

Chair
Cabinet Social Development Committee

Reducing Inequalities: Next Steps

Purpose

1. The purpose of this paper is to review and set out the next phase of the reducing inequalities policy.

Executive summary

2. In August 2003 Cabinet agreed to a work programme for the reducing inequalities policy aimed at improving the coordination of the policy across agencies, and the future oversight, monitoring and review of the reducing inequalities policy. Ministers also asked for advice on the overall progress of the reducing inequalities policy in improving outcomes, and on priorities for the future.
3. The reducing inequalities policy aims to reduce disadvantage and promote equality of opportunity in order to achieve a similar distribution of outcomes between groups, and a more equitable distribution of overall outcomes within society. This means both
 - achieving some minimum level of wellbeing for all people, so all may participate in our society (e.g. tackling poverty, low levels of foundation education skills and victimisation), and
 - trying to ensure a more equal distribution of the determinants of wellbeing across society, i.e. greater equality of real opportunities, where family background, ethnicity or disability are not major determinants of individuals' life chances.
4. As well as setting out principles for future work, the report describes the population groups that the policy targets. The policy encompasses all those in our society who experience disadvantage and unequal opportunities.
5. An assessment of progress in reducing inequalities shows that for the overall population, the extent of disadvantage has declined. Although the focus of the policy is wider, there is evidence that for Māori and Pacific groups, many indicators of disadvantage have improved. However when measured on a relative basis, there has been less improvement.

6. Government has promoted a wide ranging set of initiatives aimed at reducing inequalities, and many of these are proving successful. Based on analysis of the causes of disadvantage and 'what works', the following priorities are proposed for the future:
- ensuring a robust programme of early intervention for at-risk children and families
 - addressing the income needs of children in low-income families through implementation of the Working for Families programme
 - continuing the focus on the health needs of families/whanau across the life course through improving access to health services, particularly primary care
 - increasing participation in early childhood education by groups where participation is low
 - improving participation and achievement amongst young people at risk of leaving school with few qualifications
 - improving access to education, training and employment for economically inactive young people
 - addressing the barriers to employment and increasing incentives to find employment for disadvantaged groups
 - improving models for ensuring high-quality and responsive funding and delivery of services for at-risk groups
 - investing in communities and supporting community-led solutions
 - tackling risk factors of poor health and improving access to services for those currently at risk of poor health outcomes across the life-course
 - improving the quality of evaluative activity within the social sector, and filling gaps in information to improve understanding of outcomes and what works.
7. The paper discusses two broad options for managing the policy in the future. These are an 'incorporated' approach where the goals and priorities are built into departmental strategies and management processes, and a 'directive' approach, involving the development of an action plan setting out goals and priorities. I propose agreement in principle to an incorporated approach, and request officials to report back details to Ministers at the end of October 2004.

Background

8. Reducing inequalities is a whole of government policy encompassing both social and economic initiatives. Reducing inequalities represents government's key initiatives that aim to tackle disadvantage, reduce inequalities and improve outcomes for all. Broadly the policy consists of:
- major initiatives across a wide range of sectors that are encapsulated in such documents as the Primary Healthcare Strategy, the Adult Literacy Strategy, the Crime Reduction Strategy, and many aspects of the Employment Strategy. Many of these initiatives are outlined annually by thirteen of the larger departments in their Annual Reports

- responsiveness strategies aimed at ensuring public sector agencies have both workforces and processes that are responsive to different groups in society including iwi, hāpu and a variety of other communities
 - a range of initiatives funded over a four year period from 2000/01. These initiatives are monitored in the Six Monthly Report to Cabinet.
9. In August 2003 Cabinet agreed to a work programme aimed at improving the coordination of the policy across agencies, and the future oversight, monitoring and review of the reducing inequalities policy. The Ministry of Social Development, in consultation with relevant departments, was directed to report in February 2004 on the next steps for reducing inequalities, drawing on an assessment of current trends in outcomes for Māori and Pacific peoples, an analysis of the underlying drivers of disadvantage, and a review of programme effectiveness in the area of reducing inequalities [SDC MIN (03) 19/2 refers].
10. *(Deleted as not relevant)*

What are we trying to achieve?

The goals of reducing inequalities

11. The Government key goal for reducing inequalities is to *reduce the inequalities that currently divide our society and offer a good future for all by better coordination of strategies across sectors and by supporting and strengthening the capacity of Māori and Pacific communities. It aims to ensure that all groups in society are able to participate fully and enjoy the benefits of improved productivity* [CAB Min (02) 25/1B refers]
12. The key goal reflects fundamental principles relating to social justice - a desire to *reduce disadvantage and promote equality of opportunity* in order to achieve a similar distribution of outcomes between groups, and a more equitable distribution of overall outcomes within society.
13. Reducing disadvantage means trying to achieve some minimum level of wellbeing for all people. This means tackling poverty, unemployment, low levels of foundation education skills, preventable ill health and victimisation so that all members of our community have the resources and ability to participate in our society.
14. Promoting equality of opportunity means trying to ensure a more equal distribution of the determinants of wellbeing across society. Some groups within our society face restricted opportunities (such as discrimination or low parental income) that limit their access to the key determinants of wellbeing such as a decent income, good health or adequate education. The aim is to achieve a society with greater equality of real opportunities, where family background, ethnicity or disability, are not major determinants of the life chances of individuals.

15. Table 1 provides some examples of these two fundamental principles.

Table 1: Principles of social justice		
<i>Principle</i>	Reduce disadvantage	Equality of opportunity
<i>Nature of the principle</i>	Ensuring that all people have access to some minimum level of wellbeing	Ensuring a more equal distribution of determinants of wellbeing. Greater equality of <i>real</i> opportunities will, other things being equal, lead to a more equal distribution of outcomes between groups.
<i>Example</i>	Reducing poverty	Overcoming systemic barriers to education and employment, tackling, labour market discrimination and improving access for people with disabilities.
<i>How would we measure outcomes for this example</i>	The overall incidence of poverty within the community	This may in part be proxied by differences in outcomes between groups. For example the difference in average incomes between Māori and European.

16. The reducing inequalities policy reaches across many sectors and requires coordinated action. Across government, reducing inequalities means a focus on the following outcomes:

- better health and reduced inequalities in health
- positive parenting and a reduced incidence of abuse and neglect
- high levels of participation in education and improved educational achievement
- improved labour market participation, greater access to sustainable employment opportunities and reduced unemployment
- higher overall living standards and reduced poverty across the community
- affordable housing of an adequate standard
- reduced criminal victimisation and violence
- cultural and ethnic identities are valued
- greater social capital and reduced social isolation.

17. The Government's approach to reducing inequalities emphasises both social investment (i.e. initiatives that aim to promote improved outcomes in the future), and protection (i.e. insurance for those who suffer poor outcomes). While the main emphasis is of course on social investment, we also need to ensure we maintain an adequate level of protection for all.

How should we measure the achievement of these outcomes?

18. Table 2 below sets out a number of key indicators which can be used to measure both disadvantage and inequality of opportunity. These indicators provide a comprehensive picture of the overall changes in outcomes that are useful for reporting on reducing inequalities. Indicators of poor outcomes (for example poverty and unemployment) capture aspects of disadvantage. Differences between groups across all indicators provide one possible measure of the extent of inequality of opportunity.

Table 2: Measures of outcomes	
Outcomes	Key indicators
Better health and reduced inequalities in health	<ul style="list-style-type: none"> • independent life expectancy at birth • life expectancy at birth • infant mortality rates • avoidable mortality • motor vehicle deaths • suicide rates • prevalence of disability requiring assistance • ambulatory sensitive hospitalisations • work place injuries • cigarette smoking • obesity in adults • obesity in children
Positive parenting and a reduced incidence of abuse and neglect	<ul style="list-style-type: none"> • abused or neglected children • participation in family and whanau activities
High levels of participation in education and improved educational achievement	<ul style="list-style-type: none"> • participation in early childhood education • literacy and numeracy skills measured at key stages of schooling • leaving school with upper secondary qualifications • participation in tertiary education • tertiary qualification completions below bachelors level and at bachelors level and above • working age adults with at least school certificate • working age adults with bachelors degree or higher
Improved labour market participation, greater access to sustainable employment opportunities and reduced unemployment	<ul style="list-style-type: none"> • unemployment • employment
Higher overall living standards and reduced poverty across the community	<ul style="list-style-type: none"> • low incomes • low living standards • median hourly earnings • median household income • proportion of population receiving a core benefit
Affordable housing of an adequate standard	<ul style="list-style-type: none"> • housing affordability • household crowding
Reduced criminal victimisation and violence	<ul style="list-style-type: none"> • victimisation • feeling safe
Cultural and ethnic identities are valued	<ul style="list-style-type: none"> • language retention
Greater social capital and reduced social isolation	<ul style="list-style-type: none"> • telephone and internet access • participation in community activities • trust in others

19. As part of the roll-out of the reducing inequalities policy in 2000, a limited set of goals and targets were developed for health, education and employment sectors. Some of these targets continue to be used by departments, although a number have been superseded, or made redundant through the development of new measures.
20. The social indicators set out above provide a comprehensive and measurable means of monitoring progress in reducing inequalities.

Why are these goals important?

21. Recent events have focussed attention on the reducing inequalities policy, and it is important to be clear about why our goals are important. There are four key reasons why reducing inequalities is critical for the future development of this country.
22. First, it is about *fairness*. Eliminating disadvantage and promoting equality of opportunity is about creating a 'fair' society. I believe most New Zealanders support the notion that we do not want a country where there is extensive poverty and hardship. Most people also want a society where everyone has an opportunity to participate and succeed in our society - where ethnicity, family background, or gender are not the major determinants of people's life chances and where unequal opportunities are not ingrained within our society.
23. Second, our reducing inequalities goals are often critical for *economic growth*. The prosperity of our country depends on improving the productivity of *all* our citizens. Reducing disadvantage and widening access to opportunities will allow more in our society to participate and make a greater contribution to the economy. Educational under-achievement, chronic poor health, crime, and unemployment are all barriers to economic participation. Our future economic success requires the talents, skills and enthusiasm of all New Zealanders. Critically, the ageing of our population means that if we want to meet our aspirations for a more prosperous society, we must improve economic and social outcomes for Māori, Pacific, ethnic and low income New Zealanders.
24. Third, we want to reduce long-term *fiscal costs*. Disadvantage and inequality of opportunity impose fiscal costs on the wider community through the costs of crime, social assistance, and health expenditure. It is often the case that up-front social investments to reduce inequalities will lower future fiscal costs, as well as alleviate social problems. For example, if we can reduce the number of young people leaving school with few qualifications, it is likely we will be spending less on unemployment benefits in the future.
25. Finally, we need to foster *social cohesion*. Reducing disadvantage and systemic inequalities provides a platform for an inclusive and cohesive society that reduces discrimination and supports participation by everyone. However, we need to continue in a way that fosters social cohesion.

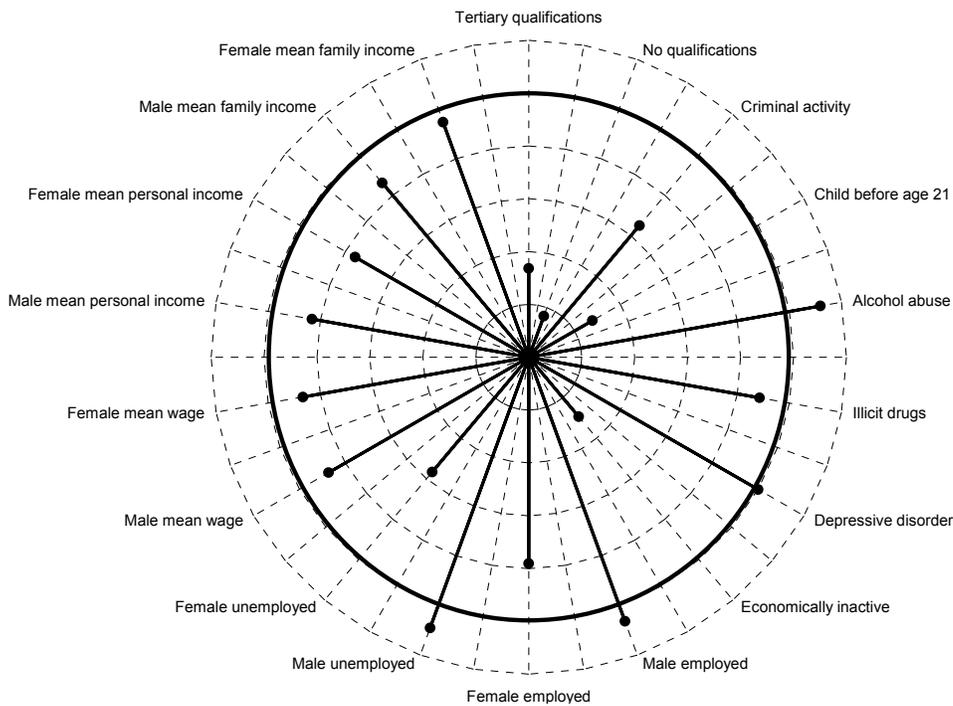
Populations to consider

26. The reducing inequalities policy is directed towards those in our society who experience disadvantage and unequal opportunities that result in poor outcomes,

either through personal and family circumstances or as members of a group that confronts issues such as discrimination, or other systemic barriers to achievement.

27. An illustration of the extent of this disadvantage and inequality of opportunity for low income families is set out below. The data is drawn from the Christchurch longitudinal study, and compares the average outcomes for young people from the poorest 25% of families, compared to the 25% with the highest incomes, at age 25 years. The darker outer circle shows the average outcomes for young people who grew up in high income families, with the spokes of the wheel representing the average outcomes of those from the poorest. Lines extending beyond the circle represent a more advantaged position. Lines closer to the centre represent a 'worse-off' position. As an example, consider the extent of young people with no qualifications at age 25. The Christchurch data shows that approximately 27% of young people from the poorest families had no qualifications, compared to 4.5% of young people from the highest income families.

Graph 1: Outcomes for young people from poor families (compared to young people from high income families)

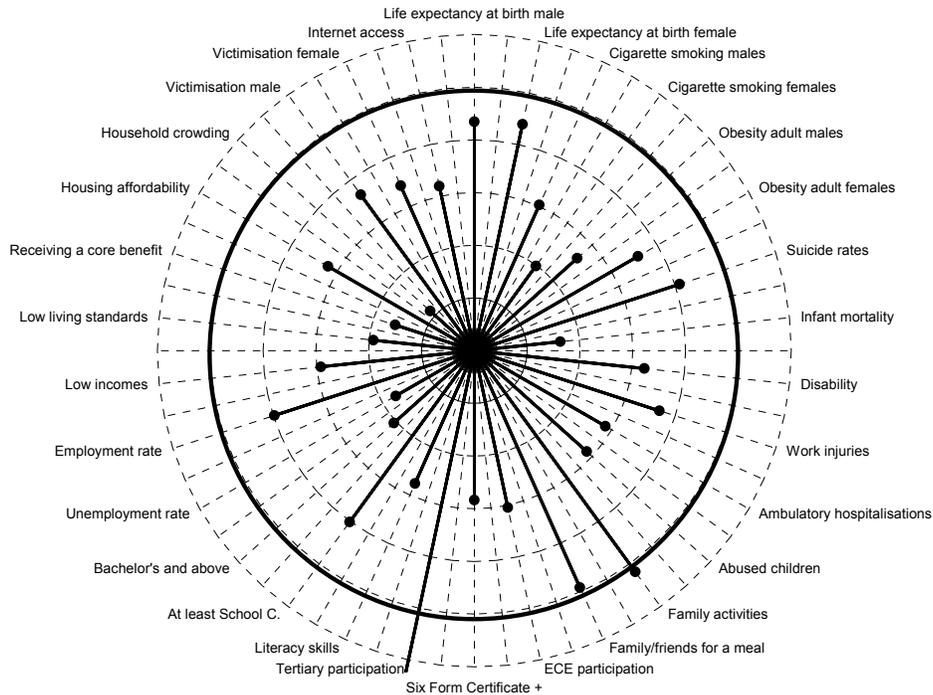


28. Young people growing up in our least wealthy families are more likely to leave school with no qualification, spend considerable amounts of time between the age of 16-19

outside of education or work, engage in criminal activity, and have lower incomes themselves at age 25.¹

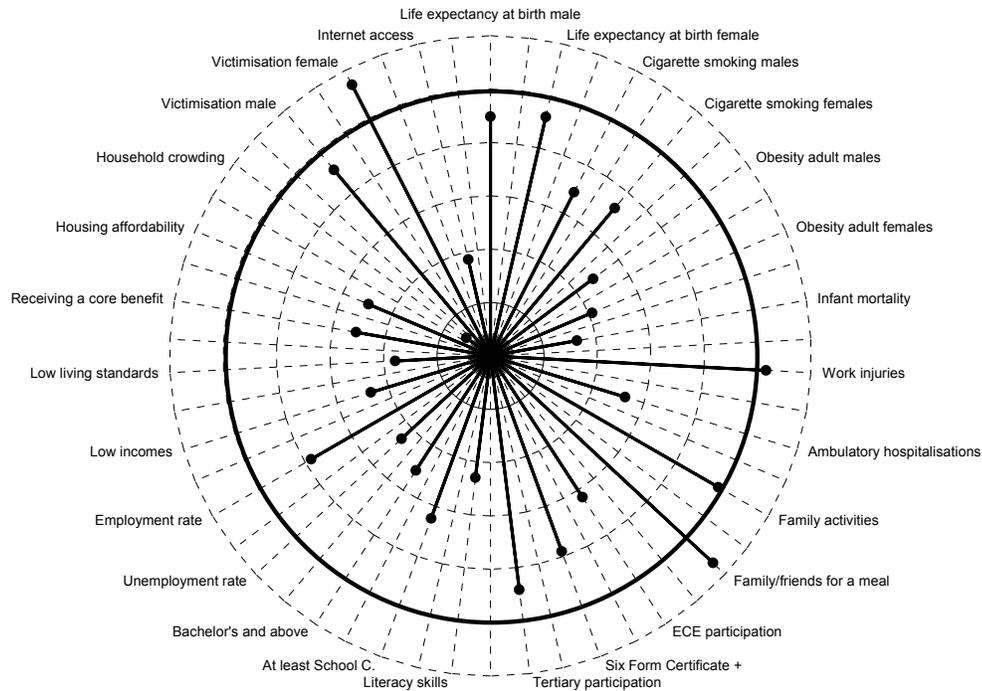
29. We also know that on average other groups such as Māori and Pacific peoples fare less well than the majority of the population. Graphs 2 and 3 show average outcomes for Maori and Pacific peoples. In this case Māori and Pacific peoples are represented by the spokes and the remaining population largely European population is represented by the dark circle. More complete information, on which Graphs 2-3 have been based, is provided in Attachment 1.

Graph 2: Average Māori outcomes compared to the rest of the population (excluding Pacific)



¹ Graph 1 shows young males from low income families having better employment rates and lower unemployment rates than young males from high income families. This may be an age-specific effect, and may not be generalisable across all age groups.

Graph 3: Average Pacific outcomes compared to the rest of the population (excluding Māori)



30. The range of groups identified as experiencing lower average outcomes is wider than those identified in Graphs 1-3. Many people with disabilities, the ethnic sector², and sole parents also face restricted opportunities. Depending on the issue, the population can be divided into a range of different groups. For example by age, sex, ethnicity, socioeconomic status or place of residence.
31. Part of the challenge of the reducing inequalities policy is to recognise that not all members of identified groups will experience disadvantage and unequal opportunities.
32. It is also important that while recognising some groups on average have poorer outcomes there are many people and families in relatively better-off groups that are also experiencing disadvantage and need assistance and support.

Principles of the reducing inequalities policy

33. There is a need for a widespread understanding of the drivers that create and maintain inequalities, the reasons for addressing these inequalities and the most appropriate means of achieving these objectives. Adopting the following broad

² The term 'ethnic sector' is used to refer to that proportion of the population who identify with an ethnic group other than Māori and Pacific peoples and different from the majority of people in New Zealand. This includes people who identify with ethnic groups from Asia, Continental Europe, the Middle East, Africa and Central and South America, and includes refugees or migrants, or people born in New Zealand.

principles as the basis for future work will increase the effectiveness of the whole of government approach.

34. *Ensure that programmes and policies are sufficiently comprehensive.* The risk of disadvantage and unequal opportunities is not exclusive to specific groups within the community, so in the first instance we must ensure that our policies and programmes are sufficiently comprehensive.
35. *Effective use of resources may often require targeting to different levels of need.* There are different levels of need within the community, and we often need to prioritise resources because of fiscal constraints. Service planning should incorporate both universal and targeted approaches on the basis of need. For example, all young people receive assistance with education, but there are children and young people within our community who need additional support. It is important that these targeting mechanisms – which use imperfect proxies for need - are robust and based on research.
36. *Ensuring that delivery is of high quality and is appropriate to need.* We should continue with our commitment to effective delivery and high capability within our delivery organisations. It is also important that all service delivery organisations respond to the different needs and requirements of different groups. Both mainstream and population specific services need to be responsive to the needs of population subgroups.
37. *Cross-sectoral coordination of policy and delivery.* Ensuring coordination of policies across agencies and service delivery organisations will improve outcomes.
38. *Community engagement and partnerships.* Supporting communities in defining and developing their own solutions through consultation and the establishment of effective partnerships will often improve the chances of successful policy delivery.
39. *Intervening with an achievement and strength focus,* rather than a fixation with failure. We know from research that programmes that build on strengths and emphasise success are more likely to succeed.
40. *Systematically using evidence about ‘what works’ in policy and delivery.* We need to ensure that the design and delivery of our social investments are based on sound empirical evidence about what is effective. This means we must continue to invest in research and evaluation.

Overview of initiatives within the reducing inequalities policy

41. Over the last few years we have implemented a comprehensive range of policies and programmes aimed at improving outcomes across the whole community. Table 3 sets out this Government’s most important policies and programmes.

Table 3: Reducing inequalities policies and programmes	
<i>Outcome</i>	<i>Key policies and programmes</i>
Better health and reduced inequalities in health	Key initiatives are the New Zealand Health Strategy, Māori Health, Primary Health Care and Reducing Inequalities in Health strategies. Figures from the October 2003 quarter show that 56.4% of Māori and 92% of all Pacific peoples are enrolled in Primary Health Organisations.
Positive parenting and a reduced incidence of abuse and neglect	<i>Te Rito - New Zealand Family Violence Prevention Strategy</i> is a wide ranging series of initiatives to reduce family violence. The <i>Care and Protection Blueprint 2003</i> is a strategy for improving the services provided to children and young people at risk of, or who have suffered from, abuse, neglect and insecurity of care. The Blueprint was launched in February 2003.
High levels of participation in education and improved educational achievement	Pathways to the Future: Ngā Huarahi Arataki is a 10-year plan for early childhood education (ECE). Budget 2004 announced major new investments in early childhood education and increased funding to support quality early childhood education services. Key initiatives in tackling educational underachievement are the literacy and numeracy strategy, programmes to address teacher supply and a range of professional development, assessment tools and improved teaching and learning resources. These are being brought together in the schooling strategy. The tertiary strategy is moving the sector to being more focussed on quality, as well as more responsive to Māori, Pacific and other key groups.
Improved labour market participation, greater access to sustainable employment opportunities and reduced unemployment	The Employment Strategy sets out the goals which include improving participation in employment, earnings and the quality of employment for disadvantaged groups in the labour market. In March 2003 the government introduced enhanced case management and a new planning process for sole parents receiving the DPB. The 'Jobs Jolt' package contains ten specific initiatives that will help employers with skill shortages, people with disabilities, long term sickness and invalids beneficiaries, mature job seekers, drug dependent job seekers, youth and people who have been made redundant. The Immigration settlement strategy defines a programme of action for settlement outcomes that foster social cohesion.
Higher overall living standards and reduced poverty across the community	The Growth and Innovation Framework, along with industry and regional development initiatives, are focused on creating an environment for higher sustainable economic growth. This will make a significant contribution to improving the wellbeing of all New Zealanders. The Working for Families package was announced in Budget 2004. Families with dependent children are a priority and the goals are to ensure that the social assistance system provides an adequate income for families who rely on social assistance, whilst increasing incentives to take up work, and removing barriers to work and study.
Affordable housing of an adequate standard	Income-related rents were introduced in 2000 to provide families with access to affordable housing. The turnover rate of state house tenants has been halved and is making for greater stability in the lives of those families. Expenditure on income-related rents was \$297 million in 2002/03. Over the past four years the stock of managed state houses available to low income families has increased by 3,800. Another 2,500 additions are planned over the next three years. The New Zealand Housing Strategy, which is currently under development, will set out a vision and action plan for the next 10 years.
Reduced criminal victimisation and violence	The Crime Reduction Strategy aims to reduce crime in seven priority areas, and specific groups are targeted within the strategy.

	In support of that strategy, new crime prevention partnership arrangements with local authorities are being put in place.
Cultural and ethnic identities are valued	In 2002 a total of 25,654 or 17% of Māori school children were involved in Māori medium education and 1,791 or around 3% of Pacific school children were involved in Pacific medium education programmes. The Māori Television Service started broadcasting on 28 March 2004. The Office of Ethnic Affairs was established in 2001 to provide information and advice on ethnic sector communities. <i>Ethnic Perspectives in Policy</i> provides a policy framework and guidelines for government to improve responsiveness to the ethnic sector. Responsiveness plans are being developed or implemented by a range of government agencies. Language Line telephone interpreting service provides language support in 35 languages, and has assisted 10,000 people in its first year. The New Zealand Sign Language Bill, planned to come into force in 2005, proposes recognising NZ Sign Language as New Zealand's third official language. The Act will provide people with the right to use and access NZ Sign Language in legal proceedings, including in court.
Greater social capital and reduced social isolation	In 2003 the Office for the Community and Voluntary Sector was established.

Have outcomes improved because of our policies?

42. The critical question is whether these policies and programmes are making a positive contribution to the lives of New Zealanders. To answer this question, we first need to recap what is known about changes in outcomes before looking at what we know about the contribution government policies and programmes have made to these changes. However it should be noted that as with most monitoring exercises, there are limitations with the indicators being reported. These relate mostly to the timelines and robustness of data.

Changes in outcomes

43. The advice of officials is that in broad terms the overall level of disadvantage has declined across the community. Not all indicators have improved, but compared to the mid 1990s, there is less unemployment, median hourly earnings have improved, and a lower proportion of the population are on a benefit. There is longer average life expectancy, as well as less smoking and lower rates of suicide. Household crowding has reduced. Many key aspects of education have improved such as participation in early childhood and tertiary education, and the educational attainment of the adult population.

44. However, while the overall picture is broadly positive, some indicators have not improved. These include measures of secondary schooling outcomes, ambulatory hospitalisations, low incomes, and housing affordability.³

³ For these last two indicators the last data point is 2001, and little of the impact of the most recent policy changes is captured

45. Importantly, disadvantage has declined across different groups within the community. Across many of the indicators of disadvantage, there have been improvements in absolute terms for Māori, Pacific, and (where we have data) other key groups within the population. For example, compared to the mid 1990s, Māori and Pacific people are living longer, are less likely to be unemployed, have higher average incomes, and have higher rates of participation in early childhood and tertiary education.
46. The extent to which there is greater equality of opportunity across our society is less clear. Based on the analysis of indicators for the Maori and Pacific populations, it is clear that while absolute levels of disadvantage have often declined, there are still differences between population groups. Officials have measured changes in equality of opportunity based on the extent to which there are changes in the relative difference in outcomes for groups within the population. This approach reveals a mixed picture for Māori and Pacific peoples.
47. Table 4 sets out a summary of indicators across different outcome areas. It is based on a review of indicator trends for the total, Māori and Pacific populations by the Ministry of Social Development (see Attachment 1). In the time available, it has not been possible to include an analysis of indicator trends for a wider range of sub-groups. This will be expanded in the future. For example, the ethnic sector accounted for 10% of the population in 2001 and is projected to grow to 18% by 2021, and will account for even a bigger proportion of young people and those in the workforce. Any future work needs to assess outcomes for ethnic sector groups, and address the lack of quality information available.

Table 4: Changes in reducing inequalities outcomes		
<i>Outcome</i>	<i>Outcomes for the total population</i>	<i>Outcomes for Māori and Pacific populations</i>
Better health and reduced inequalities in health	For the whole population there have been improvements in outcomes related to life expectancy, infant mortality, avoidable mortality, smoking, and suicide rates. Indicators where the data show no improvement include motor vehicle deaths, workplace injuries, and ambulatory hospitalisations.	Māori life expectancy has improved in absolute and relative terms in recent years. For smoking, Māori and Pacific peoples rates have shown no change whereas European rates have declined slightly. Road traffic deaths have shown improvement in both absolute and relative terms for Māori and Pacific peoples. Avoidable mortality has improved in absolute terms for Maori and Pacific peoples. Avoidable hospitalisations have worsened for Maori and Pacific peoples in absolute and relative terms.
Positive parenting and a reduced incidence of abuse and neglect	The overall incidence of children assessed as abused or neglected shows no clear trend.	Measured abuse and neglect of Maori children has reduced in absolute and relative terms.
High levels of participation in education and improved educational achievement	Participation in early childhood and tertiary education has improved. Qualification rates of school leavers have recently declined slightly. There has been an increase in completions of tertiary qualifications below	Participation in early childhood and tertiary education is increasing with Māori rates in tertiary now exceeding non-Māori rates. Age 10 mathematics achievement has improved in absolute terms for Maori. In line with the total population qualification rates of school

	Bachelor's level but no change at Bachelor's level and above. Educational attainment of the adult population has improved for those with at least School Certificate and at Bachelor's level and above.	leavers have recently declined slightly. There has been an absolute and relative increase in qualifications below Bachelor's level, however, tertiary qualification completions at Bachelor's level and above have worsened for Maori. The educational attainment of the adult population with at least School Certificate has improved for Maori and Pacific peoples at an absolute and relative level
Improved labour market participation, greater access to sustainable employment opportunities and reduced unemployment	Over the last five years there has been a significant reduction in unemployment.	Over the last five years there has been a significant reduction in unemployment for Māori and Pacific peoples.
Higher overall living standards and reduced poverty across the community	Median hourly earnings have increased over recent years. There has been a decline in the percentage of the population receiving a core benefit. Trends for other indicators of poverty are less clear, or time series data is not available.	Differences between Māori, Pacific peoples and European incomes have remained unchanged. Median hourly earnings have improved in absolute and relative terms for both Maori and Pacific peoples.
Affordable housing of an adequate standard	Household affordability is showing no sign of improvement although crowded households are declining.	Over the long term Māori and Pacific peoples have done less well than Europeans in terms of household affordability but shown relative improvements for household crowding.
Reduced criminal victimisation and violence	Indicators are not conclusive in this area.	Indicators are not conclusive in this area.
Cultural and ethnic identities are valued	Indicators are not conclusive in this area.	There are positive gains being made in the acquisition of Māori language.
Greater social capital and reduced social isolation	Indicators are not conclusive in this area.	Indicators are not conclusive in this area.

What lies behind changes in outcomes?

48. Changes in overall outcomes reflect a variety of influences – only one of which is Government policy. Table 5 draws on advice from officials about the relative impact of Government policy, as well as other 'drivers'. Part of this analysis is based on a recent review of evaluations over the last decade conducted by the Ministry of Social Development.

Table 5: Drivers of trends in outcome indicators	
<i>Outcome</i>	<i>Key drivers</i>
Better health and reduced inequalities in health	Recent changes in health reflect historical improvements in lifestyle (e.g. diet) and environment (e.g. improved sanitation), as well as more recent improvements in health technology. Government spending has increased in nominal terms by 20% since 1999. However, there is no evidence yet regarding the effectiveness of recent changes in the health sector.
Positive parenting and a reduced incidence of abuse and neglect	Very little is known about the underlying drivers of child abuse and neglect. There is some New Zealand evidence of one particular parenting programme being effective, although the programme was relatively small.
High levels of participation in education and improved educational achievement	Employment growth and investment in increased and improved provision has likely lead to increased rates of participation in ECE. Investments in teacher quality (e.g. literacy and numeracy strategies in primary schools) will take time to be reflected in school qualification data. The negative trend in school leavers with upper secondary qualifications may partially reflect increased labour market opportunities for unskilled workers and increased alternative education options in the tertiary sector for school-age students. Policies to stabilise tertiary tuition fees, combined with a policy of demand driven funding, have supported increased tertiary participation. Availability of increasingly flexible and responsive tertiary programmes for Māori and for those with few qualifications have supported increased enrolment and progression in tertiary study.
Improved labour market participation, greater access to sustainable employment opportunities and reduced unemployment	Recent improvements in labour market outcomes reflect favourable international economic conditions, high levels of immigration, and a buoyant economy. A wide range of government policies impact on the quantity and quality of employment. There is evidence that active employment programmes improve employability.
Higher overall living standards and reduced poverty across the community	New Zealand's recent economic growth has been driven by favourable economic conditions, as well as prudent economic management. The main drivers of low incomes are unemployment, social assistance levels, wages and demographics.
Affordable housing of an adequate standard	Key drivers of improved housing outcomes are employment, incomes and housing assistance by government. There has been increased spending on both the accommodation supplement and income related rents.
Reduced criminal victimisation and violence	The extent of policing and unemployment are key drivers of the level of criminal offending. There is evidence that a variety of rehabilitation programmes are effective (Te Piriti, Montgomery House Violence Prevention, Kia Marama).
Cultural and ethnic identities are valued	Research is not conclusive in this area.
Greater social capital and reduced social isolation	Research is not conclusive in this area.

Next steps for policy

49. The aim of this section is to propose a set of policy priorities for the next phase of the reducing inequalities policy. The best means of determining these priorities is to address the following questions:

- what issues have been highlighted by consultation with communities over the last few years?
- are there particular 'key causes' of poor outcomes that if addressed, will have a wide ranging impact on reducing disadvantage?
- what is known from the research and evaluation literature about which interventions work best to address disadvantage?

What issues have been highlighted by community consultation?

50. A range of consultation exercises have been conducted over the last several years. These have included the Prime Minister's Regional Hui, meetings to discuss Pacific Capacity Building, and a series of listening fora conducted by the Minister of Ethnic Affairs. Many issues have been raised and debated, and some common themes have emerged, including:

- economic development and education are fundamental to reducing inequalities
- services should be responsive to the needs of diverse groups, recognise group values and identity, encourage participation in their development and provision, and provide role models of success
- policy and delivery need to be based on positive attitudes and expectations, particularly in the employment and education areas
- there is a need for a continued focus on consultation with communities, and coordinated action by government agencies and others to address social issues.

What are the key influences on inequalities?

51. An important consideration in developing policy is to focus on those influences which will have potentially wide ranging and large impacts. Officials have examined the underlying causes of reducing inequalities outcomes, and have pointed to a range of key influences which are possibly amenable to policy intervention. These include:

- childhood health – children who have good health, a positive attitude, few behavioural problems, and good cognitive skills enjoy good social outcomes in many areas later in life. Conduct disorders, behavioural problems and poor physical health adversely influence key outcomes such as educational performance and the likelihood of stable employment
- early childhood education participation, achievement and literacy in schooling are correlated with later schooling attainment, more employment and higher earnings later in life. Those with low educational achievement have a significantly

- increased risk of unemployment, lower earnings and a higher risk of teen parenting and involvement in criminal activity
- poverty, especially amongst children – the levels and the adequacy of family incomes during childhood can affect outcomes both in child and adulthood. Poverty (especially parental income at ages 1-5) has a small but wide-ranging effect on education, and child and adult health through material deprivation and resulting social and psychological problems
 - parenting – the quality of parenting is a determinant of key social outcomes in the future. Living in families with verbal or physical conflict and experiencing changes in parenting arrangements both slightly but significantly increase the risk of poor employment outcomes later on
 - employment – income from paid work is a key determinant of material standards of living. Employment also contributes to other aspects of wellbeing such as social connectedness. Unemployment is associated with poorer mental and physical health and lower levels of satisfaction with life, and atrophy of job skills
 - economic growth – affects job opportunities, unemployment levels, market earnings and earnings inequality. Employment of Māori, Pacific peoples, young people and mature people are particularly influenced by the strength of the economy
 - lifestyle factors including diet, exercise, smoking and stress are key determinants of health, and employment outcomes
 - multiple disadvantage and inter-generational effects - the greater the number of risk factors coinciding, the smaller the likelihood of participating and succeeding in school and work

52. Causes of Māori, Pacific peoples' and other groups' over-representation in poor outcomes are complex. The causes relate to multiple disadvantage resulting in low achievement levels in education and limited skills within the adult population, lack of assets, regional effects, experiences of discrimination, and the cumulative effects of poorer outcomes early in life and in earlier generations.

What works in addressing inequalities?

53. The key influences identified above provide some indication of the likely areas where policy should be focussed in order to have a major impact, based on what is known about the underlying determinants of outcomes for people.

54. Alongside this information, it is also useful to consider evaluation evidence about the effectiveness of policies and programmes. This section draws on the international literature on what works, on empirical work within New Zealand, and on a recent review of evaluations conducted by the Ministry of Social Development.

55. A number of important themes emerge from the evaluation literature:

- outcomes are interlinked, there are strong synergies between efforts to improve outcomes in different areas
- the evidence suggests that early intervention programmes (roughly up until the age of 5 years) have high payoffs. However a focus on early intervention needs to be combined with a programme of social investments across the life cycle
- investments targeted towards at-risk groups and the most disadvantaged have high pay-offs, although this should not preclude universal programmes with a high payoff
- there is also some evidence to suggest that intensive investments pay off. Those programmes for which we have the strongest evidence of a lasting impact tend disproportionately to be well-resourced high-intensity interventions with a significant duration
- there is considerable evidence that the detailed design of delivery matters for both mainstream and specifically targeted services.

56. Social investments cannot eliminate all disadvantage, even in the long term. Some disadvantage is due to random life-course events. Even where systemic causes of disadvantage can be addressed, it may take some time for investments to result in improved outcomes. For this reason social protection policies designed primarily to ameliorate current outcomes rather than improve future outcomes will necessarily remain an important part of any policy to reduce inequalities.

57. Table 6 sets out the views of officials about the current evidence base around the outcomes for reducing inequalities. It should be noted that the evidence base is not consistent in quality across the different outcomes. In particular, evidence for what works in valuing cultural identity, building social capital, and reducing social isolation is not as strong as for other outcomes. Also, evaluation activity in New Zealand is largely focussed at the margins of government social services, and this limits our understanding of what works to reduce inequalities.

Table 6: What works in tackling disadvantage	
<i>Outcome</i>	<i>Current evidence about what works</i>
Better health and reduced inequalities in health	<ul style="list-style-type: none"> • There is strong/moderate evidence that school-based programmes can improve conduct and mental wellbeing for children showing behavioural problems. • There is strong/moderate evidence of the effectiveness of interventions to prevent unintentional injuries in children and adolescents. Interventions include the loan of car safety seats; safety legislation requiring the use of cycle helmets, child restraints and seat belts; burn legislation and regulation of products; thermostat control for tap water; and child restraint packaging. Targeting high risk households with home visits, education and the free distribution of devices such as smoke alarms is likely to make the most impact. Improvements to playground safety reduce hazards. • Interventions likely to make the greatest impact on life expectancy in the short term include: smoking cessation services (such as Aukati Kai Paipa for Māori women and whānau), and other supporting interventions; prevention and effective management of other risk factors in primary care, through early identification and intervention (on poor diet, physical inactivity and hypertension) through lifestyle and therapeutic interventions; environmental improvements (i.e. in housing quality and safety), and to prevent road

	<p>accidents; targeting over-50s where the greatest short-term impact on life expectancy will be made.</p> <ul style="list-style-type: none"> • Interventions likely to have the greatest impact on infant mortality and early years development include: building on home visiting services for newborns; preventing teenage pregnancy, immunisation. • Improved access to services and diffusion of new technology and pharmaceuticals to disadvantaged groups.
Positive parenting and a reduced incidence of abuse and neglect	<ul style="list-style-type: none"> • There is no one “best” programme model for effective parent support, the most effective interventions for highest needs families tend to be high intensity and include six core components: needs assessment; ongoing family/whanau support; early childhood education; preventive health care; parent education; literacy and job skills training. • Early childhood interventions targeted at children at risk of developmental delays have been shown to have significant and enduring impacts on children's behaviour and subsequent life course. • Welfare-to-work programmes that offer a significant income gain to parents who move into employment have positive impacts not only on labour force behaviour, but also on children's wellbeing. • School-based family interventions also have the potential to boost child wellbeing and family functioning, although there is little evidence of longer-term effects. • There is good evidence to continue recommending an intensive program of home visitation by nurses during the perinatal period extending through infancy to prevent child abuse and neglect for disadvantaged families.
High levels of participation in education and improved educational achievement	<ul style="list-style-type: none"> • There is good evidence to suggest that intensive early childhood interventions for children most at risk of poor outcomes are effective at raising educational attainment and reducing early school leaving. More broadly there is evidence that raising participation in early childhood education leads to improved school readiness. • There is good evidence that by increasing the use of student assessment data to strengthen accountability, inform teaching strategies, and direct resources, it is possible to improve outcomes especially for low attaining pupils. • There is good evidence that early identification and intervention to address barriers to learning (eg initial reading difficulties, eyesight or hearing problems) can improve educational outcomes for children at risk of underachievement. • There is evidence that policies to improve teacher quality and raise school performance can make important contributions to educational attainment across the board and reduce inequalities in achievement. • There is evidence that multi-agency approaches to improve access to services and address cumulative disadvantage (eg low family income, poor child health) can contribute to improved educational outcomes.
Improved labour market participation, greater access to sustainable employment opportunities and reduced unemployment	<ul style="list-style-type: none"> • Stable fiscal and monetary policies supported by open and competitive product markets and an educated workforce are fundamental to producing jobs. A flexible and responsive labour market is thought to be a particularly important influence on the overall level of employment, although there may be some trade off between flexibility and quality of employment. • New Zealand and international evidence suggests that active labour market programmes have modest net positive impact on employment outcomes and can contribute to the overall equity of the labour market. Impacts are greatest for female sole parents. • Early intervention programmes for those most at risk of school failure and future unemployment are effective at improving labour market outcomes. • Prompt access to health interventions such as some forms of elective surgery may have good labour market outcomes for older workers.
Higher overall living standards and reduced poverty across the community	<ul style="list-style-type: none"> • Encouraging economic growth through stable macroeconomic policies, good governance, an efficiently regulated, open, and competitive economy, investing in a skilled workforce through high quality education, and building a fair and socially cohesive society. • Targeted investments in human capital to lift the skills of the lower tail of the

	<p>distribution.</p> <ul style="list-style-type: none"> • Reducing barriers to employment through access to affordable high-quality childcare services and ensuring that the benefit system rewards work. • Provision of an adequate safety net through the benefit system.
Affordable housing of an adequate standard	<ul style="list-style-type: none"> • Education, income, and labour market status are key drivers of successful housing outcomes. Social investments that address these outcomes are likely to have a synergistic effect on home ownership rates and housing outcomes more generally. • There is some evidence that changes to private sector mortgage lending practices to address the perceived risk of lending to disadvantaged groups can be effective in improving home ownership. • Where housing assistance is provided, targeted assistance is generally more cost effective than universal provision. • Regulations can be effective in improving housing quality, e.g. insulation, leaky buildings etc. • In a buoyant housing market supply-side interventions may be effective.
Reduced criminal victimisation and violence	<ul style="list-style-type: none"> • Reducing victimisation and crime requires an approach that includes prevention, detection, punishment and rehabilitation. • Preventative interventions for mothers of high risk children around birth and at entry to primary school that focus on addressing family functioning or social disadvantage. Early childhood interventions that improve non-cognitive or social skills have been shown to reduce contact with the criminal justice system later in life. • For young offenders, early intervention programmes are effective if they occur before offending behaviour becomes entrenched. • Interventions that identify and address multiple risk factors and offer multiple services targeted at substance abuse, family functioning (Multi-systemic therapy), anti-social peers, school failure, etc. • Well designed programmes to reduce re-offending by violent offenders can be effective. More intensive interventions are required for high risk offenders. • Crime Prevention Through Environmental Design (CPTED) can limit opportunities for crime by incorporating safety into the design and management of buildings and spaces. Evidence suggests that even if some crime displacement occurs, an overall reduction in crime can be achieved.
Cultural and ethnic identities are valued	<ul style="list-style-type: none"> • Maintenance and support for indigenous or minority languages is regarded as important for the maintenance of cultural identity. Promoting positive attitudes and legal recognition of diverse cultures allows for the maintenance of cultural identity. • Education programmes such as Māori medium education are regarded as important for the acquisition of a language, however, for a language to survive emphasis should be placed on promoting the value of the language amongst the general population, and promoting language use in the community and home. • Internationally wide use has been made of communications technology such as minority language broadcasts. Examples in New Zealand include the Pacific Radio Network and Māori Television.
Greater social capital and reduced social isolation	<ul style="list-style-type: none"> • A wide range of government policies in the areas of social support, health, education, justice provide core foundations for the development of beneficial social capital. • Beyond these foundations, a wide range of policies are thought to contribute to building social capital and reducing social isolation. These include policies to foster community participation and volunteering, promote active citizenship and local democracy, build trust and respect in public sector delivery, improve urban planning and design of the built environment, and support an inclusive national culture and identity.

58. There is some evidence that the nature of service delivery matters. For example, evidence in health suggests that services delivered by Maori providers have improved access to services in relation to diabetes, dental health and immunisation.

There is currently little evidence around the effectiveness of community-driven initiatives. This lack of evidence is partly a result of the difficulties encountered in rigorously evaluating these initiatives.

What are the future priorities for policy to reduce inequalities?

59. Future priorities for policies to reduce inequalities need to consider what additional investments will be most effective. Decisions need to take cognisance of what we know from consultative exercises, our knowledge of the broad causes of outcomes, and the uncertain evidence about what works.

60. Given the current profile of government investment, it is my view that the future priorities for reducing inequalities should focus on the following areas:

Family, children and youth

- ensuring a robust programme of early intervention for at-risk children and families
- addressing the income needs of children in low-income families through implementation of the Working for Families programme
- continuing the focus on the health needs of families/whānau across the life course through improving access to health services, particularly primary care
- increasing participation in early childhood education by groups where participation is low
- improving participation and achievement amongst young people at risk of leaving school with few qualifications, by: (a) raising teachers', parents' and students' expectations for the educational achievement of students in disadvantaged groups; (b) improving the quality of teaching in all classrooms and improving the responsiveness of teaching to the needs of diverse students; and (c) improving the engagement of students and their families/whānau in schooling.
- improving access to education, training and employment for economically inactive young people

Working age and mature people

- addressing the barriers to employment and increasing incentives to find employment for disadvantaged groups, such as sole parents, people with disabilities, mature workers, and those on sickness and invalids benefits

General

- improving models for ensuring high-quality and responsive funding and delivery of services for at-risk groups
- investing in communities and supporting community-led solutions

- tackling risk factors of poor health and improving access to services for those currently at risk of poor health outcomes across the life-course
- improving the quality of evaluative activity within the social sector, and filling gaps in information to improve understanding of outcomes and what works.

61. These priorities reflect a concern to ensure a balanced programme of social investment across different age groups, with a particular emphasis on children and young people

Management arrangements for the reducing inequalities policy

62. As well as agreeing policy priorities, it is also useful to consider how the reducing inequalities policy should be managed into the future. Officials have recommended the following two broad approaches for the future management of this whole-of-government policy.

63. The first could be called the *incorporated* approach. This would ensure that our goals and priorities are incorporated into relevant strategies, policy action and departmental initiatives, as they are developed. It is likely that departmental Statements of Intent would reflect the intent of the overall policy, and reporting on these activities and outcomes would continue through the annual reports of relevant departments. There would be a yearly report (rather than the current six-monthly report) on outcomes, the achievement of policy milestones and what is known about effectiveness of policies and linkages across the social agencies.

64. An alternative is to adopt a more *directive* approach. This would involve the development of an annual action plan that sets out initiatives designed to achieve our reducing inequalities goals and priorities. At the end of each year, there would be an annual report providing information on the implementation of policy initiatives, what is known about effectiveness from evaluations, and detailing changes in overall outcomes. We would continue to require our reducing inequalities goals to be reflected in other initiatives, as well as acknowledged in departmental statements of intent and annual reports.

65. I propose agreement in principle to the *incorporated* approach. It is my view that this approach will be more effective in ensuring the goals and principles for reducing inequalities are factored into agencies' policy development and service delivery. The alternative *directed* approach will in effect create a separate strategy that risks overlapping existing departmental strategies and could potentially be marginalised.

66. *(Deleted as not relevant)*

67. I recommend that we direct officials to report back, by the end of October 2004, on practical details of an incorporated approach to the management of the reducing inequalities policy. In developing this approach officials should consider how best to: ensure a focus on actions that address the reducing inequalities priorities; include robust reporting on outcomes, policy actions, interagency linkages and effectiveness; and minimise unnecessary duplication and reporting costs. The report back will include recommendations on the future of current reporting on reducing inequalities, i.e. the six-monthly reports and departmental Annual Reports.

Consultation

68. The following Ministries, departments or agencies have been consulted on this paper and their views included: Health, Education, Justice, Economic Development, Ethnic Affairs, Internal Affairs, Housing NZ Corporation, Women's Affairs, Pacific Island Affairs, Statistics, Te Puni Kōkiri, the Treasury, Labour, Corrections, Prime Minister and Cabinet, the State Services Commission, Youth Development, and the Offices for Disability Issues, Senior Citizens and Community and Voluntary Sector (MSD).

Communication Strategy

69. If approved by Cabinet, I intend to make this Cabinet paper publicly available on my Ministerial website.

Financial implications

70. There are no financial implications associated with this paper.

Human Rights

71. There are no human rights implications.

Legislative implications

72. There are no legislative implications.

Regulatory impact and compliance cost statement

73. There are no regulatory impacts or compliance costs.

Gender implications

74. The reducing inequalities policy seeks to reduce disadvantage and promote greater equality of opportunity across the community. Where specific genders are identified as at risk of poor outcomes then the reducing inequalities policy will seek to focus on these populations of concern. For example, young males have a significantly higher rate of youth suicide than young women whereas young women have a higher rate of smoking.

Disability perspective

75. People with disabilities are a population for consideration for the reducing inequalities policy. This group faces barriers to participation not faced by others. The goals of the reducing inequalities policy are consistent with the fully inclusive vision of the New Zealand Disability Strategy.

Recommendations

76. It is recommended that the Committee:

1. **note** that in August 2003 Cabinet agreed to a work programme for the reducing inequalities policy aimed at improving the coordination of policy across agencies, and the future oversight, monitoring and review of the policy. Ministers also asked for advice on the Next Steps for reducing inequalities, drawing on an assessment of current trends in outcomes for Maori and Pacific people, an analysis of the underlying drivers of disadvantage, and a review of programme effectiveness
2. **agree** that reducing inequalities aims to reduce disadvantage and promote equality of opportunity in order to achieve a similar distribution of outcomes between groups, and a more equitable distribution of overall outcomes within society. This means both
 - achieving some minimum level of wellbeing for all people, so all may participate in our society, i.e. tackling poverty, low levels of foundation education skills and victimisation, and
 - trying to ensure a more equal distribution of the determinants of wellbeing across society, i.e. greater equality of real opportunities, where family background, ethnicity or disability are not major determinants of individuals' life chances.
3. **agree** that reducing inequalities requires a focus on a wide range of outcomes including:
 - i. better health and reduced inequalities in health
 - ii. positive parenting and a reduced incidence of abuse and neglect
 - iii. high levels of participation in education and improved educational achievement
 - iv. improved labour market participation, greater access to sustainable employment opportunities and reduced unemployment
 - v. higher overall living standards and reduced poverty across the community
 - vi. affordable housing of an adequate standard
 - vii. reduced criminal victimisation and violence
 - viii. cultural and ethnic identities are valued
 - ix. greater social capital and reduced social isolation
4. **note** that policy to reduce inequalities needs to consider all those in our society who experience disadvantage and unequal opportunities that result in poor outcomes, either through personal and family circumstances or as members of a group that confronts issues such as discrimination, or other systemic barriers to achievement.
5. **agree** that key principles for the reducing inequalities policy are:
 - i. ensure that programmes and policies are sufficiently comprehensive
 - ii. effective use of resources may often require targeting to different levels of need
 - iii. ensure that delivery is of high quality and is appropriate to need

- iv. ensure cross-sectoral coordination of policy and delivery
- v. appropriate community engagement and partnerships
- vi. intervening with an achievement and strength focus
- vii. systematically using evidence about 'what works' in policy and delivery

6. **agree** that future priorities for the reducing inequalities policy are:

Family, children and youth

- ensuring a robust programme of early intervention for at-risk children and families
- addressing the income needs of children in low-income families through implementation of the Working for Families programme
- continuing the focus on the health needs of families/whānau across the life course through improving access to health services, particularly primary care
- increasing participation in early childhood education by groups where participation is low
- improving participation and achievement amongst young people at risk of leaving school with few qualifications, by: (a) raising teachers', parents' and students' expectations for the educational achievement of students in disadvantaged groups; (b) improving the quality of teaching in all classrooms and improving the responsiveness of teaching to the needs of diverse students; and (c) improving the engagement of students and their families/whānau in schooling
- improving access to education, training and employment for economically inactive young people

Working age and mature people

- addressing the barriers to employment and increasing incentives to find employment for disadvantaged groups, such as sole parents, people with disabilities, mature workers, and those on sickness and invalids benefits

General

- improving models for ensuring high-quality and responsive funding and delivery of services for at-risk groups
- investing in communities and supporting community-led solutions
- tackling risk factors of poor health and improving access to services for those currently at risk of poor health outcomes across the life-course

- improving the quality of evaluative activity within the social sector, and filling gaps in information to improve understanding of outcomes and what works.
7. **agree** in principle to an incorporated approach to managing the reducing inequalities policy which would ensure that the goals and principles of reducing inequalities are a core part of key strategies and departmental initiatives
 8. **direct** the Ministry of Social Development, in association with other agencies, to report back to the Social Development Committee by the end of October 2004 on the practical details of an incorporated approach to the management of the reducing inequalities policy. In developing this approach officials should consider how best to: *(deleted as not relevant)*; ensure a focus on actions that address the reducing inequalities priorities; include robust reporting on outcomes, policy actions, interagency linkages and effectiveness; and minimise unnecessary duplication and reporting costs
 9. **note** that once approved I intend to publicly release this Cabinet paper and attachment on my Ministerial website.

Steve Maharey
Minister for Social Development and Employment