot had been invested, and a lot achieved in the social sector. However, the nature of its core business was changing.

Since 1999, numbers receiving an unemployment benefit had been falling steadily. On the other hand, in line with an international trend, there was an increase in demand for other types of welfare such as the Invalid's, Sickness and Domestic Purposes Benefit (see *Exhibit 2*).

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[6] DSW Organisational Profile: Post-election Briefing Papers 1999, p4, available at http://www.msd.govt.nz/documents/publications/msd/pebpaper99.pdf, accessed 24 May 2007
[7] Ministerial Review into the Department of Work and Income, Section One:E, para 5.17

Many of these beneficiaries had the potential to rejoin the workforce, but it would not be just a matter of matching them to a vacancy. It was a much more complex challenge to bring them out of welfare dependency.

The problems remaining to be tackled were likewise complex and often seemed intractable. They had a number of interrelated causes, with education, health or mental health problems and addictions, housing and often the justice system part of the mix. High-level outcomes, such as establishing financial literacy, or finding affordable childcare, needed to be achieved to solve such problems. More than one agency, often a number of agencies, would be involved in achieving a successful outcome.

In April 2001, the government announced the creation of a broadly-focused ministry, combining the social policy functions of the Ministry of Social Policy and the income support/employment functions of the Department of Work and Income. One of the country's largest agencies would merge with one of its smallest, to create the new Ministry of Social Development (MSD).

The Ministry of Social Development: an overview

With an extensive network of offices across the country, the resulting super-ministry had regular contact with more than 1.2 million adult New Zealanders and nearly a third of all New Zealand children.[8] As the only government agency with such extensive reach, MSD was a significant strategic presence from which the Ministry could also provide social development leadership across the whole government social sector.

The new Ministry's functions were spread over three clusters:

Policy cluster – comprising Social Development, Policy and Knowledge (SDPK) and Social Services Policy (SSP). SDPK housed the Strategic Social Policy Group which had a brief across the wider social sector and produced an annual report on social outcomes, and the Regional Policy Group with analysts located in each of the Ministry's regional offices. The regional group gathered information from the "front line" to inform effective policy and service delivery development. SDPK also housed the Centre for Social Research and Evaluation (CSRE), which analysed data to support policy advice. CSRE also published extensive research, provided forecasts and conducted evaluations of programme effectiveness.

Social Services Policy housed the Working Aged Policy Group which provided policy advice on income and employment related issues, the Child, Family and Community Policy Group which provided policy advice on family and community wellbeing, care and protection of children and young people and youth justice issues, and the Older People's Policy Group that provided advice on policies to promote the wellbeing of older New Zealanders.

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[8] MSD, Briefing to the Incoming Minister, 2002-03, 'Building leadership for social development', p1.

In 2001, the policy cluster included the advocacy-focused Office for Senior Citizens. Later, the Offices for Disability Issues and the Community and Voluntary Sector were added. Then most of the functions of the Ministry of Youth Affairs were transferred to MSD as the Ministry for Youth Development. Each of these entities, within the Ministry, also maintained an independent stance as sector advisers to government.

Service delivery cluster –initially comprised Work and Income's income support and employment services and Specialist Services such as debt management, war pensions, means testing for long stay residential care and the delivery of student loans and allowances. Family and Community Services was established in 2004. It worked closely with non-government and community providers to develop preventative and early intervention services for families.

In 2006, the Department of Child, Youth and Family Services (CYFS) – which helped children and young people who were abused and neglected, or committed offences – was merged with the MSD.

Corporate governance and risk cluster – including human resources, finance and property, IT, risk and assurance, and corporate services such as planning, performance monitoring, ministerial communications and legal services. This cluster provided collective accountability to the Minister.

With this addition of CYF's 3,000 staff, the Ministry's workforce stood at around 9,600 in 2006/07, and represented about 23 percent of the core public service. (*Exhibit C* is an organisation diagram.)

In 2006/07, MSD provided approximately $15.8 billion in assistance to New Zealanders. This included $5.6 billion in social security benefits, $7.3 billion in New Zealand Superannuation and $1.8 billion in student loans, allowances and related payments. The Ministry's operating budget was $1.1 billion.[9]

Moving to an outcomes focus

MSD's outcomes focus was in stark contrast to that of the organisations that had preceded it, both the traditional bureaucracy of the old Department of Social Welfare (DSW), and WINZ's corporate model with its volume and efficiency targets.

MSD Chief Executive Peter Hughes, who while a student worked as a part-time clerk in the former DSW, believed this reflected New Zealand's progression through three distinct public management phases: classic government bureaucracy, managerialism, and a more organic outcomes-focused model:

> "Under the bureaucratic model, [DSW] was just a great big social security bureaucracy. It was a world of queues and big counters and wire mesh. Following the state sector reforms, [WINZ became] probably the pre-eminent example of corporatisation in the public

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[9] MSD, Statement of Intent 2006/07, p12

service. It became slick, it became efficient and [it] talked about being better than the best bank in town. As an organisation, in a commercial sense, it was good. But the question you have to ask is: why does Government want to be better than the best bank in town? Is that actually why it provides these services? And the answer is no. What Government is interested in is what citizens are interested in – outcomes, improving their lives, being able to get on with their lives."[10]

Moving its focus from transactional efficiency to social development outcomes required the Ministry to develop new and very different ways of working, and new and different ways of thinking about the nature of its work. Ultimately, every aspect of the business would need to be "recalibrated".

But first, it was essential to be competent in the core business. Then, the Ministry could "bank" and build on the best features of the managerial model, to become organised for outcomes. Peter Hughes said:

"You cannot do this outcome stuff unless you are in control of your core business. It's a graduating staircase if you like. And you cannot be in control of your core business if you've got an organisation that is characterised by low levels of integrity and trust and all the rest of it."[11]

If a chief executive is having to account to the minister for "bottom line" problems with information technology systems or call centres, there is unlikely to be the confidence to have meaningful discussions on the stretch and motivational "top line" outcomes. It was important for MSD to have its core systems in order before it could embark on the new business.

Working to an outcomes focus, the Ministry needed to provide both *social protection* for people in difficulty (such as benefit payments and pensions) and also *social investment* (programmes aimed at achieving better future outcomes, such as those targeting family violence or better parenting).

Social development required MSD to address both *immediate problems* _and_ *their underlying causes,* if possible finding ways that people could avoid entering the benefit system, and taking an holistic view of those already in the system.

It was no longer sufficient for an unemployed father of three to receive his correct benefit entitlement on time. Now, MSD had to tackle the barriers preventing him from working, and help him find stable, sustainable and fulfilling employment. These might be problems with literacy or numeracy, having English as a second language, needing childcare or access to public transport, as well as health and mental health issues, including drug or alcohol addiction.

Before, working to a strictly output focus, the staff of WINZ could tick off their job as done once they had matched a job seeker to a vacancy. Now, as Peter Hughes described it:

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[10] Interview with Dr Richard Norman, 15 December 2005, p1
[11] Ibid, p5.

"Sustainable employment is assisting somebody into a job and working with them to help them stay in that job and succeed so that they can get on with their lives and not come back on a benefit….it's vacancy-match-placement and then a lot of other stuff.

We start with people's capabilities, we assess their capability. We spend a huge amount of time with people once they go into jobs – helping them sort out their debt, transport, childcare, get out of bed in the morning if it's an issue, housing, health. If they're a sickness beneficiary we're looking at getting them rehabilitated as quickly as possible back to work as quickly as possible.

Many of the levers to achieve these outcomes are found outside the Ministry, for instance in drug and alcohol rehabilitation and other support services.

Within the Ministry, Hughes believed the best response to these new demands was not to make more structural change, but to lead behaviour and process changes, from which any necessary structural changes would emerge.

Integrating policy and delivery

One of the most significant changes designed to achieve outcomes was the rejoining of policy and delivery. From 1991 to 2001, policy had been the responsibility of a small and separate agency, latterly the Ministry of Social Policy (MSP). MSP, employing around 180 staff, and responsible for $77.5 million of public funds, was providing strategic policy advice across the social sector, gathering statistical information, and providing purchase and monitoring advice regarding WINZ and CYFS to the Ministers. As an entirely Wellington-based agency, it lacked the ability to monitor the effectiveness of policy on the ground in the regions, and had been criticised for operating in a silo.

The new Ministry's leadership recognised that efficient service delivery needed to work hand-in-hand with sound evidence-based policies. This was more than a return to the earlier days where policy and delivery were under the same roof. "Joining-up" policy and services became a mantra of the new Ministry. Each, however, should remain a powerful force, with a creative tension between them.

Policy and delivery each had a part to play in providing effective outcomes, with policy at times taking the lead and delivery at others, with ongoing evaluation assessing whether this was still the best way to work. As Peter Hughes said:

"When we started I had this very elaborate model in my mind about policy being a continuum of activity which starts with design and finishes with implementation. But that was a very linear model. I thought we need to design processes where we start with an integrated team – both policy and delivery people have got leadership, [which] shifts at a point in time…It's much more organic than that. What has happened here is the way people think is, you're a policy person, you've got a set of skills, I'm a delivery person, I'm good at this sort of stuff, so let's play to our strengths."

Working for Families, launched in 2004, was a major nationwide initiative that tested the new outcomes approach. The $1.2 billion programme[12] involved numerous agencies in the design phase. It was designed to "make work pay" for people who moved off the benefit into work, and to improve the lot of middle-income families already in work. The package involved family support payments, improved and subsidised childcare, easier transitions between welfare and work, and from April 2006, a new in-work payment to ensure that movement into employment was rewarded. In Peter Hughes' words:

> "Working for Families…was all about adequacy of benefit income, wage benefit relativities and some of those structural incentives and barriers. That was policy-led but with the delivery people in there from day one. And they pretty much figured that out for themselves, and they played to their strengths. It never occurred to me that would be a sensible way of doing it."[13]

The companion programme, from February 2005 known as Working New Zealand, is a major re-engineering of the benefit and employment delivery system, designed to "support a comprehensive active work-focussed service without compromising security for those unable to work."   The new model with an outcomes focus was a service-led project, with policy people in behind it in an enabling capacity, according to Peter Hughes.

By 2007, many of the services supporting both Working for Families and Working New Zealand had been rolled out to regional service centres and contact centres.
Again, it was a deliberate strategy that the Ministry should be seen to be present, active and available around the country.

Strengthening regional management and reach

With a presence in more than 180 communities, and over 200 offices around New Zealand in 2007, MSD's geographical reach was unmatched by any other government department. This made it possible for the Ministry to gain more leverage from its regional presence, at the same time building the trust of the local communities.

In 2005, MSD's eleven Regional Commissioners for Work and Income became Regional Commissioners for Social Development, giving high-level regional representation for the full gamut of MSD functions and services: not just the "WINZ" services to employers, job-seekers and the community, but fraud and debt units, student support activities such as Studylink, and Family and Community initiatives such as Preventing Family Violence.

The change was not simply cosmetic: it signalled that the social development approach had permeated the entire organisation, and was being driven not only out of Wellington but also at regional and local levels.

Within each MSD regional office, a leadership group led by the Commissioner was actively looking to identify shared outcomes and the leadership and team processes

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[12] With additional funding, it was a $1.6 billion programme by 2007.
[13] Interview, Dr Richard Norman, December 2005, p6

needed to work towards these. Similarly, outside the organisation, the regional offices encouraged the involvement of government and non-government agencies in working towards shared outcomes.

While they had always had authority to make some decisions independently, the regional commissioners could now act autonomously on a broader range of issues and make independent commitments to work with other agencies.

This was significant. Not all government departments could make those kinds of commitments without authority from their head office. The ability to do so encouraged trust and participation by other agencies, and ensured that local priorities and concerns were driving local actions.

Regional Social Policy Advisors were appointed in each region. Their role was to bolster key regional roles with policy advice, to ensure national policies accommodated regional differences, and also to feed back regional perspectives into the formulation of national policy. This cross-pollination between what happened "on the ground" and national policy development was also helped by EPINET, a web-based system that allowed regional operational staff to flag problems or raise queries directly with policy staff in Wellington.

By 2005, MSD was able to report to its new Minister, David Benson-Pope: "We have improved our ability to make a real difference by developing ways for policy and delivery to work together, and for regional and frontline staff to input into the policy process. We have better informed our policy advice with the realities at the front line, and our service lines are better able to feed back on what works and what is needed."[14]

Taking cross-sectoral leadership

MSD's mandate *to lead a cross-sectoral approach* to social development acknowledged the inter-connectedness of many social problems. It also required it *to work more closely with communities* to help them fulfil their goals and potential. This meant taking a lead at regional and local levels, and developing strong ties with groups such as government and, non-governmental agencies, employers and industry groups, local groups representing Māori and other ethnic communities, and territorial and local authorities.

MSD exercised cross-sectoral leadership at several levels. Centrally, the Chief Executive convened a Social Sector Forum (*see Exhibit 4)* of chief executives of the "Big Four" social sector departments representing the health, education, social services and justice sectors. Common issues and opportunities discussed at strategic level in this forum could then be systematically communicated to the clusters of sector agencies chaired by each member of the main forum.

In the regions, the Commissioners – among the most senior public servants in their area – led and coordinated action by multiple government (central and local) and non-

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[14] MSD, 'Briefing to the incoming minister: managing for outcomes, September 2005, p3

government agencies on specific issues, for example Operation Cruickshank, the nationwide rehearsal of a response to pandemic avian influenza.

When the Bay of Plenty town of Matata was almost swept away by disastrous floods in 2005, it was the Ministry of Social Development that "made the horizontal links" enabling local and central agencies to respond quickly and effectively. More recently, it played the same part in ensuring prompt practical and financial assistance for people living in the Rodney and Coromandel areas during the July 2007 floods.

Testing the funding frameworks

As the Government increasingly looked to MSD to take the lead in co-ordinating government responses to local crises, the Ministry had to develop effective models for responding to local issues. Such models often sit outside of more formal accountability frameworks, in particular those of the Public Finance Act 1989. The Act sets strict guidelines for the appropriation of funds, and boundaries on spending. The emphasis tends to be on vertical accountabilities.

While amendments to the Act in 2005 have introduced multiclass outputs, enabling more ready movement of funds between classes, Peter Hughes felt that a lot more could be done to align the financial systems around an outcome focus. For example, an integrated case management approach might need to draw on funding for both benefits and employment. Complex social problems inevitably call for co-ordinated interagency approaches, and solutions to such problems rarely fit neatly within a single departmental appropriation.

A greater problem he saw was that the financing system encouraged short term remedial type thinking, not a medium to long term outcomes focus.

> "While there is ample evidence that early intervention with children under six can prevent innumerable problems that will be costly to society in future, the current funding system does not support this sort of major investment in the future.

> "I could go [to the Minister] with a bill for another youth justice residence, and I would probably get the money. But if I go with a bill to try and get to kids zero to six so they don't end up in a youth justice residence, I won't. It's how people think about it."

A similar problem applies with the existing performance management system. Hughes said that the whole public management system needed recalibrating to adequately cope with the outcomes focus. "If you look at all the levers, the way funding happens, the way performance is specified and managed, the way [I am] and the agency [is] appraised, none of that has really changed from the nineties to reflect the need to focus on outcomes."

Measuring performance and outcomes

Measuring outcomes is very hard, Hughes said, and almost impossible to do at an individual level.

Under the Public Finance Act, no one can be held accountable for an outcome, as so many factors affect outcomes. Current performance measurement therefore still centres on outputs. MSD's response has been to make sure that the relationship between its outputs and the contribution that they make to outcomes is clearly understood. There are still volume targets to achieve but these too tend to be those that contribute to outcomes such as increased sustainable employment placements.

Peter Hughes suggested that, although the outcomes focus made specific performance measurements harder to make, it actually contributed to an overall accountability, and efficient use of public funds.

> "If our job is just to pay benefits and we just do that [it is almost inevitable that we will need an increasing amount of public money]. We say our job is to get people off benefits into jobs, on with their lives, and doing that we have beaten the Treasury forecast for five years, six years in a row, and returned billions of dollars to the Crown."

Refocusing staff training and development

Adopting an outcomes focus required MSD staff at all levels to develop new skills and capabilities. A significant number had started their careers with WINZ and some with DSW: in 2005, about a quarter of frontline Work and Income office managers had more than twenty years service.[15] One service centre manager said in 2007 that there were "still some staff from the old DSW days who enjoy wielding power and want to make clients jump through hoops to get their entitlements."[16]

However, new training enabled frontline staff to focus on clients' overall needs and barriers to employment, rather than just their benefit entitlements. Inter-personal and communication skills were particularly emphasised. These staff could gain New Zealand Qualifications Authority-approved qualifications in client management, while those providing employment services could earn a "work-broker" qualification. Training for managers focused on the skills needed to collaborate with other agencies, such as facilitation; they could also work towards the National Certificate in Public Sector Leadership. Managers were also encouraged to bid for funds from the Ministry's Development Bank – a pool of money available for formal courses, training or staff exchanges.

Strong leadership also helped staff understand and focus on outcomes, rather than outputs and transactional efficiency. Six times a year, Peter Hughes would talk with large groups of frontline staff around the country about the Ministry's outcomes and their implications. The feedback was encouraging.

> "The client's in front of you [as a frontline staffer]. You know what the right thing to do is. You just want to be able to get on and do that. So when I stand up in front of you and talk of

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[15] ibid, p65
[16] Interview with the author, 22 May 2007

outcomes, I'm just talking commonsense…There's absolutely no disagreement about the outcomes."[17]

The only constraints, he said in 2005, were the "enablers" – especially an outmoded IT system that was, he said, still focused on transactions.

The MSD has almost phased out performance pay. The department attracted people intrinsically motivated by the worth of what they are doing, Hughes felt. He was constantly looking for things to recognise and celebrate. "Just reinforce the hell out of every positive thing you can. Don't worry about the negatives – create an environment rich in positive reinforcement and then people will ask you how you can do better. Scan the horizon for things to reinforce."

"The place we are now is so different from where we were before"

The Ministry of Social Development's response to the demands of managing for outcomes has made it very different from the state social welfare agencies of the past. One Regional Commissioner with more than twenty years experience said:

> "So many things have changed. Unemployment has fallen, and the profile of the unemployed has changed too. We now need to work harder to move them into jobs, as they face greater barriers. So our role has really expanded rather than diminished. The place we are now is so different from where we were before, in so many ways."[18]

"Previously, we have based our success on measuring transactional efficiency," explained the Ministry in 2005. "We could not measure the effects of services on peoples' wellbeing and we had to assume that, if our delivery was consistent with policy advice, it must be making a difference. We now know this was not always the case, particularly when that advice did not take account of the realities of service delivery."[19]

However, it is also hard to quantify the impact of MSD's focus on social development outcomes and its new ways of working. Social development has a long-term focus and some of the potential gains (such as "wellbeing") are somewhat intangible. However, in the five years from 2001 to 2006, the number of working age people receiving income-tested benefits fell by 30 percent to 280,000: the number receiving the unemployment benefit (39,752) made up the smallest proportion of the whole. The MSD said this showed it was "making it easier and more attractive for unemployed people to move into work."[20] When people went back to work they stayed there. Between 2001 and 2006, the churn rate came right down.

The number of unemployed also fell significantly; in 2007, it stood at 3.6 percent of the workforce – one of the lowest rates in the OECD. This was achieved while the economy, though sound, was not growing as fast as others such as Australia. In 2005, Peter Hughes

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[17] Interview with Dr Richard Norman, 15 December 2005, p9.
[18] Interview with the author, 11 May 2007
[19] MSD, 'Briefing to the incoming minister: managing for outcomes, September 2005, pp 7-8
[20] MSD, Annual Report 2005-06, p22

said that the reduction in people receiving the unemployment benefit alone was worth "around $3 billion"[21] to the taxpayer.

Government has acknowledged that these statistics reflect many factors, including a period of strong economic growth over the same period. However, the MSD said in 2005 that it believed "a significant share of the reduction in the welfare population is due to the move from passive payment to active social development."[22]

The OECD has recognised the contributions that New Zealand's supply-side interventions are making in moving people into and sustaining them in employment. There is growing international interest in the New Zealand model.

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[21] Interview with Dr Richard Norman, 15 December 2005, p8.
[22] MSD, 'Six Countries – Country Update report', 21 April 2006

Exhibit 1:
The development of the Ministry of Social Development

Key dates

1904   Old Age Pensions Department established

1913   Pensions Department established

1939   Social Security Department established, integrating the Pensions Department and most of the Department of Labour's Employment Division.

1972   Department of Social Welfare (DSW) established, merging the Social Security Department and the Department of Education's Child Welfare Division.

1991   The Department of Social Welfare is broken up into four separate business units focused on different client groups and functions: the Income Support Service, the Children and Young Persons Service, the Community Funding Agency, and the Social Policy Agency. DSW remains the umbrella agency, providing strategic oversight and central accountability to government

1998   The Department of Work & Income (branded as WINZ) is formed when the Income Support Service merges with the NZ Employment Service (part of the Department of Labour). The Ministry of Housing's housing policy function is taken over by the DSW's Social Policy Agency.

1999   A new standalone department – Child, Youth and Family Services – is formed out of the former Children, Young Persons & their Families Agency. The Social Policy Agency becomes the Ministry of Social Policy (MSP).

2001   The Ministry of Social Policy merges with the Department of Work and Income to form the Ministry of Social Development (MSD) It takes on the functions of the former WINZ and MSP and acquires others, some from other government departments. The first *Social Report* is published, providing a detailed picture of the country's social health.

2003   MSD becomes responsible for the Ministry of Youth Development

2005   Regional Commissioners of Work and Income become Regional Commissioners for Social Development. Family and Community Services (FaCS) is established within MSD to coordinate government and NGO services to families/communities. MSD assumes responsibility for community-based labour market development functions, previously handled by the Department of Labour's Community Employment Group.

2006   MSD merges with the Department of Child, Youth & Family Services.

Exhibit 2: Trends in unemployment and welfare benefits

Figure 1: Unemployment rate 1986-2005 (from: MSD, *The Social Report 2006*)
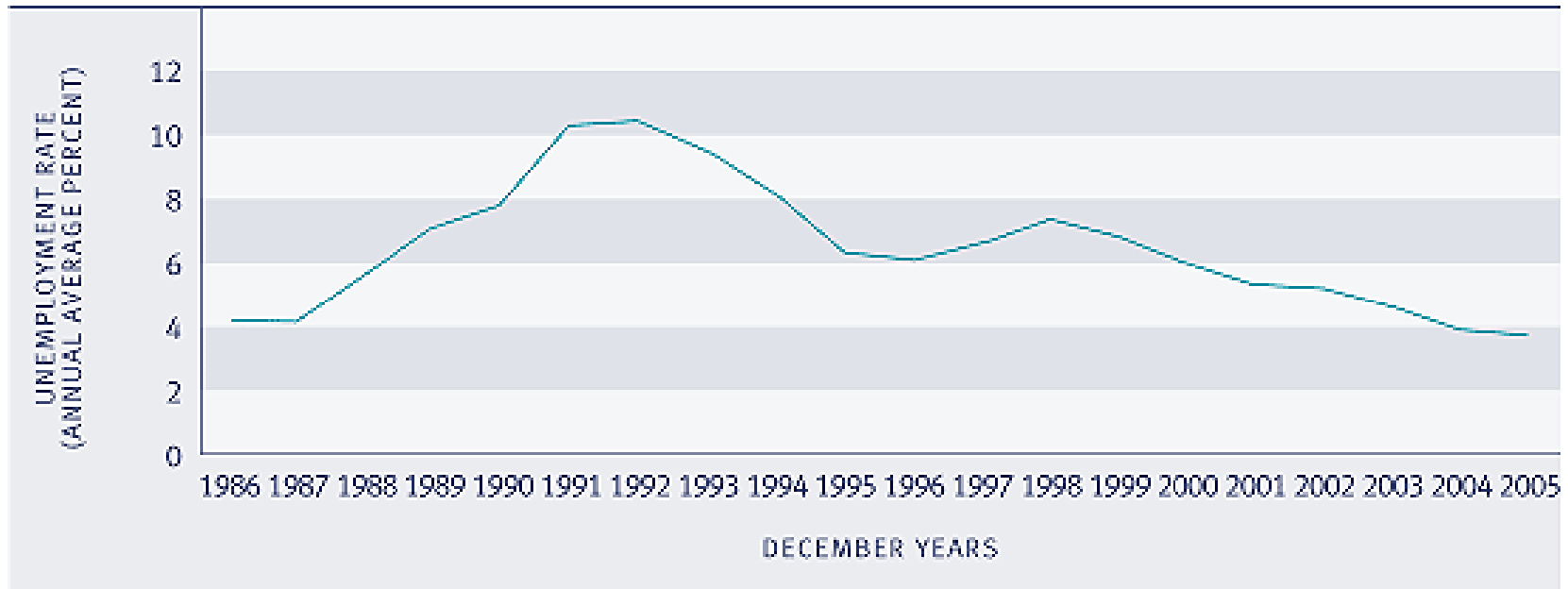
Source: Statistics New Zealand, Household Labour Force Survey

Figure 2: Working Age Time Series Comparisons

Definition of benefit types:

UB= unemployment benefit. Income support for people who are looking for or training for work
DPB= domestic purposes benefit. Income support for sole parents with one or more dependent children
IB= invalid's benefit. Income support for people permanently and severely restricted in their capacity for work.
SB = sickness benefit. Income support for people who due to sickness, injury, disability or pregnancy are unable to work or to work to their full capacity.

(Summarised from information on www.workandincome.govt.nz)

Working age timeseries comparisons

Exhibit 3: Summary organisational diagram of the MSD

Social Development Policy and Knowledge Strategic Social Policy; Regional Social Policy; Social Inclusion and Participation including the Office for Senior Citizens; the Office for Senior Citizens; the Office for Disability Issues; the Office for the Community and Voluntary Sector; Centre for Social Research and Evaluation.	**Policy Cluster**	
Social Services Policy Child, Family and Community Policy; Ministry of Youth Development; Working Age People's Policy; Older People Policy; International Relationships.		

Chief Executive

Work and Income 11 Regional Offices; 141 Service Centres and 5 Contact Centres.	**Service Delivery Cluster**
Specialist Services Studylink; Senior Services including Community Services Card; International Services; War Pension Services; Benefit Integrity Services.	
Child, Youth and Family 4 Regional Offices, 52 Site Centres from which services are delivered; 12 Service Centres that manage each Site Centre; 3 Specialist Service units; 7 Residences that provide a secure environment for children and young people in youth justice or care and protection.	
Family and Community Services 4 Regional Offices.	

People, Capability and Resources Human Resources; Finance; Information Technology.	**Corporate Governance and Risk Cluster**
Corporate and Governance Planning Purchase and Governance; Communications; Legal; Ministerial and Executive Services; Client Representative and Review of Decisions.	
Risk and Assurance	

From: MSD, Annual Report 2005-06

Exhibit 4: The Social Sector Forum

Social Sector Forum

Education Sector

(Primary, secondary, tertiary, qualifications, careers etc)

Social Services Sector

(Social assistance, child and youth, community support, housing etc)

Education

Social Development

Justice

Health

Justice Sector

(Police, courts, corrections etc)

Health Sector

(Hospitals, primary health, public health etc)

Exhibit 5: The Ministry of Social Development's Outcome Framework 2007-2008

Our Vision – An inclusive New Zealand where all people are able to participate in the social and economic life of their communities

Leading Social Development	**Children and Young People**	**Working Age People**	**Older People**	**Families and Whanau**	**Communities, Hapu and Iwi**
A whole-of-government approach to achieving the Government's social vision.	If children thrive in childhood, are respected and valued, they have the opportunity to reach their full potential and participate positively in society now and in the future.	People achieve economic dependence throughout their working lives. They are able to participate in and contribute to society and have a sense of belonging.	Older people are valued as important members of society and have the right to dignity and security in their senior years. They have opportunities to use their skills, knowledge and experience to contribute to society.	Families and whanau are strong and richly interconnected with their communities. They are able to support their members well-being, identity, participation in society and interdependence.	Communities hapu and iwi are able to determine and achieve their vital and unique social, economic and cultural goals for the betterment of New Zealand.

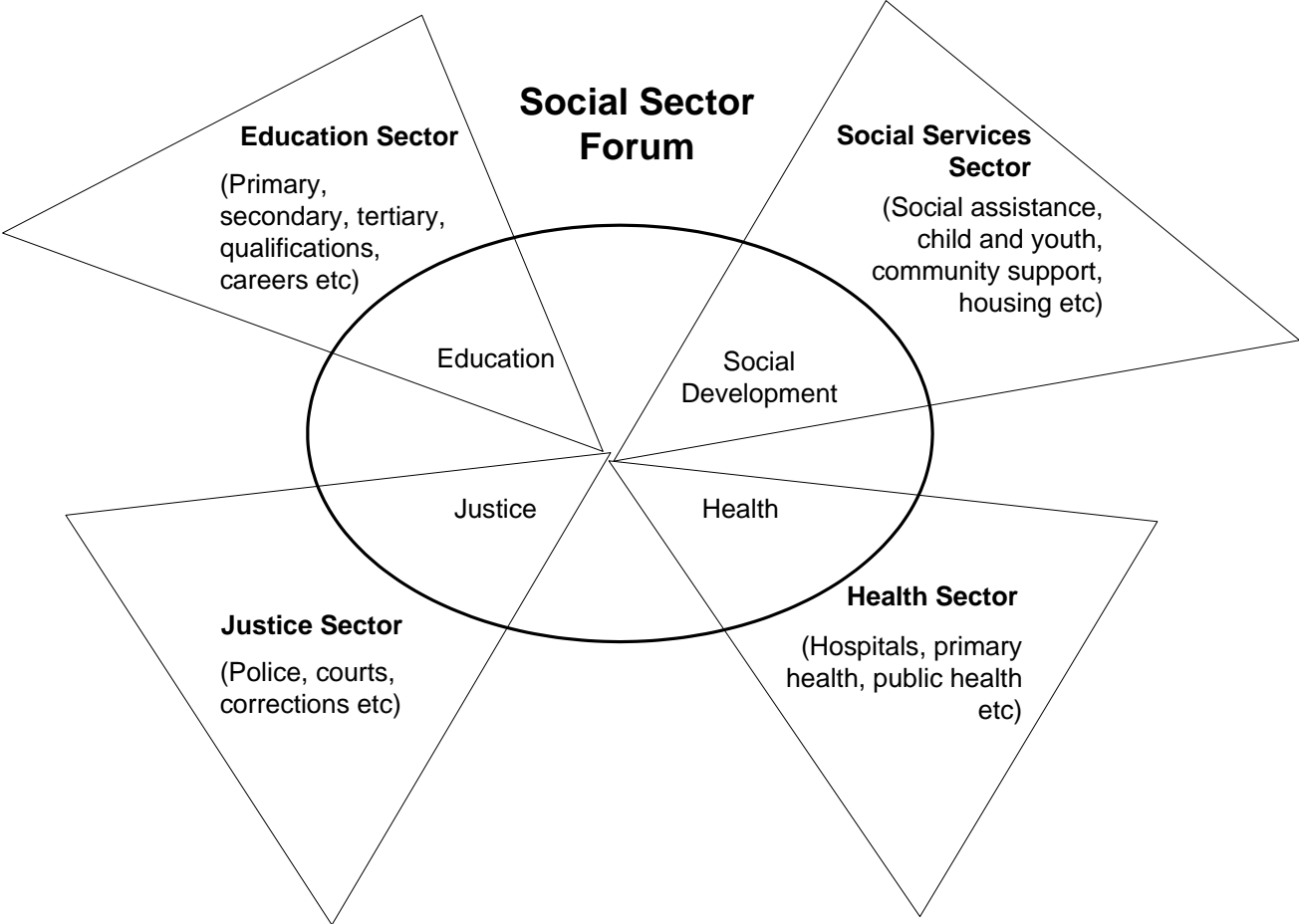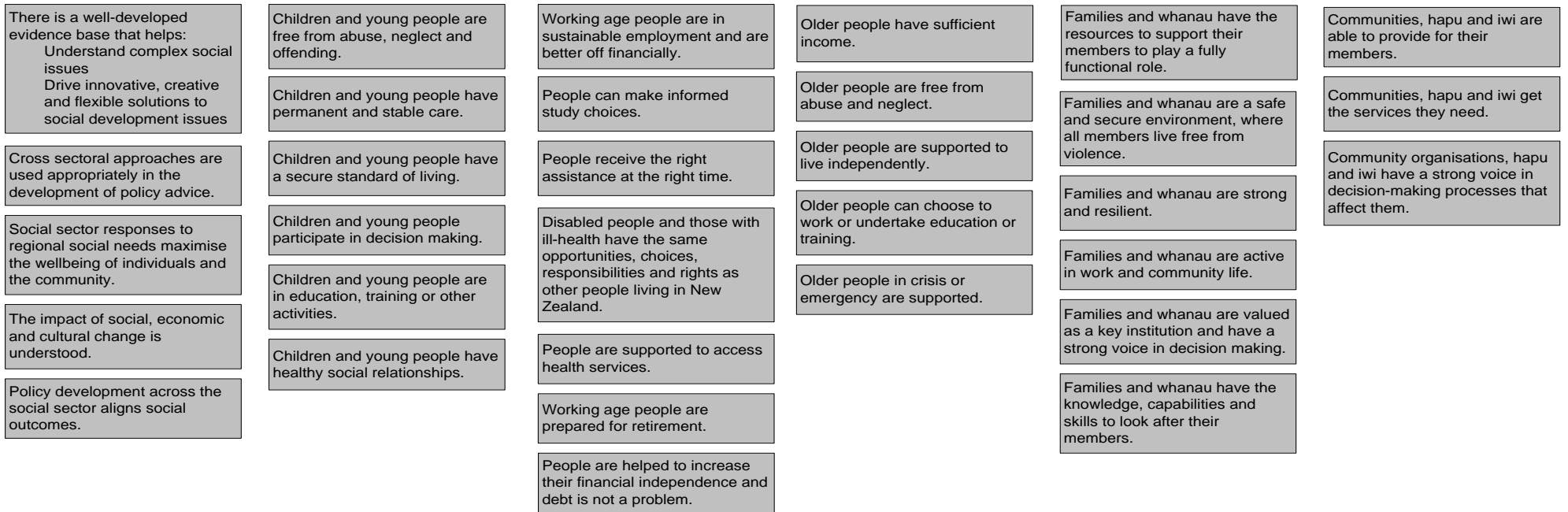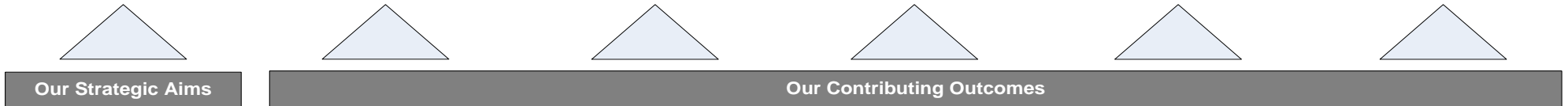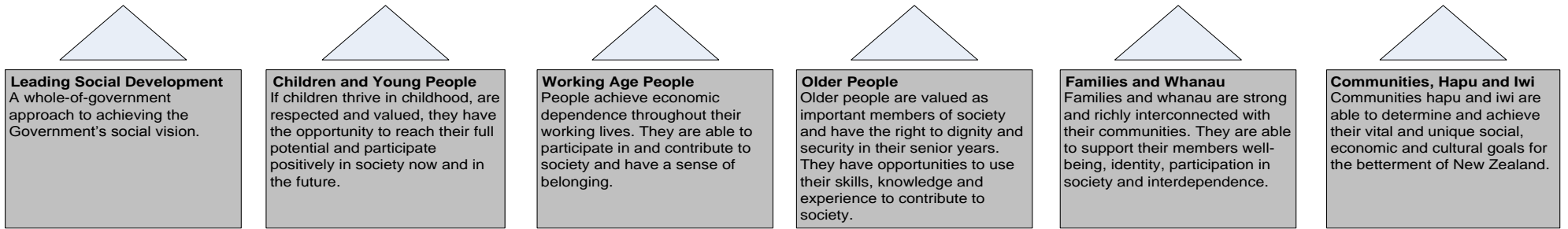| **Our Strategic Aims**	**Our Contributing Outcomes**				
There is a well-developed evidence base that helps: Understand complex social issues Drive innovative, creative and flexible solutions to social development issues	Children and young people are free from abuse, neglect and offending.	Working age people are in sustainable employment and are better off financially.	Older people have sufficient income.	Families and whanau have the resources to support their members to play a fully functional role.	Communities, hapu and iwi are able to provide for their members.
Cross sectoral approaches are used appropriately in the development of policy advice.	Children and young people have permanent and stable care.	People can make informed study choices.	Older people are free from abuse and neglect.	Families and whanau are a safe and secure environment, where all members live free from violence.	Communities, hapu and iwi get the services they need.
Social sector responses to regional social needs maximise the wellbeing of individuals and the community.	Children and young people have a secure standard of living.	People receive the right assistance at the right time.	Older people are supported to live independently.	Families and whanau are strong and resilient.	Community organisations, hapu and iwi have a strong voice in decision-making processes that affect them.
The impact of social, economic and cultural change is understood.	Children and young people participate in decision making.	Disabled people and those with ill-health have the same opportunities, choices, responsibilities and rights as other people living in New Zealand.	Older people can choose to work or undertake education or training.	Families and whanau are active in work and community life.	
Policy development across the social sector aligns social outcomes.	Children and young people are in education, training or other activities.	People are supported to access health services.	Older people in crisis or emergency are supported.	Families and whanau are valued as a key institution and have a strong voice in decision making.	
	Children and young people have healthy social relationships.	Working age people are prepared for retirement.		Families and whanau have the knowledge, capabilities and skills to look after their members.	
		People are helped to increase their financial independence and debt is not a problem.			

Realising potential and improving outcomes for disadvantage groups - Maori, Pacific peoples, disabled peoples, families with low incomes.