

PART 1

A conceptual framework for cross-sectoral social policy

(1) Introduction

1. The purpose of this paper is to set out a structured way of thinking about cross sectoral social policy. The aim is not to identify particular proposals for social policy, but rather, to describe a means by which such proposals should be identified. In doing this, the framework will strengthen the quality of policy advice to government from the Ministry of Social Policy.
2. Social policy is defined widely in this paper. We define social policy to include all policy that has an influence on desirable social outcomes. As a result, economic and environmental policies come under the rubric of social policy, as well as the more usual policy sectors of education, health, and social assistance. This approach is consistent with the Royal Commission on Social Policy:

‘social policy can be identified in terms of broad social objectives – that is, the promotion of social wellbeing - rather than the means used in pursuit of those objectives’ (Royal Commission on Social Policy, 1988 p450 Vol II).
3. This paper argues that social policy advice requires explicit consideration of the following two questions:
 - what are the goals of social policy?
 - how can government best achieve these goals?
4. There is considerable diversity of views within the population about the nature of social policy goals. Nevertheless, a useful starting point is that government aims to improve both the overall level and the distribution of wellbeing within the population.
5. The paper proposes a social investment approach to analysing the appropriate design of state institutions to achieve the goals of social policy. The state regulates, purchases, owns and provides leadership in a wide range of areas. The social investment approach asks analysts to consider how specific changes to these functions will improve or reduce the desirable social outcomes both now and in the future.

6. The rest of the paper is set out in the following manner. Section 2 discusses the goals of social policy. These goals, referred to as desirable social outcomes, involve the government attempting to improve both the overall level and the distribution of well-being amongst the population. Section 3 discusses how the state attempts to improve these desirable social outcomes. The section presents a model of state intervention that allows a discussion of the trade-offs and areas of mutual reinforcement that policy makers must consider when designing policy. Section 4 concludes and points out areas for future development and testing of this framework.

(2) The goals of social policy

7. The overall goals of social policy are framed by the question - what are the characteristics of the society we want to live within?
8. Clearly there is likely to be a diverse range of answers to this question, and in many ways the democratic system provides a means of determining which of these views are given priority. Nevertheless, despite diversity of views, this section proposes that the notion of well-being is a useful starting point for considering the goals of social policy.
9. Using the multi-dimensional concept of well-being, we set out a list of 'desirable social outcomes' that are the goals of social policy.

The nature of well-being

10. For the purposes of this paper, the concept of well-being refers to the contentment, happiness or satisfaction of individuals. It is similar to the economic notion of 'utility' (Bentham, 1879). Well-being is a function of the ability of people to make informed choices and live the type of life that they choose. This is because for the most part, people will choose to live a life that makes them satisfied or contented (Sen, 1985; Sen, 1999).
11. We argue that well-being should be a basic metric of social policy, as it ensures that the needs and preferences of all people are considered.
12. One important dimension of well-being is the economic standard of living. This captures the extent to which individuals are able to both meet their basic material needs and also consume other goods and services they regard as desirable.
13. The 'economic' approach is sometimes characterised as arguing that economic income provides the *only* indicator of the quality of life of individuals – and that the overall wellbeing of society is represented by the total income of all individuals in society. However, as is well known, there are a number of criticisms of this narrow approach.
14. The first is that even if we are concerned with only the economic standard of living, market income fails to capture much of what should be measured. The

second, and more important issue, is that there are many other influences on well-being. For example, obvious other dimensions of a person's well-being are their health, personal relationships, their enjoyment of civil liberties, and their freedom from crime.

15. In recognition of these arguments, the OECD undertook work on well-being in the 1970s. In this work, the OECD pointed to a wide variety of different areas that potentially contribute to well-being. Apart from 'command over goods and services', the OECD proposed seven other areas that were 'aspirations or concerns of fundamental and direct importance to human wellbeing' (Royal Commission on Social Policy, 1988: Vol II p450). These were: health, education and learning, employment and the quality of working life, time and leisure, the physical environment, the social environment, and safety.
16. The Royal Commission on Social Policy built on the OECD approach. According to the Commission, key aspects of well-being were:
 - voice, or the ability to have a say in, and influence over, matters which affect people;
 - choice, or the ability to choose freely amongst alternatives, to have alternatives available, to value diversity, and for people to be able to control their own destiny;
 - safe prospect, meaning guardianship of people, physical resources and the nation.
17. Using the OECD taxonomy and the approach of the Royal Commission on Social Policy, we argue that domains of well-being can be summarised into the following ten areas:
 - longevity and quality of life – the number of years of life, as well as the psychological and physiological quality of life are clearly a critical influence on well-being;
 - physical security – the absence of abuse and victimisation is also a critical component of well-being;
 - social connectedness and relationships in the family, community and wider society – positive social interactions include the extent of love and affection from family members and friends;
 - material standard of living – this involves not only consumption of goods and services traded in product markets, but also the consumption of non-traded goods (such as domestic production);
 - rewarding work – whether a person has the opportunity to work, and the quality of this work, is central to their wellbeing;
 - time and leisure – fulfilling and active time outside the workplace;

- knowledge, skills and education – ability to understand and interact with the world is critical to quality of life;
 - culture and identity – a person’s ability to express their culture and identity is fundamental to wellbeing;
 - social, economic and political freedoms such as basic human rights to privacy, protection from discrimination on the basis of sexual orientation and the protection of property rights (such as those relating to the Treaty of Waitangi) are also critical to wellbeing; and
 - the natural and constructed physical environment.
18. The notion of well-being is not simply an individual concept, but is intimately related to the quality of interactions between people. People derive satisfaction from group membership and social interaction.

The goals of social policy are about improving both the level and distribution of well-being

19. The Royal Commission on Social Policy argued that social policy should be concerned with the level and distribution of socially valued states and resources that are important to the quality of life (1988:p453 Vol II). In other words, the goals of social policy are concerned with both the level and distribution of well-being.
20. To argue that the government should aim to improve the overall or aggregate level of well-being is relatively uncontroversial. Other things being equal, most would agree that higher levels of well-being are better than lower.
21. However, as a society we are probably also concerned about the distribution of well-being. These distributional concerns may sometimes take priority over concerns about overall maximisation. Important distributional principles involve ensuring:
- that all individuals enjoy some basic minimum level of well-being;
 - there is opportunity so that all have a fair chance to achieve their potential;
 - that the well-being of future generations is protected.
22. The New Zealand literature is marked by a strong assertion that an important aspect of the goals of social policy is a guarantee of some adequate level of well-being for all people. For example, the 1972 Royal Commission on Social Security provided an influential statement about income adequacy and economic well-being. The Commission argued that all individuals and families should have an income that allowed them:

‘to belong and participate – no-one is to be so poor that they cannot eat the sort of food that New Zealanders usually eat, wear the same sort of clothes, take a moderate part in those activities which the ordinary New Zealander takes part in as a matter of course. The goal is to enable any citizen to meet and mix with other New Zealanders as one of them, as a full member of the community-in brief to belong’ (1972:62).

23. Sentiments about the need to ensure some adequate level of well-being were also echoed by the Royal Commission on Social Policy. Apart from reiterating the previous statement about a standard of living that allowed participation and belonging, the Royal Commission also pointed to a number of standards and foundations of a fair society. Many of these refer to the provision of some basic minimum level of well-being for all people in the areas of politics, law, and culture. These included guaranteeing some adequate level of well-being in the areas of:
 - social legal and political freedoms through ensuring dignity, fundamental human rights, self-determination for different groups within society, and basic democratic and constitutional rights; and
 - culture and identity through ensuring the acceptance of identity and cultures of different people within the community.
24. The notion that there is a need to ensure that all individuals should be guaranteed an adequate quality of life is also a central feature of the work of Amartya Sen (1999). Sen emphasises that people require a wide range of freedoms so that they are able to lead the kind of life they want to lead. In other words, if we value people having control over their own lives, they should be free from poverty, have access to basic healthcare, possess at least some minimum level of education, and be able to exercise political choices in a democracy.
25. The Royal Commission on Social Policy argued that one of the standards of a fair society was: ‘genuine opportunity for all people, of whatever age, race gender, social and economic position or abilities to develop their own potential’ (Royal Commission on Social Policy, 1988 Vol II p12). In other words, we should ensure that all individuals have a fair opportunity to achieve their potential and enjoy the best quality of life that they can.
26. Another important distributional principle concerns fairness to future generations. The Brundtland Report argued that inter-temporal equity required ‘meeting the needs of the present generation without compromising the ability of future generations to meet their own needs’. In other words, the goals of current social policy should recognise and provide for the well-being of future generations.
27. Lastly, there are also arguments that the Treaty of Waitangi imposes constitutional requirements about the overall outcomes of social policy, as well as the process of social policy decision making by government. In regard to the former approach, it is sometimes argued that the Treaty requires social policy to be geared towards reducing disparities for Maori. The role of the Treaty in social policy is an area where this framework clearly needs further development.

Government goals as a set of desirable social outcomes

28. Social policy goals concern the achievement of a certain level and distribution of well-being using the principles discussed above. However, the exact nature of these goals is an empirical question that deserves further research. There is currently very little literature on the overall social outcomes that New Zealanders desire.
29. Despite this lack of evidence, as part of the process of writing this framework, it is useful to describe the overall goals of social policy. The table below provides such an attempt, using the different domains of well-being and distributional principles discussed previously. Apart from the two Royal Commissions, we have also drawn on a range of other sources including international treaties and the literature on social policy to describe ‘desirable social outcomes’.

Table 1: Desirable social outcomes	
Health	All people have the opportunity to enjoy long and healthy lives. Avoidable deaths, diseases and injuries are prevented. People have the ability to function, participate and live independently
Knowledge and Skills	All have the knowledge and skills that provide the opportunity to participate fully in society. Lifelong learning and education are valued and supported. New Zealanders have the necessary skills to participate in a knowledge society and to become global citizens
Safety and security	People enjoy personal safety and security. Society is free from victimization, abuse, violence and avoidable injury
Paid work	Access to meaningful, rewarding and safe employment is available to all
Human rights	Civil and political rights, as well as economic, social and cultural rights, are enjoyed by all. The principles of the Treaty of Waitangi are recognised and incorporated into government decision-making
Culture and identity	Cultural diversity is fostered. People have the right to express different cultural values and practices and to pass cultural traditions on to future generations. Our national identity reflects the values and aspirations of Maori, European, Pacific Peoples and other groups and communities
Economic standard of living	Everyone has access to an adequate income and enjoys a standard of living that means they can participate fully in society and have choice about how to live their lives
Social connectedness	People enjoy constructive relationships with others in their families, whanau, communities, iwi and workplaces. They are able to participate in society and have a sense of belonging
The environment	A clean and healthy environment is maintained, sustaining nature and meeting the needs of people now and in the future

(3) The social investment approach

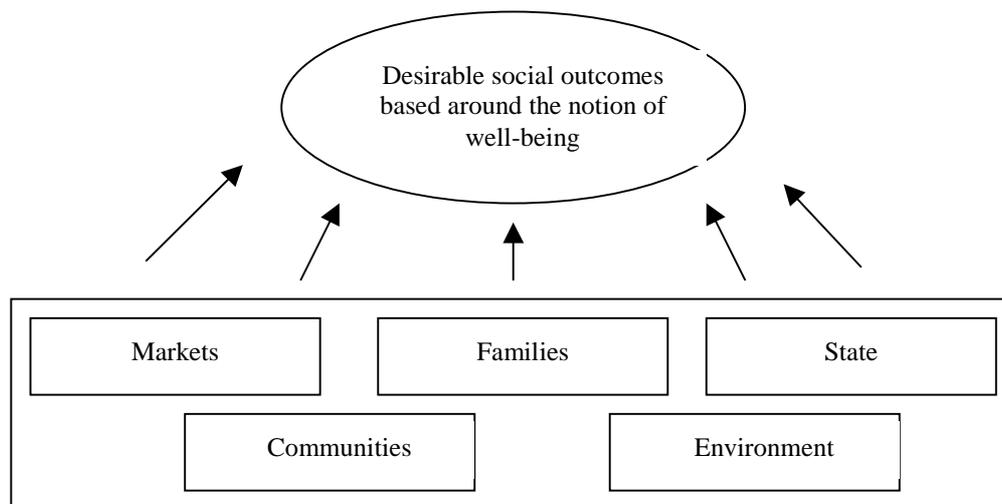
30. This section provides a model for considering the impact of government policies and interventions on the government’s social policy goals. Government intervention can be conceived as a ‘social investment’ because there are benefits from policy that is well designed and implemented.
31. This section firstly discusses how the structure and functioning of social institutions influence the extent to which desirable social outcomes are achieved.

At a very general level, social policy involves a consideration of whether the state can improve on the functioning of other social institutions. A model for analysing the impact of policy interventions is then provided.

Social institutions influence the level and distribution of well-being

32. The level and distribution of well-being is influenced by the functioning of social institutions. The functioning of these different societal institutions - such as markets, families, communities, society, and the state – are represented diagrammatically in figure 1.

Figure 1: The institutions of society and desirable social outcomes



33. As an example of the impact of institutions on overall social outcomes, consider the role of the labour market. For many people, participation in the labour market plays a key role in providing access to a particular economic standard of living, self-esteem and social connectedness. As another example, consider the role of families. For many, the family plays a central role in access to emotional and physical security, as well as influencing the level of economic well-being.
34. Social institutions are clearly inter-dependent. The functioning of the labour market has a major impact on families (for example the time that people might spend at work). Similarly, the functioning of families has important impact on markets, such as through, patterns of participation in the labour market. The inter-dependence of institutions means that the functioning of an institution can support or undermine the functioning of others.

The role of the state

35. Social institutions never work perfectly. For example, unemployment occurs when labour markets fail to work effectively. Similarly, violence and abuse can occur where families fail.
36. Because of these failings, collective action via the state can sometimes improve on the unfettered operation of markets, families and communities. However,

government activity also suffers from deficiencies, and social policy requires consideration of the relative role of the state *vis a vis* other institutions. This requires an understanding of the relative effectiveness and role of families, communities, markets and state institutions.

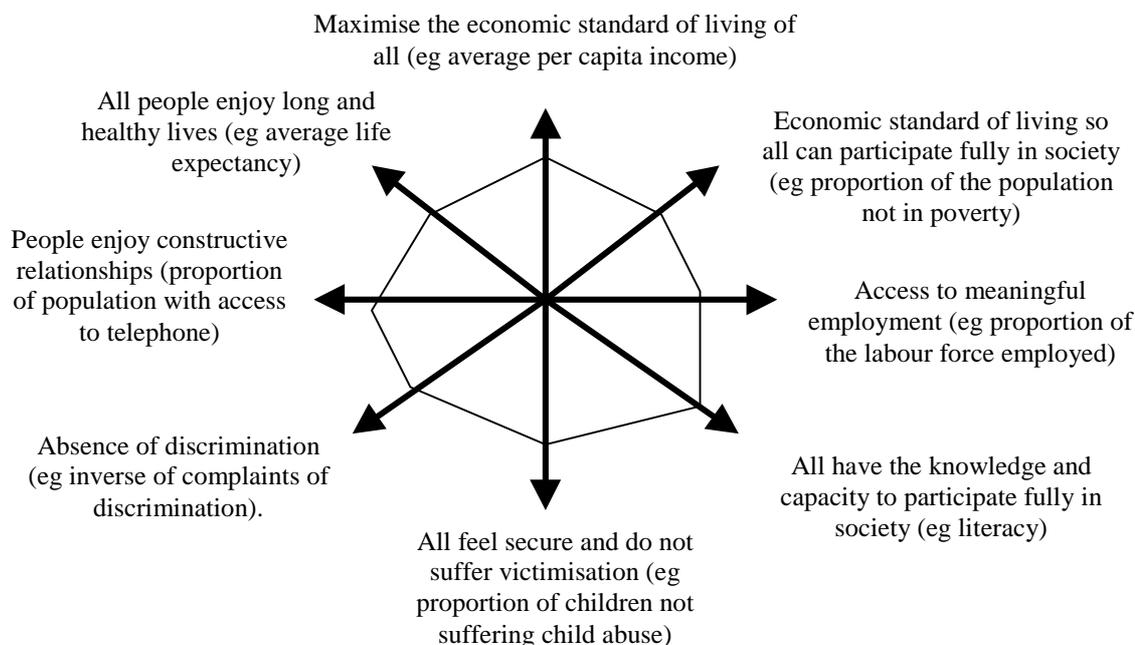
37. For example, the role of the state in the provision of basic property rights seems to be an area where the state has a comparative advantage. For a variety of reasons, families and communities and wider social norms are not wholly effective in specifying and enforcing the basic rights to property that are necessary for a functioning market (Williamson, 1985).
38. As another example, consider insurance against the risks of unemployment, sickness, and ill health. Families tend to fail to provide sufficient income protection insurance because events such as unemployment often impact upon all members of a family at the same time. Communities, through the provision of charity, also tend to fail because of free riding. Markets also often fail because of adverse selection related to uncertainty. While the provision of income insurance by the state also suffers from failures due to poor administrative incentives, it probably performs more adequately than other institutions (Barr, 1998).
39. At a rather high level of generality, social policy needs to consider the relative effectiveness of the state versus other social institutions in improving social policy outcomes. There may be a role for collective action where other social institutions are not effective, or cannot function effectively without support from the state.
40. In the discussion that follows, we move to a more specific level, and describe a methodology for designing and evaluating actual policy proposals. The key elements of our model are:
 - measurement of desired social outcomes;
 - understanding the direct and indirect effects of policy on these outcomes; and
 - coping with uncertainty.

Measurement of outcomes through the use of indicators

41. A key first step in the more rigorous design of social policy proposals is to measure desirable social outcomes. This process of measurement, often referred to as social monitoring, requires the selection of statistics that best quantify desirable social outcomes. For example, we have argued that ‘all have access to meaningful, rewarding and safe employment’ is one important goal. This outcome might be measured by:
 - the employment rate;
 - average wages; and
 - statistics relating to the ‘quality’ of employment.

42. Figure 2 provides a graphical description of what might be possible if we could measure all desirable social outcomes. The diagram is constructed so that a movement away from the centre represents an improvement in a desired social outcome. For simplicity of presentation, we have only represented a limited set of outcomes and indicators in the diagram.

Figure 2: Hypothetical representation of the measurement of social outcomes



Understanding the effects of interventions

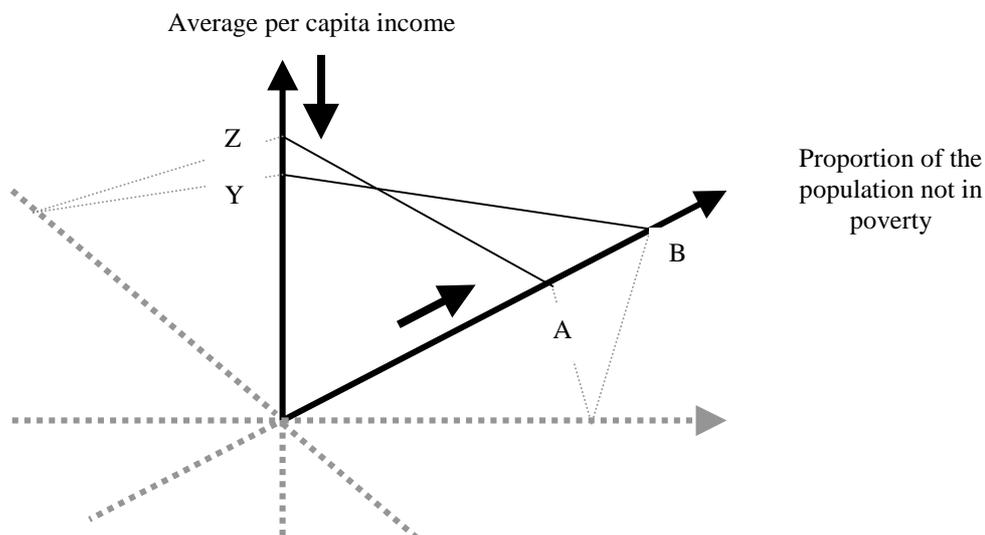
43. We argue that rigorous policy analysis requires explicit consideration of the effects of different interventions on outcomes. Using the diagram set out in figure 2 above, we argue that social policy advice aims to consider how interventions impact on each of the radial spokes of the diagram.

44. In some cases, a policy intervention will impact positively on a range of outcomes. In this instance the policy will be unambiguously beneficial.

45. In other cases, the policy intervention will impact positively on some outcomes, and negatively on others. In this case, there is a trade-off to be made, and the relative weight given to each outcome by government will determine the relative merits of the policy intervention.

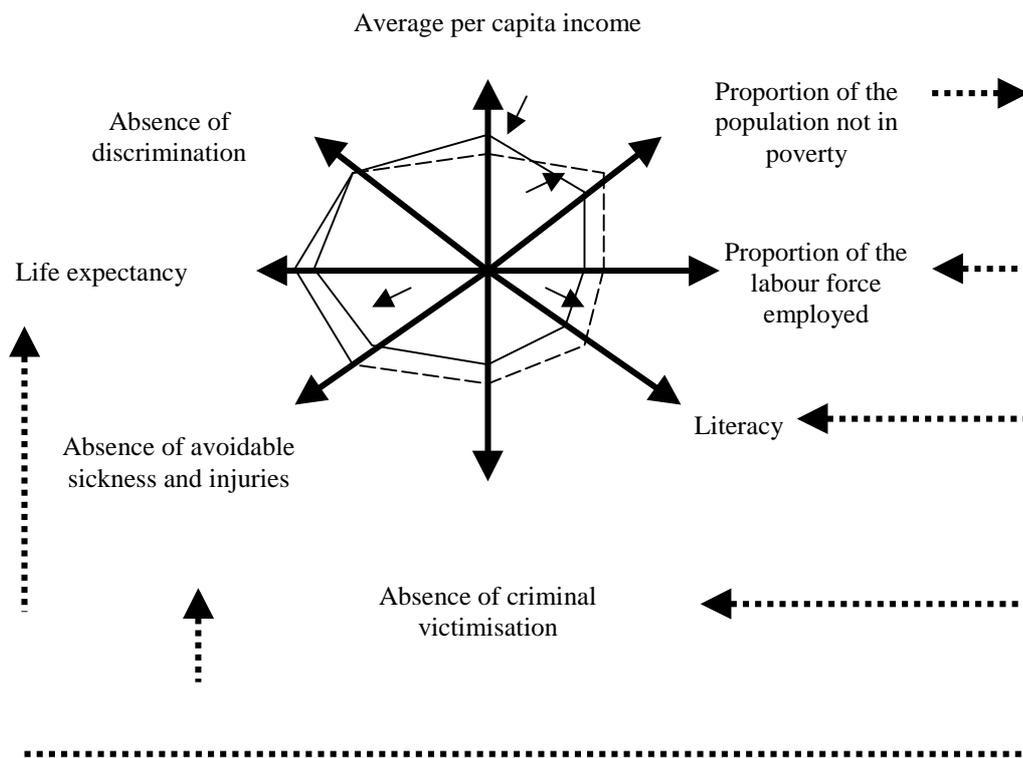
46. For example, consider the use of some form of tax credit to alleviate child poverty. A reduction in poverty is a desirable outcome in itself – but it may be associated with a reduction in average incomes because of the deadweight costs of taxation. This is represented in figure 3, where we only show a particular segment of the outcomes model. The tax credit intervention involves a trade-off between the costs of a loss in overall income (Z-Y) and the larger benefits of a reduction in poverty (A-B).

Figure 3: Income redistribution through the imposition of a tax credit



47. Ideally the social investment approach requires a common valuation of different outcomes so that the ‘costs’ of a loss in average incomes could be balanced against the ‘benefits’ of a reduction on poverty. However, in the absence of this common means of valuing outcomes, government needs to make a judgement call about the extent to which different outcomes should be traded-off.
48. As outlined so far, the model has considered only two dimensions, and also ignores the important issue of time. A more sophisticated analysis requires consideration of the effect of interventions across all outcomes, and also the time path of all these effects. As a result, judgements about the net benefits of interventions require consideration of a stream of costs and benefits into the future.
49. A key issue in considering a more sophisticated approach is that there are often positive and negative feedback effects from changes in desirable social outcomes. Consider the example of a tax credit to alleviate child poverty again. There is evidence suggesting that reductions in child poverty may improve educational attainment, employment, health and criminal offending in the future (Duncan and Brooks-Gunn, 1997; Mayer, 1997; Wilkinson and Marmot, 1998).
50. Figure 4 provides a graphical representation. As before, there is a negative impact upon economic output, but a corresponding increase in the proportion of the population not in poverty. However, the reduction in child poverty is also associated with corresponding improvements in future desirable social outcomes related to employment, literacy, health and physical security.

Figure 4: Positive feedback effects on desirable social outcomes



51. Although not shown in the diagram, the consequence of these feedback effects could conceivably be some improvements in economic output in the future. Increases in employment, and lower levels of fiscal expenditure on health, education and justice, are likely to be positive for economic growth.
52. The conclusion in relation to child poverty is generalisable across a range of other desirable social outcomes. For example, there is considerable evidence that:
 - basic democratic rights and freedoms have important positive influences on reducing the risk of extreme forms of poverty (Sen 1999);
 - reduction in unemployment tends to be associated with positive effects on mental health, education, physical security, poverty, income and future unemployment (Oswald, 1997; Caspi *et al.*, 1988);
 - improvements in health and life expectancy have important positive flow on effects in relation to employment, income, and poverty;
 - a decrease in discrimination has positive feedback effects on employment, income and poverty;
 - improvements in literacy have positive associations with income, employment and reductions in unemployment (Chapple and Mare, 2000); and
 - enhancements in social connectedness have important influences on income, employment, and health.

53. These feedback effects are what would be expected from a human development perspective. A supportive environment, especially in early childhood, will have important positive flow on effects into the future. Often this is expressed in a negative sense: severe experiences of deprivation such as childhood poverty or neglect and abuse are likely to damage individuals and lead to worse outcomes in the future.
54. The model described above provides a means of considering different policy proposals. It is important, however, to acknowledge that considerable uncertainty that exists about the possible effects of different interventions. There is a lack of knowledge about the existence, direction, magnitude and timing of the effects of different policies.
55. Uncertainty about the possible effects of interventions also imposes constraints on the manner in which policy might be designed and implemented. A number of approaches are suggested including:
- ensuring that policy development should occur in an *incremental*, gradual, piecemeal or experimental manner (Lindblom, 1977);
 - precaution or risk aversion, which is especially important where there are effects that may be irreversible (such as, for example, the loss of a language); and
 - meaningful consultation with the people and communities effected.
56. The existence of uncertainty also focuses attention on knowledge building in two broad areas. In particular:
- the underlying causes of desirable and undesirable social outcomes; and
 - what forms of interventions are effective; and
57. Which ‘interventions’ are effective encompasses a wide range of possible topics. These include purchase, ownership, regulation and leadership from the government. This literature might cover for example, improvements in joined-up delivery of services by government, or ways of making the provision of services more responsive through increased local control and partnerships with the community.

(4) Conclusion

58. This discussion paper has set out a conceptual framework for a ‘whole of government’ approach to social policy.
59. The framework has described a set of ‘desirable social outcomes’ that derive from considerations about what is an appropriate distribution of well-being both now

and in the future. The outcomes described in this paper are, however, a first attempt, and given that they are based on only limited research evidence, they will not wholly encompass the diversity of values and aspirations within the population.

60. We have argued that social policy aims to improve desirable social outcomes, and in doing this should consider the widest possible range of interventions. These may range from technical economic policy instruments such as monetary policy, to more social type interventions such as community development.
61. The framework has described a social investment approach to social policy, and provided a simple diagrammatic model for representing these issues. The social investment approach requires considering how interventions will influence the achievement of desirable social outcomes over time. Importantly, we argue that policy analysis should consider the effect of changes on all outcomes. Policy analysis should also consider the effects of interventions in the future.
62. Future improvements in social policy will require policy makers to not only adopt a longer-term perspective, but to also make better use of evidence about the possible effects of policy. A key feature of this framework is that it has set out key areas of knowledge for strategic social policy. These include:
 - gaining better knowledge about the goals of social policy through research into what people in society regard as the characteristics of a better society;
 - developing data and knowledge about current observed outcomes, their distribution across the population and their likely future trends;
 - understanding the causes of good and poor outcomes; and
 - developing knowledge about what ‘interventions’ are effective in the widest sense – where we define interventions to include governance arrangements, means of influencing social capital and values, and direct interventions such as employment programmes.
63. There are a number of aspects of the framework that need further development. A key area for future development is in the area of Treaty analysis. We also want test the framework by using it in work on developing the ‘evidence-base’ for social policy, as a framework to underpin social monitoring, in the development of a social policy strategy, and in the development of proposals about overall priorities for future social spending.

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