New Zealand’s social investment experiment

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Abstract

The notion of prioritising ‘productive’ social investments over ‘consumptive’ social spending has long been advocated but only sporadically applied. Since 2011, however, New Zealand governments have implemented an ambitious, multi-agency social investment agenda that promises to overhaul public social spending through analyses of citizen-derived data. This commentary focuses on the development and features of the social investment agenda. In doing so, it discusses the apparent primacy of fiscal outcomes over social outcomes, and the practices and politics of data-driven governance.

Keywords

Social investment, public policy, social policy, welfare

Introduction

In the early 1900s, New Zealand was a pioneering example of the universalist Keynesian welfare state (Lunt, 2009). Later that century, the country would take a dramatically different turn, epitomising the neoliberal reform model of economic liberalisation and lean public social spending (Kelsey, 1997). Since 2011, National Party-led governments embarked on another potentially paradigmatic turn, under the banner of the 'social investment' agenda (James, 2016; Mintrom and Luetjens, 2017). The nub of social investment thinking—that governments ought to distinguish and prioritise 'productive' social spending over 'consumptive' social spending—has been a recurring but unevenly applied feature of Third Way-style neoliberalism since the 1990s (Lunt, 2009; Hemerijck, 2015). However, the multi-agency scope of the New Zealand social investment agenda makes it, internationally, one of the most ambitious experiments in social investment thinking. The New Zealand experience with social investment has directly informed the Australian government's 'Priority Investment Approach to Welfare' (see Reference Group on Welfare Reform to the Minister of Social Services, 2015: 126) and the European Commission has partnered with the New Zealand government to share lessons (Gluckman, 2017). At the time of writing, a new Labour-led government (2017–) is considering whether to continue the previous government's social investment agenda, potentially in modified form (for one proposal, see Chapple, 2017). This commentary focuses on the development and features of New Zealand's social investment agenda under National-party led governments, from 2011 to 2017. In doing so, it discusses the apparent primacy of fiscal outcomes over social outcomes, and the practices and politics of data-driven governance.

Historicising social investment

Framed in contrast to 'consumptive' or remedial spending, social investment is a term denoting 'productive' public social spending (Midgley, 1999). Rather than satisfying present needs only, social investments are thought to be distinguished by their ability to yield social and economic gains in the future. Social investment thinking is by no means new. Discussions of productive social spending appear in the writings on R. H. Tawney and T. H. Marshall in the early and mid-1900s respectively (Smyth and Deeming, 2016), and in the 1930s, the logic of social investment featured in the work of Alva and Gunnar Myrdal, central figures in the establishment of Sweden's welfare state (Andresson, 2006). These early 'social democratic' examples of social investment thinking, which emphasised human capital development and robust social protection (Mahon, 2013), were actively delegitimised from the 1970s onwards, when neoliberal critiques of the state positioned public social spending as antithetical to social and economic betterment. By the 1990s, however, there was growing consensus that "straightforward neoliberalism had hit an ideational, political and economic wall" (Jenson, 2010: 65). As the 'roll back' phase of reform began to reach its limits, and 'roll out' neoliberalisation set about managing the resulting electoral, intellectual and economic crises (Peck and Tickell, 2002), social investment ideas were being promoted by international organisations and policy intellectuals. In 1996, for example, the Organisation for Economic Cooperation and Development's *Beyond 2000* called for a "social investment approach for a future welfare state" (Pearson and Scherer 1997: 6). Two years later, Anthony Giddens (1998), the intellectual architect of Tony Blair's Third Way, developed an investment justification for public social spending. In 2000, the European Union embraced social investment ideas in its Lisbon Strategy and commissioned Esping-Anderson et al. (2002) to substantiate a case and vision for the 'social investment welfare state'. But despite mounting consensus among the policy elite, the application of social investment thinking has remained fitful. New Zealand's recent experiment is arguably the most far-reaching application of social investment ideas since the formation of elite policy consensus at the turn of the century.

Social investment before 2011

The idea of social investment has been reverberating through the halls of executive government in New Zealand for over a decade. Elizabeth and Larner (2009: 141–142) point to briefing papers from the Ministry of Social Policy in 1999 as markers of "the transition between discourses of earlier forms of neoliberalism and those associated with "the social investment state"". The briefing papers advocated for early intervention in the lives of under-privileged children and strong work obligations for social security beneficiaries to combat intergenerational 'multiple disadvantage'. The incoming Labour government (1999–2008) took up this mantle in their 'social development' framework, made up of two components: social protection and social investment (Lunt, 2009). The social investment component was defined as relating to "government programmes [that] yield benefits to society not only today, but also into the future" (Ministry of Social Development, 2002: 2). Such programs were likened to "an 'investment portfolio' that the Government holds [in] expectation of a future return to society". By the time of the National Party's election to government in 2008, the New Zealand economy was in recession and fiscal rectitude was high on the new government's agenda. The Ministry of Social Development (2008) criticised the previous Labour government for not spending enough on social investment and cautioned that current spending on social protection was fiscally unsustainable. Soon after its election, the National Party-led government commissioned an independent Welfare Working Group (2011) to examine long-term welfare 'dependency' and work incentives, among other topics. In 2011, the subsequent recommendations of the Welfare Working Group included adopting a 'long-term investment approach' that would provide the basis for reforms to social security. This recommendation marked, in concrete terms, the beginning of the National Party-led government's social investment agenda.

Social investment after 2011

Since 2011, the social investment agenda has been advanced along two tracks of reform. The first track involves sector-specific policy reforms that have embedded social investment priorities and logics within government-funded service provision. This began with reforms to the social security system following the Welfare Working Group's recommendations in 2011. The second track involves ongoing administrative reforms that seek to build social investment capabilities within government.

Policy reform: Social investment for fiscal savings?

Social security was the first sector-specific policy area to be reshaped by the post-2011 social investment agenda. Before the Welfare Working Group's final recommendations, Paula Bennett, the minister who led the reforms, criticised the cost of social security and the lack of work expectations for beneficiaries, stating that future reforms would "bring an unrelenting focus on work" (New Zealand Government, 2010: n.p.). The final report from the Welfare Working Group (2011: 2) resonated strongly with Bennett's diagnoses and solutions, recommending a series of changes that would result in a 'stronger work focus', more 'reciprocal obligations' and, importantly, a 'long term view' that recognises the "value of investing early to reduce long term social, economic and fiscal costs of dependency". To enable the long-term view, the Welfare Working Group (2011) recommended an 'actuarial approach' (i.e. an approach based on calculations of financial risk). In response, the Ministry of Social Development and the Treasury commissioned an actuarial consultancy firm to provide advice about "the feasibility of adopting a long-term investment approach to achieving better employment, social and financial outcomes through the welfare system", and advice about "how aggregate future liability in the welfare context could be calculated" (Taylor Fry, 2011: 1). This actuarially-calculated and fiscally-focused 'investment approach' to social security would later be incorporated into National's larger social investment agenda.

Reforms to the social security system focused intently on 'investing' in populations and initiatives that potentially achieve fiscal savings over various time-frames. While positive fiscal outcomes were framed as an important goals in their own right, they were also argued to be proxies for positive social outcomes. As finance minister, Bill English (2015: n.p.)—who would later become prime minister (2016–17)—encapsulated this thinking in the phrase “what works for communities works for the Government’s books”. As such, adult-age beneficiaries were subject to a more stringent array of sanctions, work-related conditions, and behavioural conditions (particularly those related to parenting, such as enrolling one’s child in early childhood education and with a health care provider, given the potential fiscal impacts of beneficiaries’ children), and the regime of conditions and sanctions was broadened to include a greater share of those on disability and sole parent benefits (CPAG, 2013; Humpage and Baillie, 2016; Baker and Davis, forthcoming). Owing to their potentially high lifetime cost to government, youth beneficiaries (16-17 year-olds receiving a benefit, and 18 year-old parents receiving a benefit) were also subject to an array of paternalist measures. These include having a portion of their benefit compulsorily managed for ‘food and living essentials’, and being assigned a dedicated case manager to assist with budgeting, education/training, and meeting benefit conditions (Bennett, 2012). Youth beneficiaries with children are required to enrol their child with a primary healthcare provider, complete health checks, and financial incentives have been introduced to encourage the completion of parenting classes and education/training (Bennett, 2012).

According to Ministry of Social Development figures, the fiscal outcomes of the social investment reforms to social security were quick to be felt. From 2011 to 2016, the number of social security beneficiaries fell from 328,496 to 283,875, a reduction from 12.1 percent of the working age population receiving benefits to 9.8 percent (Ministry of Social Development, 2016). The future fiscal liability of the social security system decreased from $86.8 billion in 2012 to $68.4 billion in 2015. Of the estimated $18.4 billion saved, $12 billion was attributed to the social investment-inspired reforms to social security (Raubal et al., 2016). While these achievements have been framed as proof of the effectiveness of the social investment agenda, they have received substantial criticism. Criticism has ranged from methodological shortcomings, such as the unreliability of future fiscal liability calculations, to more normative and practical shortcomings, such as the way that a limited focus on fiscal outcomes, rather than social outcomes, incentivises measures to dissuade or limit benefit claims, rather than reducing deprivation and inter-generational poverty (Chapple, 2013; Rosenberg, 2015). Returning to Bill English's phrase, what works for communities, households and individuals does not necessarily work for the government's books and, in many cases, positive fiscal and social outcomes are fundamentally irreconcilable. Rather than heralding an unambiguous 'win-win' for citizens and government budgets, reforms to social security have shown that the inclusive and empowering rhetoric of the social investment agenda has, in practice, acted as "a warm and fuzzy coat for shrinking the welfare state" (Molineaux, 2017: n.p.). Reworking Bill English's aphorism, what works for the government's books, it would seem, would be made to work for communities.

Administrative reform: Enabling data-informed or data-dominated investments?

Since the social security reforms just described, the social investment agenda was broadened with a series of centralised administrative reforms that build social investment capabilities across government. For the most part, these developments were concerned with protocols, systems and practices internal to government, but would have far-reaching material implications for citizens and society. The stated goal of the centralised reforms was to build a system of "measurement, evaluation and feedback that means governments today, and in the future, can rely less on anecdote, and more on actual services effectiveness" (English, 2016: n.p.). This multi-agency agenda certainly accommodates the fiscally-dominated reforms to social security, but holds open the possibility of other reform projects and programs that are less beholden to the narrow logic of fiscal savings. In particular, administrative reforms have promoted an understanding of social investment as having four elements: (1) using data to understand people's needs, (2) measuring effectiveness in meeting people's needs, (3) measuring life-course outcomes and inserting that information into decision-making processes, and (4) understanding the fiscal implications of improved outcomes (SIA, 2017).

There are two main elements to the centralised reform effort. First, the national statistics agency, Statistics New Zealand, created a linked dataset of administrative and survey data through a system called the Integrated Data Infrastructure (IDI). The IDI provides government departments and other authorised agents with a rich dataset from which to understand potential target populations in granular detail (Statistics New Zealand, 2013). For example, the Treasury has used the IDI to determine risk factors for children that can lead to poor outcomes as adults (see Ball et al., 2016) and, based on those analyses, the Ministry of Education prototyped a new educational funding model based on a school-level risk index, composed of individual students' risk scores. While the use of data to design and target social programs has long been part of the policy-making process, the large volume, wide scope, and individually-linked nature of data that can be managed by contemporary digital data systems, such as the IDI, is thought to significantly improve the analytical capabilities of government (Gluckman, 2017).

Second, a dedicated ministerial position and ministerial-level agency, called the Social Investment Agency (SIA), was established to co-ordinate and promote the social investment agenda across government agencies[1]. The SIA evolved from an advisory service (called the

[1] At the time of writing (November 2017), the newly-elected Labour-led government has not announced how it plans to proceed with the Social Investment Agency.

Social Investment Unit) within the Ministry for Social Development to a 'super ministry', sitting above line agencies such as the ministries for social development, education and justice, and rivalling the power of Treasury (Harman, 2017). The SIA's work involved data sharing, providing evidence about the efficacy of interventions, and providing investment advice to stakeholders within and beyond government (English and Bennett, 2016). The SIA created a 'social investment analytical layer' to organise information from the IDI into a user-friendly format so that approved IDI users can assess the impact of policies down to the individual level (English, 2016). As social investment minister Amy Adams (2017: n.p.) explained, the SIA will provide "all-of-Government social investment advice about which people we should be investing further in, and in what ways. … It will also be tasked with building the social investment architecture for all government and NGO agencies to use to help frontline staff fine-tune services and make them better targeted." Beyond these expansive roles, the SIA were tasked with assisting the Treasury to develop national public budgets (English and Bennett, 2016) and a Social Investment Panel (made up of government, social sector, and scientific experts) was created to evaluate budget proposals against social investment criteria.

The primacy of fiscal savings, and the practices and politics of data

According to its advocates, the National Party-led social investment agenda seeks to materially alter social welfare provision in New Zealand through a data-driven, outcomes-focused, future-oriented approach to public social spending. In general terms, few would disagree with the notion that decisions about public social spending ought to be informed by high-quality data, the potential achievement of outcomes, and long-term goals. However, when we move beyond generalities, there are at least two vexed issues associated with the social investment agenda. The first relates to the type of 'returns on investment' that are being sought. The post-2011 social investment agenda has focused overwhelmingly on achieving *fiscal* returns, not social returns. Amplifying conditions, sanctions, and surveillance directed at welfare beneficiaries has seen the welfare roll decrease and, with it, the government's 'forward fiscal liability'. But with little effort being given to meaningfully retraining those on benefits and little interest in improving low wage employment, the achievement of positive *social* outcomes seems highly unlikely. Of course, this focus on fiscal returns may change, and it should be noted that since the social security reforms received substantial criticism, those involved in implementing the social investment agenda have incorporated non-fiscal outcomes (such as individual and community outcomes) as part of social investment decision-making. Yet, despite the potential for social outcomes to be elevated within the decision-making process, fiscal outcomes are generally much easier to measure. This creates institutional incentives that reinforce the primacy of fiscal savings for decision-makers. On top of this, the macro-political context of neoliberal governance and its preference for minimal social spending creates additional incentives for social investment to service a narrow fiscal agenda. Whether the social investment agenda can move beyond its fixation with fiscal savings to allow for a genuinely 'social' investment agenda remains an open question.

The second vexed issue associated with the social investment agenda relates to the practice and politics of data-driven governance. As the large bodies of scholarship on evidence-based policy, Big Data, and algorithmic governance would suggest, the definition, collection, management, and analysis of data is neither neutral nor natural. There are significant ethical and methodological dilemmas associated with the collection and use of citizen-derived data (see Gluckman, 2017). As the social contract between the state and its citizens is rewritten to facilitate new data practices, discussions and debates about the legitimacy of such practices have tended to lag behind. Advocates for indigenous data sovereignty, for example, have shown these debates to be especially acute in the context of demands for indigenous selfdetermination (Kukutai and Taylor, 2016). Overlapping with issues surrounding data practices, there are unresolved questions about the politics of data and data analytics. What sort of data are deemed valuable? What types of populations and subject-positions are being conjured and erased through data collection and analysis, and how does this inform the framing of policy problems? How will the capacity to collect, analyse, and scrutinise data (or lack thereof) change the power dynamics of social provisioning? Will appeals to 'the data' displace other considerations (such as those based on moral/normative criteria) and foreclose opportunities for democratic debate? The fact that these questions have been largely obscured within political, practitioner, and popular discourse—which tends to emphasise the non-political, technocratic qualities of the social investment agenda—make them all the more pressing.

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