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Purchasing Outcomes: A Critical Discourse Analysis of Contracting Out Social Services in New Zealand (2008 – 2016)

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Abstract

The contracting out of social service delivery by the New Zealand Government to the non-profit sector has significantly altered the social service landscape. This study explored the ideologies that have supported contracting out under the Fifth National Coalition Government (between 2008 and 2016). Through analysing political discourse used publicly by this Government in media releases and speeches, this research explored how discourse reinforced the state's approach to contracting out service delivery, and asked what impact the introduction of purchasing outcomes approaches has had on the contracting rationale. Using Critical Discourse Analysis, this research found that neoliberal ideology has continued to drive contracting under the Fifth National Government, with purchasing outcomes presenting no real challenge to the status quo. This study also identified the significant impact social investment has had on social services under this Government, and its role to reinforce neoliberal and neo-conservative ideology. The power dynamics inherent in contracting have also continued under the Fifth National Government, with discourse used to retain the Government's position as the ultimate decider of funding and services. This study highlighted a clash between economic and social objectives, with the neoliberal ideology of the contract state conflicting with the ideology and objectives of non-profits. The importance of political discourse for protecting the status quo was identified, and questions raised about how discourse under this Government has been used to label social service clients as vulnerable. A review of the contracting approach to social service delivery is called for to challenge the barriers of ideology and discourse which prevent alternative models from being implemented. This study also calls on the Government to review how it works with other sectors, and identify ways to collaborate and manage the inherent power dynamics.

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Chapter One: Introduction

In New Zealand social services are delivered to those most in need by the state, for profit and non-profit organisations. The state has devolved significant delivery responsibilities to non-profits through a competitive environment - a process typically referred to as contracting out. This environment has altered the social service landscape, with non-profits dependent on state funding to operate in their communities. The ideologies which rationalise contracting out, and the role of political discourse to embed this delivery approach publicly, are the focus of this research. This research seeks to understand the assumptions that support contracting, and if this traditional approach to social service delivery continues to be supported under the Fifth National Coalition Government, or if there has been a shift with the introduction of the purchasing outcomes model.

The following chapter outlines the purpose and rationale for this research and explores social service contracting to the non-profit sector as an important area for academic study. The chapter then provides the research purpose, context, relevant definitions and the structure this thesis will follow.

Research Outline

The aim of this research is to identify the ideologies used publicly to support the contracting out of social services to non-profit,¹ by identifying and analysing the political discourses² used by the Fifth National Coalition³ Government to influence public perceptions. This research seeks to understand the core assumptions that support contracting by this Government, specifically looking to see if there has been a shift in the rationale with the introduction of the purchasing outcomes⁴ approach. This research will also look at the implications of these assumptions on the relationship between the Government and the non-profit sector. Through exploring the language used by the Fifth

¹ Non-profits are groups who are private and separate from the state, not primarily commercial, self-governing and with non-compulsory membership (Tennant, Sanders, O'Brien & Castle, 2006). Used here for non-profits that are providers of social services on behalf of the Government.

² Discourse is the practice of talking and writing which provide 'systems of meaning' to social interactions and produces social reality (Philips & Hardy, 2002). Political discourse is discourse used within a political forum.

³ Coalition arrangements included confidence and supply arrangements with ACT, United Future and the Māori Party. Referred to in this thesis as the Fifth National Government.

⁴ Purchasing outcomes, or performance-based contracting, aims to tie payments to delivery of real social impacts on clients' lives. This is introduced in chapter two.

National Government in public media releases and speeches across relevant ministerial portfolios, this study will use critical discourse analysis to identify the ideologies that underpin contracting out social services, specifically looking at the role of neoliberalism⁵ as the founding ideology for the contract state.⁶ Results will then be drawn out to understand if the Fifth National Government continues to support a neoliberal contracting approach, or if change has been witnessed through the introduction of purchasing outcomes.

Three key research questions were explored:

- What political discourses support purchasing outcomes, and contracting out more broadly, in New Zealand under the Fifth National Government?
- What ideologies do these discourses reflect?
- What power dynamics are evident within the discourses used?

Critical Discourse Analysis is the chosen method for this study. Critical Discourse Analysis is used to identify how dominant positions are legitimised through language, to uncover sources of power, dominance, inequality and bias (Lunt, 2008; van Dijk, 1998). The specific approach that will be followed is Norman Fairclough's three stage model.⁷ Using Fairclough's model this research will analyse government texts, specifically ministerial press releases and speeches relating to the contracting out of social services to the non-profit sector and purchasing outcomes initiatives, looking at the use of political discourse to influence public perceptions. The ministerial portfolios chosen for text selection are outlined in the research context provided later in this chapter.

Rationale for this Study

Social service provision in New Zealand is an important area of academic focus, as social service clients are the most at risk in our society for poor life outcomes (The Productivity Commission, 2015). As will be discovered in chapter three, the introduction of the contract state in New Zealand resulted in a shift for non-profits from grant funding to contracts, which significantly changed the social service landscape in New Zealand (Kelsey, 1995). At the centre of this research is the rise of neoliberalism that has been

⁵ Defined on page 11.

⁶ Contract state is defined as the adoption of contracting practices to social services by the state seen from the 1980s and 1990s.

⁷ Fairclough's stepped approach to Critical Discourse Analysis is outlined in chapter four.

the driving ideology of the contract state. The contract state resulted in non-profits becoming reliant on state funding, and the state reliant on outsourcing⁸ core services (Nowland-Foreman, 1997). Today the choice to contract out social service delivery by the state appears unchallenged. Questions arise as to why social services are so commonly contracted out, where other delivery arms of government continue to be centrally delivered. This study will explore this through investigating the role of political discourse in reinforcing the assumptions of the contract state. Specifically this research will look at how the Government leads the public rhetoric of contracting for social services, looking at the state's power to embed language and introduce narratives to influence public perceptions.

There have been a number of studies on the contracting out of social services up until the election of the Fifth National Government on 19 November 2008, many of which have captured the challenges of the contract state and the relationship between the government and the non-profit sector⁹ (Aimers & Walker, 2008; Austin, 2003; Grey & Sedgwick, 2013; Lerner & Craig, 2005; O'Brien, Sanders, Tennant, Sokolowski & Salamon, 2008; Pomeroy, 2007). This research will continue the investigation into contracting out, focusing on the Fifth National Government from 2008 until the end of 2016.¹⁰ While some authors have investigated the role of discourse relating to social services and the welfare state (Hackell, 2016, Kingfisher, 1999; Lunt, 2008), no significant studies have explored political discourse in relation to the ideologies of the contract state. This research will provide an alternate understanding of the contracting environment under the Fifth National Government, and identify if there have been any shifts in the approach or assumptions of contracting out over this period.

Positioning of the Researcher

In my capacity as an employee of the Fifth National Government I have witnessed the strain between non-profits and Government. In previous roles, I have operated as a contract manager, responsible for both ensuring non-profits meet their contractual obligations, while also being the relationship manager for those services. Here I witnessed the important role non-profits play in providing often specialised services to in-

⁸ Outsourcing, also known as procurement, is the process to purchase services from the market, in this case on behalf of the state.

⁹ Chapter two further explores these critiques.

¹⁰ The period of focus is from the election of the Fifth National Government on 19 November 2008, until the end of 2016 (31 December). The Fifth National Government remained in power until 26 October 2017.

need communities, and the passion that non-profits bring to each cause. My roles in Government also exposed me to the challenges faced by non-profits and the State in working together, often within a relationship of distrust. I saw the burden placed on non-profits through intensive bidding processes to secure contracts, and reporting processes with Government, who as the holder of the purse strings dictated how funding should be spent in communities. Through my experiences, I have witnessed a clash between the community values of non-profits, and the accountability requirements and process demands of the State. These experiences sparked an interest in contracting out, and a curiosity as to what can be done to improve both the experiences of non-profits and the state within this relationship, and most importantly the service outcomes for the clients. My experiences place me as an 'insider' for this research, which is where the researcher identifies as a member of a culture or social group that is the subject of the study (Greene, 2014). I explore the implications of my role as an insider on how this research is carried out in chapter four.

Research Context

Social services in New Zealand cover a variety of activities that aim to enhance people's economic and social well-being that are interconnected and complex, including welfare and child protection. The state is the largest funder of social services in New Zealand, with government funding for the social sector¹¹ comprised of just over \$23.5 billion in the 2013/14 year, distributed across four Votes¹² of social development, senior citizens, veterans' affairs and housing (The Productivity Commission, 2015). In addition to being the largest funder of services, the Government also shapes the social service system through crucial policy setting responsibilities, including benefit rates, health access and education policies (The Productivity Commission, 2015). Central Government agencies that directly contribute to and lead the social sector include the Ministry of Social Development, Ministry of Health, Ministry of Justice, Ministry of Education, Ministry of Business, Innovation and Employment and Te Puni Kokiri. There are also Crown entities¹³ that play a role including the Families Commission.

¹¹ Social services include activities "dedicated to enhancing people's economic and social well-being by helping them lead more stable, healthy, self-sufficient and fulfilling lives" (The Productivity Commission 2015: 14).

¹² 'Votes' are groups of Appropriation's (legal authorities through which parliament authorises spending of public money). Votes are typically associated to one ministerial portfolio (Treasury, 2011).

¹³ Crown entities are legally separate from the Government, but the Government has a controlling interest such as through voting shares or appointment processes for governing members (Treasury, 2014).

The primary model for social service delivery is contracting out from a Government funder to non-profits (The Productivity Commission, 2015) New Zealand has a strong and diverse non-profit sector, found to be the seventh largest in the world in a study of 41 nations (O'Brien et al., 2008). In 2013 there were 114,110 non-profits in New Zealand which contributed \$9.4 billion to the economy (Department of Internal Affairs, 2016). Non-profits play an important role in civil society,¹⁴ ensuring power and control is balanced through enabling participation from people and communities in government decision making (Boyd-Caine, 2016). Non-profits act as intermediaries between their communities and the state, advocating for marginalised groups, providing social services and acting within the political process (Maddison, Denniss & Hamilton, 2004). Non-profits vary significantly in size, from small initiative based groups to large organisations that deliver services nationally (O'Brien, Sanders, Tennant & Castle, 2006). Social service non-profits account for over half of all government procurement,¹⁵ approximately 12.4 billion in the 2012/13 year (Treasury, 2013).

The Government is becoming increasingly dependent on non-profits for social service delivery to meet the growing diversity of society and increasing need for specialised and tailored services (The Productivity Commission, 2015). A critical interconnection between the state and the non-profit sector has formed through the contracting process. The Government is dependent on non-profits to deliver services, while the non-profit sector is dependent on Government contracts to exist. This co-dependent relationship, and the challenges of the contract state as indicated, provides the context for this research.

In addition, the changing ideologies of the New Zealand Government over the latter 20th Century provide an important backdrop to this research. The significant legislative changes seen in the 1980s saw a shift away from social democracy and the welfare state. As will be argued in chapter two and three, the establishment of neoliberalism in New Zealand and the use of New Public Management policies, are the foundation that the contract state was built on. The ideological conflicts between economic and social objectives within contracting out are central to the challenges uncovered in this research.

¹⁴ Civil society is defined as informal and formal groups which represent the interests of citizens, outside of government (Castles, 2008).

¹⁵ Also known as outsourcing.

The Fifth National Government

The New Zealand Government sets the direction of the social sector through its funding and policy setting role. Due to the significance of this role, this research focuses on the government's use of political discourse relating to contracting out and purchasing outcomes. This research looks at the Fifth National Government, to explore the contracting out of social services and the relationship between the Government and the non-profit sector over this period. As will be covered in chapter three, the Fifth National Government introduced social investment, which is a critical shift in the approach to social services, and has been seen as part of an ideological shift back to neoliberalism and neo-conservatism,¹⁶ through targeting services to specific populations.

To identify discourses for analysis, ministerial media releases and speeches will be analysed. This research will focus on three government portfolios - social development, community and voluntary sector and finance. These portfolios collectively set the direction for social service purchasing, and therefore, while not the only portfolios responsible for contracting out, they steer the path. The next section provides a brief description of each of these portfolios, including the scope and the Ministers that have held the position over the period of focus (2008 – 2016).

Social development

The social development portfolio is responsible for the activities of the Ministry of Social Development (MSD). MSD is responsible for services including Work and Income, Social Housing and Child Youth and Family¹⁷ (Ministry of Social Development [MSD], 2016). MSD also provides strategic and population-based social policy advice as the Government's lead agency for the social sector (MSD, 2016). MSD is the largest funder of social services in New Zealand, and holds over 2000 agreements for community based services (MSD, 2016). Under the Fifth National Government MSD has had two Ministers, Paula Bennett (2008 – 2014) and Anne Tolley (2014 - 2017). MSD was also responsible for the implementation of the social investment approach under welfare reform, which resulted in a critical shift for social services, to be explored in depth in chapter three.

¹⁶ Defined on page 15.

¹⁷ Child Youth and Family was reformed into Oranga Tamariki, the Ministry for Vulnerable Children in April 2017.

Community and voluntary sector

The Minister for the Community and Voluntary Sector¹⁸ is the lead advocate for the Government's relationship with the non-profit sector (Department of Internal Affairs, 2016). This portfolio aims to build government support for sector issues such as sustainable funding, encourage effective dialogue between government and the sector, and support the growth of social enterprise¹⁹ (Department of Internal Affairs, 2016). The Office for the Community and Voluntary Sector, a unit within the Department of Internal Affairs (DIA), provides the administrative support for this portfolio (Department of Internal Affairs, 2016). Prior to 2011, this function existed within MSD. DIA supports this portfolio through policy advice on issues affecting the sector, registering and monitoring charitable organisations and administering community grants (Department of Internal Affairs, 2016). The community and voluntary sector portfolio has had three Ministers under the Fifth National Government, Tariana Turia (2008 – 2011), Jo Goodhew (2011 – 2016), and Alfred Ngaro (2016 - 2017). Under this portfolio, the Kia Tūtahi Relationship Accord was signed between the Minister and community members in 2011. This set out principles of how the government and community and voluntary sector will work together (Department of Internal Affairs, 2016).

Finance

The finance portfolio is responsible for the Treasury Department, which provides advice to government on its overarching economic framework and fiscal strategy. Treasury is responsible for the government's Financial Statements, managing its assets and liabilities, monitoring New Zealand's crown entities, publishing economic forecasts and running the government's budget bid process each year (Treasury, 2017). Treasury has a key role in setting government purchasing strategies,²⁰ Under the Fifth National Government, there have been two Ministers of Finance, Bill English (2008 – 2016) and Steven Joyce (2016 - 2017).

¹⁸ A term for the non-profit sector.

¹⁹ Social enterprise is where organisations use commercial methods to generate income for social and environmental goals (Department of Internal Affairs, 2016).

²⁰ Treasury were crucial to the implementation of social investment in New Zealand and the Results Based Accountability (RBA) model under the "Streamlining Contracting with NGO's" project (Weir & Watts, 2013), explored later in this thesis.

Definitions

The following terms have been defined in order to ensure consistency in understanding throughout the thesis:

Civil society: Refers to informal and formal groups that represent the interests of citizens, outside of government (Castles, 2008).

Client: Generic term for users of social services, such as welfare recipients and recipients of family services.

Contracting out: Refers to the state undertaking a procurement process to identify suppliers to deliver services under a contractual arrangement, which outlines service specifications that the provider must meet (Treasury, 2013).

The contract state: Used for the adoption of contracting practices for social services seen from the 1980s to 1990s, that separated funding from social service delivery.

Discourse: Term used both by social theorists and linguists, discourse is broadly the practice of talking and writing which provide 'systems of meaning' to social interactions and produces social reality (Philips & Hardy, 2002). Political discourse is discourse used within a political forum.

Market/the market place: Where social services are exchanged for payment, specifically payment by the Government. Competition underpins this marketplace, where providers bid for service contracts.

Non-profit: Groups who are private and separate from the state, not primarily commercial, self-governing and with non-compulsory membership (O'Brien et al., 2006). The non-profit sector is the combination of non-profit organisations in New Zealand.

Partnership: A relationship involving the state built on mutual objectives. An ideal partnership is defined as "a dynamic relationship among diverse actors, based on mutually agreed objectives, pursued through a shared understanding of the most rational division of labour based on the respective comparative advantages of each partner" (Brinkerhoff, 2002: 21).

Purchasing/procurement: Refers to the identification and selection of non-profits, and the agreement of service delivery terms under a contract. Procurement is the “act of buying goods, services or works from an external source” (The Productivity commission, 2015: 15).

Social outcomes: A desired end state for social service clients, where the increased well-being for one person is viewed as having wider societal impacts (Treasury, 2013). Desired social outcomes are understood as social inclusion and participation, fairness, opportunity and security (MSD, 2007).

Social sector: Summary of government, community, non-profit and for-profit activities and services “dedicated to enhancing people’s economic and social well-being by helping them lead more stable, healthy, self-sufficient and fulfilling lives” (The Productivity Commission 2015: 14).

Social services: Services provided to people to enhance their well-being.

The state: The governing powers of a country, broader than the specific government of the time.

The welfare state: Being the totality of policies and services which provide for well-being of citizens.

Well-being: Refers “to people’s capacity to live healthy, creative and fulfilling lives” (Western & Tomaszewski, 2016:1). Quality of life indicators include resources such as income and housing, and social identifiers, including education and health.

Thesis Structure

This thesis continues in chapter two with an exploration of the contracting model for social services. This will examine the role ideologies have played, specifically neoliberalism, in creating the assumptions that have sustained the contract state. Chapter three will explore the history of contracting out in New Zealand, looking at the neoliberal reforms that led to the implementation of the competitive contracting culture for social services, and the impact this had on non-profits. In chapter four the method for this research will be introduced as Critical Discourse Analysis, followed by an outline of

the approach that will be taken and the lenses that will be used to support the analysis process. Chapter five will explore the results, followed by a discussion in chapter six presenting the answers to the research questions and key insights to understand the implications of the results.

Chapter Summary

This research will explore the contract state to identify the political discourses used publicly by the Fifth National Government to support the contracting out of social services to the non-profit sector. This research seeks to understand the ideologies that underpin contracting out, the dynamics between the Government and the non-profit sector within contracting and what impact purchasing outcomes has had on the contracting rationale. This chapter has outlined the purpose of this study and research questions. Critical Discourse Analysis was identified as the method for this research, where political discourse of the Fifth National Government will be analysed to understand the assumptions of contracting and purchasing outcomes, and how these have influenced public perception. The context of this research, being the interdependencies between the state and the non-profit sector and the establishment of neoliberalism were briefly explored, along with the specific context for this research being the identified ministerial portfolios of the Fifth National Government. The definitions used in this thesis were outlined, followed by the structure this thesis will follow. The following chapter explores different theories of the state and neoliberal rationales behind the development of the contract state.

Chapter Two: Neoliberalism and the Contract State

The previous chapter introduced the focus of this research, being the political discourse of contracting out social services under the Fifth National Government. This chapter explores neoliberal theory as the underpinning ideology of the contract state. This chapter begins by exploring neoliberalism, and theories of devolution of state responsibilities and arguments behind the contract state. This is followed by the introduction of New Public Management as the policy vehicle that implemented contracting. Next neo-conservatism is introduced as a supporting ideology of the 'new right', and the social investment approach introduced as a policy approach taken by the Fifth National Government which was supported by both neoliberalism and neo-conservatism. Alternative ideologies of social democracy and the third way will then be presented. Critiques of the contracting model are then explored, identifying the challenges of applying pure market theory to a social service context. Finally in this chapter alternative purchasing models to the contract state are identified. This chapter argues that the conflict between economic and social policy, and the role of the state in the lives of citizens, are critical to debates around contracting.

Neoliberalism and the Role of the State

Central to theoretical debates around the state, are questions as to what role the state should have in the lives of its citizens, and when the state should intervene (Cheyne, O'Brien, & Belgrave, 2008). Ideologies underpin these debates, which provide a framework to understand political approaches (Cunningham & Cunningham, 2012; Miller, 2005). A political ideology represents a theoretical perspective on the relationships between the state, groups and individuals (Cheyne et al., 2008; Stanley-Clarke, 2016). Ideologies are therefore critical to social policy studies to understand how these positions shape policies and inform the day-to-day (Cheyne et al., 2008).

Neoliberalism

Liberalism, neoliberalism and liberal conservatism have all played significant roles in New Zealand's history (Heywood, 2007; Cheyne et al., 2008). Liberalism is "the theoretical tradition that promotes individual well-being through a reluctant acceptance of state intervention" (Cheyne et al., 2008: 71). Liberalism protects individuals' rights, and believes that an un-obstructed market will result in all individuals being able to act freely,

and will provide all people with equal opportunity to achieve their potential (Cheyne et al., 2008; Walker, 2002). Neoliberalism is the resurgence of liberal ideas seen from the 20th Century, continuing the liberal market fundamentalism that places faith in the market to solve economic and social problems (Heywood, 2007). Minimum state intervention is key to neoliberalism holding that fiscal conservatism, low taxes and low government spending are crucial, viewing state intervention in the market as leading to inefficiencies which limits competition in the economy (Levine, 2009; Peet, 2012). Globally, neoliberalism was first witnessed in the governments of Margaret Thatcher in England, Ronald Reagan in the US, and Brian Mulroney in Canada. These governments promoted open markets, free trade, lower tax rates, reductions to the public sector, market deregulation and an overall decrease of state involvement in the economy (Peet, 2012).

Well-being²¹ is a core concept for discussing ideologies and debates around the state's role in the life outcomes of its citizens (Western & Tomaszewski, 2016). Key to debates about well-being are questions as to what role the economy and markets have in delivering well-being to citizens, and what role the state has to intervene to ensure fair distribution (Western & Tomaszewski, 2016). Freedom of individuals is at the core of the neoliberal understanding of well-being, with the state's role viewed as utilitarian, focused on protecting the rights of individuals to partake in the market (Walker, 2002; Cheyne et al., 2008). A social contract underpins the relationship between the civil society and the state. It argues that individuals enter into an agreement with the state, accepting loss of some freedoms for the protections offered by a sovereign government to preserve a stable life (Heywood, 2007). The state's role is to uphold this social contract and protect the market economy (Walker, 2002).

Hayek (1973) argued that individuals are free to enter into the market and are responsible for their own outcomes. Redistribution of income by the state is therefore opposed. Well-being under neoliberalism focuses on an individual's ability to better themselves, with the state having a limited role to intervene (Cunningham & Cunningham, 2012). Policies under neoliberalism therefore focus on supporting equal rights to enable all to participate in the workforce. Neoliberalism holds that society works on a meritocracy, with all individuals having the ability to better themselves (Cunningham & Cunningham, 2012). The level of well-being is linked directly to individuals choices, with disparities in wealth for instances acting as incentives for those

²¹ Defined on page 9.

less-well off to work harder (Stanley-Clarke, 2016). Welfare policies are viewed as creating dependency by taking away this incentive, with the neoliberal state only responsible for providing a minimal safety net for those unable to participate in the market (Heywood, 2007).

New Public Management

Significant neoliberal reforms were witnessed in New Zealand and internationally from the 1980s under the guise of New Public Management (NPM). NPM refers to a framework for the evaluation and review of the public sector (Verbeeten & Speklé, 2015). At the core of NPM is the search for an economically rational and market-based public sector, with strong managerial control and a 'results-orientated culture' (Verbeeten & Speklé, 2015). NPM is built on a strong belief that public sector organisations should operate in a business-like manner, supporting the commodification of services, cost-reduction, and general downsizing of government (Difenchbach, 2009). NPM applies market-based approaches to the public service to increase efficiency and citizen choices (Alonso, Clifton, Diaz-Fuentes, 2015). NPM is built on the neoliberal economic policy approach of monetarism, which holds that the state should be removed from economic and monetary policy (Stanley-Clarke, 2016). The belief is that individuals should be able to act freely within the market, with suppliers responding to consumer demands, enabling economic growth with limited state involvement (Pratt, 2007). Under NPM the state's role is to deregulate the market, reduce barriers to trade and establish free-trade agreements (Stanley-Clarke, 2016). For New Zealand, NPM from the 1980s became a set of tools available within the ideological shift of neoliberalism, viewed as needed to respond to the inefficiencies of the economy of the time. How NPM was introduced and developed in New Zealand will be explored further in chapter three.

Neoliberal ideology and NPM work to limit the size of the state sector through devolving state functions to third parties (Larner & Craig, 2005; Munford & Sanders, 2001; Schmid, 2003). A devolved state could not, and should not, be responsible for all social service delivery as this takes away the choice that the market provides clients (Cheyne et al., 2008). Neoliberalism argues that other market actors are able to deliver flexible and efficient services that can bypass the bureaucratic processes of the state (Austin, 2003). Key to NPM is a separation of the funding for, and delivery of, social service provision by the state and a shift to more privately delivered services (Cheyne et al., 2008). Consequently, privatisation is a strategy to reduce the size of the public sector (Pallesen, 2004; Walker, 2002). Critical to this, is the implementation of contracting

arrangements between the state and service providers. The approach shifts government workers delivering services to managing contracts, supported by assumptions that contracting will bring effective performance, efficiencies, and improved accountability (Romzek & Johnston, 2005). NPM drove policy that enabled the establishment of the contract state in New Zealand and internationally, where by a separation of funding from service delivery and a reduction in the role of the state led to social services being contracted out to non-profits (Larner & Craig, 2005; Munford & Sanders, 2001; Romzek & Johnston, 2005; Schmid, 2003). The tensions between NPM and the goals of social services are at the core of this research.

The contracting market place: contracting out social services

Using market principles to contract out social service delivery is a core policy approach promoted by neoliberalism and NPM, and the focus of this research. As previously defined,²² contracting out is the mechanism where by the state (the funder) sets the policy for funding and undertakes a procurement process to identify the best service provider (the supplier) to award a service contract (Stace & Cummings, 2006; Treasury, 2013). This contracting creates a unique, or 'quasi' market where the welfare state and the market become intertwined (Cordery & Halforn, 2010; Stace & Cummings, 2006). By exposing services to the 'market', economic theory holds that competition results in cost efficiencies, and better services for clients (Schmid, 2003; Treasury, 2013). By testing services on the market, the state can assess the real cost, and find the best delivery for the best price, therefore becoming an 'intelligent customer' (Treasury, 2013). As explored, neoliberalism strongly supports market fundamentalism, whereby individuals achieve better results through an unimpeded market and small state.

Another neoliberal argument for the contract state is that through the separation of funding from delivery, you gain innovative services (Ormsby, 1998). Through the state setting policy directions and being involved in operational delivery of social services, staff can be biased towards the status quo (Ormsby, 1998). The separation of social services from the funding leads non-profits to find new and fit for purpose delivery solutions. Neoliberalism also holds that non-profit delivery is cheaper than state delivery, as non-profits have a large volunteer workforce (Munford & Sanders, 2001). The state is able to benefit from the efficiencies inherent to non-profits, who do not have the same bureaucracy and overhead costs as the government (Munford & Sanders, 2001). Non-

²² See definitions on page 8.

profits may also receive private philanthropy resulting in the state getting services at a 'discounted rate'. Non-profits are also assumed to be more agile than government, enabling more flexible and responsive services, increasing service quality and specialisation matched to clients' needs (Austin, 2003). An underlying assumption is that non-profits benefit from the contracting model through gaining certainty of resources (Austin, 2003). Formal contracting arrangements with the state are also assumed to increase the reputation through their services being acknowledged and legitimised by government, increasing their access to private donations (Austin, 2003).

Neoliberalism and NPM established the rationale of the contract state (Larner & Craig, 2005; Munford & Sanders, 2001; Schmid, 2003). Contracting out is supported through neoliberal principles of limited state intervention, arguing for a market approach to deliver cost-savings and efficiencies through using non-profits as delivery agents (Levine, 2009; Peet, 2012; Walker, 2002). This approach has significantly altered the social service and non-profit landscape in New Zealand. The shift to contracting saw social services reframed around cost reduction. This research explores the on-going impact of the contract state on social services in New Zealand, and the rationales that support the continued use of this approach. Alongside neoliberalism, neo-conservatism has influenced the contracting approach under the Fifth National Government, seen through the implementation of social investment. The next section introduces neo-conservatism and social investment, before alternative ideologies to neoliberalism are presented.

Neo-conservatism

Associated with neoliberalism and the 'new right'²³ more broadly is neo-conservatism. Neo-conservatism is the defence of authority and moral order, an ideology which supports traditional family values and nationalism (Heywood, 2007). This ideology emerged in the 1960s as an apparent response to permissiveness of society. While neo-conservatism aligns to the neoliberal desire for minimum state intervention in the economy, neo-conservatism, in conflict with neoliberalism, calls for a strong authoritarian state in areas such as law and order and public morality (Heywood, 2007). While neoliberalism focuses on market individualism, neo-conservatism involves moral authoritarianism (Larner, 2005). New Zealand witnessed neo-conservatism from the late 1990s, where moral obligations became strongly linked to welfare (Larner, 2005). This

²³ The new right is a broad term that includes liberal market and conservatism principles (Heywood, 2007).

will be explored further in chapter three. Neo-conservatism is linked to the development of the social investment approach in New Zealand.

Social investment

Social investment in New Zealand has been an important re-interpretation of neoliberalism and neo-conservatism, and is the basis of the Fifth National Government's approach to social services (Chapple, 2013; Deloitte, 2016; The Productivity Commission, 2015). Social Investment has different meanings in different contexts. For the New Zealand Government social investment is "activity undertaken on the basis of a return on investment justification" (Deloitte, 2016: 3). How social investment has been interpreted and implemented in New Zealand is unique. Social investment, as applied internationally, moves away from redistributive models based on ideas of social rights, to investing in human capital to enhance people's ability to participate (Austin, 2003; Perkins, Nelms & Smyth, 2004). Internationally, especially within the European context, social investment is about labour-market integration, which is where social policy is employment-centred (Leoni, 2016). Social investment is a strategy to recalibrate welfare capitalism, through reconciling social policy and economic growth goals, and adapting to new requirements on the welfare state such as the knowledge economy²⁴ (Kazepov & Ranci, 2017). Under this approach, investment is understood as long-term return of social and economic benefits (Leoni, 2016). A social investment welfare state moves away from a focus on unemployment and other specific risk typologies, towards providing tools for individuals to avoid events and minimise their impacts including unemployment (Leoni, 2016). This prevention approach to social policy looks at employment and labour market integration, alongside education and human capital. These pillars are seen as essential for economic success and well-being (Leoni, 2016). Social investment internationally is therefore focused on increasing workforce productivity, prevention of unemployment, and long term strategies to reduce poverty and need throughout life (Beblavy, Maselli, & Veselkova, 2014).

New Zealand's social investment approach is built around using data to quantify a social problem around long-term costs. While neoliberalism is focused on cost-cutting within government, social investment looks at ensuring productivity and effectiveness of public

²⁴ The knowledge economy is seen with the growth in digital information and technologies transforming knowledge into capital (Lambin, 2014).

funds (Deloitte, 2016). This approach prioritises interventions by those with the highest likelihood of reducing the future costs to government and improving social outcomes (Deloitte, 2016). Social investment uses an actuarial approach to identify long-term benefit liability²⁵ from client data as used by the insurance industry to determine premiums, and as applied within Accident Compensation Corporation (ACC) (Chapple, 2013). These interventions are then measured and reported on to identify where successes have been made, providing a better understanding of ‘what works’. The social investment approach in New Zealand takes a neo-conservative perspective, working to fix entrenched social hardship issues (Deloitte, 2016). The free market is the organising principle for society under social investment, but as with neo-conservatism there is a strong role for Government to intervene to target groups of people who will cost the Government the most in the long-term (Leoni, 2016). Spending on benefits, including unemployment and early retirement, is viewed as a “bad” investment, aligned to the moral principles of neo-conservatism (Perkins, Nelms & Smyth, 2004). With welfare, the return on investment is labour market participation, and increased productivity. The social investment approach contrasts to traditional social service funding, where the focus is on ensuring value for money for service outputs over measuring outcomes achieved by those services. Social investment ideology is supportive of contracting out social services, recognising the state is not always the best provider, while also supporting the neoliberal view that contracting can bring efficiency of government spending (Austin, 2003). The assumptions of the contract state, and those continued under social investment in New Zealand, are challenged by other ideological positions that have influenced New Zealand’s policy environment over time.

Alternatives to Neoliberalism and the Contract State

Neoliberalism and NPM created the conditions for contracting out social services and the implementation of the social investment approach. Other ideologies have played an important role in New Zealand’s history, and in this section two alternative ideological positions will be introduced, social democracy and the third way. These ideologies provide differing rationales for contracting out, and hold different positions on the role of the state and views on well-being that challenge neoliberalism.

²⁵ Long-term benefit liability is the costs associated with individuals receiving a welfare benefit for six or more consecutive months (Welfare Working Group, 2011)

Social democracy

Central to social democracy is egalitarianism, and the belief in collective ownership (Spicker, 2008). Social democracy combats the market reliance of neoliberalism, with approaches that protect the collective against the negative consequences of capitalism (Spicker, 2008). In contrast to neoliberalism, social democracy calls for strong state intervention in the market (Cheyne et al., 2008). Social democratic theory holds that the capitalist market produces inefficiencies and inequality and a strong state can regulate the economy through market intervention and redistribution of income in order to remove disadvantages (Cheyne et al., 2008; Fredriksson, Hyvarinen, Mattila & Wass, 2010; Walker, 2002).

While both neoliberalism and social democracy have their roots in liberalism, social democracy argues that neoliberalism creates inequality (Stanley-Clarke, 2016). While capitalism is accepted as part of society under social democracy, the state must protect against the inherent inequalities of the market place (Heywood, 2007). Social democracy promotes social cohesion and collectivism over the individualism seen with neoliberalism (Spicker, 2008; Stanley-Clarke, 2016). While under neoliberalism well-being is achieved through an individual's ability to better themselves through the market, under social democracy the state has a crucial role in helping all achieve well-being through social justice and a fair distribution of wealth (Heywood, 2007).

Keynesian economic management, developed from the thinking of John Maynard Keynes, has been a critical social democratic approach to the economy. Keynesianism holds that free markets have no self-balancing mechanism to support full employment alone, requiring government intervention in the market to provide social protections (Peet, 2012). Keynesian fiscal policy involves redistribution of income through taxation, a strong welfare state and selective nationalisation of services and industries (Peet, 2012). The Keynesian welfare state guarantees a minimum social wage and provides health and welfare provisions to citizens, balancing economic and social policies. Keynesianism conflicts with the market fundamentalism of neoliberalism which holds that any form of economic planning is inefficient (Heywood, 2007). Keynesianism rejects the self-regulating market view, arguing that government manipulation will stimulate employment, growth, and prosperity (Heywood, 2007). Social democracy is the underpinning ideology of the welfare state, to be explored in chapter three.

Under social democracy the state plays a significant role in providing social services to its citizens, aiming to increase equality. The welfare state and welfare programmes counter the inequality inherent within capitalism and the free market through bringing equal opportunity (Cheyne et al., 2008). Generally social democratic countries will favour a strong public sector, and have a more cautious approach to contracting out social or health services (Fredriksson, et al., 2010). While direct delivery by the state is the preferred model for social services, this does not position the state as the sole provider, recognising the state cannot provide all specialised services required. In contrast to neoliberalism, there are no market incentives for contracting out (Fredriksson, et al., 2010). Under social democracy the state is more likely to directly deliver social services with contracting out supported only where the state is not best-placed to deliver a service. The contracting model also looks different under social democracy, as discovered later in this chapter.

The third way (social development)

As will be explored in chapter three, the neoliberal reforms of the 1980s and 1990s, were followed by a period of third way or social development ideology in New Zealand which saw attempts to move away from the contract state. From the late 1990s a third way ideology developed in many countries including New Zealand,²⁶ that comprised principles of both social democracy and free market capitalism (Heywood, 2007). The third way emphasises social participation and inclusion alongside market-led economic growth (Chile, 2006). Under the third way ideology, socialism and state intervention are dead, as globalisation has created a knowledge economy²⁷ (Heywood, 2007; Lambin, 2014). This ideology accepts the role of the market, building on neoliberal ideas, and is generally supportive of business and enterprise (Heywood, 2007). Given this, the third way also rejects the moral and social implications of neoliberalism and the market free for all, holding a greater role for state intervention (Heywood, 2007). While social democratic state intervention is built on reducing class inequalities, the third way supports material rewards being distributed based on work related skills across society (Heywood, 2007). Here the third way sits between market views of neoliberalism and equality principles of social democracy (Lunt, 2009). As will be introduced in chapter three, in New Zealand the third way was implemented as 'social development' under the

²⁶ As explored in chapter three, the third way was implemented in New Zealand as social development.

²⁷ Defined on page 16.

Fifth Labour Coalition²⁸ Government. Social development as a policy response looked at reducing social exclusion, viewed as both a social and economic cost to government, and focused on building community capability and setting work test responsibilities on beneficiaries (Humpage, 2006).

The third way supports a state that strengthens the economy and skills of the workforce (Heywood, 2007). As a result, welfare under the third way is directed to the socially excluded, with policies targeting groups such as single parents, the young unemployed, the disabled and the old (Baldock, Manning & Vickerstaff, 2003). The third way stresses the importance of opportunity over equality, where-by social policies should help people to help themselves (Heywood, 2007). The provision of welfare is dependent on an individual's desire to become self-reliant (Baldock, Manning & Vickerstaff, 2003; Heywood, 2007). Under the knowledge economy the state intervenes in education and access to work over social security, focusing on skills and knowledge over economic or social engineering (Heywood, 2007). The third way aligns with the social economy, which holds that markets operate effectively when there is strong management by the state, and support for the poor. A social economy rejects both socialism and free markets, arguing that a balance is needed to ensure wealth is distributed fairly (Lambin, 2014). Non-profits are viewed as critical to the social economy, and contracting out is supported under the third way. Like with social democracy, the third way argues that the state is unable to respond to social service demands alone (Austin, 2003). Contracting enables a wider range of social needs to be met, through involving a range of providers with different skills and expertise (Cordery & Halforn, 2010).

For neoliberalism the main goals for contracting out are efficiency and cost savings, with the state's bureaucracy seen as a barrier to effective services. Social democracy and the third way provide alternative ideological positions on contracting out social services. Both positions do not oppose the contracting out of social services by the state, but the rationales for doing so are different. For social democracy, contracting out is viewed as an option where specialist services are required. For the third way, the benefits of contracting appear balanced between getting the right service provider and cost effectiveness. The role of these ideologies in shaping New Zealand's contracting approach to social services is examined in chapter three. In the next section, the core critiques of the contract state are explored, providing the context for this research's

²⁸ Referred to as the Fifth Labour Government, with coalition partners of the Alliance Party, and later the Progressive Party and New Zealand First.

exploration of contracting under the Fifth National Government and the discourses that support the continued use of this approach.

Contracting Out: An Inefficient Market?

At the core of neoliberal arguments for contracting out is the belief that the market will provide the best service for the best price. In a pure market consumers (or clients) make purchasing decisions, with market competition and indicators informing the services or products that are developed and 'sold' on the market (Cordery & Halforn, 2010). Within the social service market, the government is the sole purchaser of state funded services. This market is highly managed by the state, which makes the decisions to contract out and dictate the service terms (through the procurement processes). The state not only determines what services will be tested by the market, but also how provider applications are assessed (Treasury, 2013). This results in non-profits having limited information about the market conditions or the fair price for services, reducing the ability of the market to be truly responsive (Cordery & Halforn, 2010). With the state as the sole purchaser there are also limited economic factors for them to assess the true value of a service (Cordery & Halforn, 2010). This creates a complex and unbalanced market. There are three core arguments against this quasi-market approach. Firstly that the market does not result in efficiencies, secondly that the market does not provide clearer accountability for state funding, and thirdly that the market is not client directed (Cordery & Halforn, 2010). These three critiques are discussed in the following section.

Efficiency of the contracting market

One of the rationales for contracting out is the neoliberal view that non-profits can provide services more efficiently as they by-pass the bureaucracy of the state (Munford & Sanders, 2001). Salamon (1995) argued against this, holding that non-profits are in fact inflicted with many of the same limitations as the state, especially as they grow and develop into similar scales of organisational complexity. In addition, while the contracting out of social services may reduce costs, it is not clear if quality is significantly improved (Salamon, 1995). Social services are not businesses and theories of competition do not necessarily equate to effectiveness in service delivery (Munford & Sanders, 2001; Salamon, 1995; Stace & Cummings, 2006). The contracting process can also be expensive and complex, with even the smallest contracts requiring negotiation (Stace & Cummings, 2006). Efficiency is a core argument of the contract state, and arguments against this assumption question the validity of this approach.

Capability and capacity building costs of non-profits put into question the assumed efficiency gains from the contract market (Stace & Cummings, 2006). There are costs associated with upskilling staff and administration costs of service delivery. With the tendency for short-term contracts to enable regular re-testing of the market by government through procurement processes, from an economic perspective the state is not likely to want to invest in overhead costs of upskilling or management that deliver long term value (Stace & Cummings, 2006). These costs therefore need to be funded outside of the contract (Stace & Cummings, 2006). With the state only funding direct delivery costs, the resource challenges for non-profits become a barrier (Boyd-Caine, 2016). In addition, contracting separates out delivery from the research and advocacy role non-profits play, leaving these functions unfunded (Boyd-Caine, 2016). Chapter three further explores the impacts of this separation of delivery from advocacy under the contracting model.

The Productivity Commission²⁹ (2015) found that the New Zealand Government failed to shape the supply side of the social service market through not supporting the development of non-profits, and therefore the market was not working as well as it could be. The initial costs of establishment were identified as a barrier for new non-profits under the market approach. The Government began supporting larger organisations over smaller groups due to perceived efficiencies which saw the state encourage mergers of non-profits that further limited the number of potential service providers (The Productivity Commission, 2015). Another risk of the contracting approach was that the preference for short-term contracts means service providers can often change resulting in a loss of relationships and institutional knowledge (Stace & Cummings, 2006). These critiques question the assumed efficiency gains of the contract state argued by neoliberal ideology.

Accountability for state funding

Another core argument supporting the contract state is that it increases accountability for state funding, through holding service providers to clear standards for service delivery through review periods and performance measures (Domberger & Jensen, 1997; Smith & Smyth, 2010). The state manages contracts through highly specified deliverables and through imposing output performance monitoring to ensure value for money (Larner &

²⁹ An independent crown entity established in 2011.

Craig, 2005). Government funding is seen as more transparent under contracting models, with procurement processes providing assurances that 'value for money' is being achieved (Larner & Craig, 2005; Smith & Smyth, 2010). Romzek and Johnston (2005) argue that this accountability is hard to achieve in the reality of the market approach. They argue that as contracting grows, the state's ability to manage the network of service providers becomes difficult (Romzek & Johnston, 2005). As a result the government must increase capability and capacity to monitor the large number of service providers and contracts (Mulgan, 2008). How a government should best manage this network to ensure accountability, or what skill set is required by contract managers, is an area identified as needing work (Nowland-Foreman, 1995; Salamon, 1995).

Mulgan (2008) argued that another challenge of contracting out is that the contracting model only measures outputs. If the state wants to hold providers accountable, the contract allows only for ensuring funding is spent on delivery activities, not on the end results or outcomes for clients (Hannah, Ray, Wandersman & Chien, 2010; Martin, 2007; Smith & Smyth, 2010). Within the contract state, the government is both the purchaser and the regulator of the social sector (Treasury, 2013). A tension arises from the state being both the 'customer', purchasing services from the market, and the regulator, enforcing rules and monitoring. This is unlike an economic market, where the regulator, the state, is independent from the purchaser. The state's ability to hold providers accountable for delivery is challenged by these arguments. The shift towards purchasing outcomes as a response to the challenges of outputs based contracting under the Fifth National Government is explored later in this chapter.

Cribb (2006) argued that the accountability argument of the contracting model is flawed as it is built on the foundations of agency theory. Agency theory is based in the belief that people are self-interested (Boston, Pallot, Walsh, 1996, Boyd-Caine, 2016; Cribb, 2006). Here social and political life can be understood as numerous 'contracts' where one party exchanges something with another party, the agent (Boston, et al., 1996). When tasks are delegated to agents in a contract, those agents must be monitored closely to ensure they complete the task efficiency and do not abuse the system, requiring monitoring and enforcement. Agency theory assumes agents are rational individuals and self-interested (Boston et al., 1996; Cribb, 2006). For contracting non-profits, Cribb (2006) argued that in fact these organisations are not self-interested and focus on the clients of the service. Therefore the monitoring and enforcement approach does not sit well within this context, and the contract does not drive the compliance behaviours desired. While the contract model is built on accountability of spending,

Boyd-Caine (2016) argued that accountability of non-profits to the people they help is more important (Boyd-Caine, 2016).

Market not client directed

The third key critique of contracting out is that those who consume the services are not the purchasers, with the government buying services on behalf of clients (Cordery & Halforn, 2010). Under the contracting model, the state takes on the role to match up supply and demand, with little to no input from clients (Cordery & Halforn, 2010). The market is not client-directed, which means that the service provider (the contracted non-profit) is not accountable directly to the client. In an economic market the clients' needs are clear through what they purchase, and therefore service providers are able to design their services around those needs. This is not the case within the contracting model, where the state determines the shape of services to be funded (Treasury, 2013). In the contracting market, non-profits are also not clear on what service the state will be likely to fund as purchasing priorities are based on government policy objectives and most often not transparent. There is also little feedback from the clients of social services to inform the states purchasing priorities, as the clients are often grateful for whatever service they receive³⁰ (Cordery & Halforn, 2010). This questions how the government knows the services they are purchasing are the right ones? While they may be able to assess contract performance, with the client not influencing the market in the traditional way, it becomes difficult to understand what 'intervention mix' is right (Cordery & Halforn, 2010). Without assessing the outcomes achieved for clients, or inputting client perspectives into funding direction the state is working from only half of the picture. This aligns with neoliberal ideology, where the aim of intervention is to reduce costs not to ensure clients' needs are met (Boyd-Caine, 2016; Cheyne et al., 2008; Cunningham & Cunningham, 2012; Walker, 2002).

The requirements of the government for highly specified contracts have also posed a barrier to flexible and responsive services, with rigid service specifications and strict accountability measures, resulting in a one-size-fits-all model (Cordery & Halforn, 2010). The Productivity Commission (2015) found that while contracting out suits some services and client types, standard contracting arrangements are often used in situations that require integrated and tailored responses for which this model does not suit,

³⁰ This has begun to be challenged with the growth in consumer groups.

including family support services and mental health (The Productivity Commission, 2015).

The challenges presented by the neoliberal assumptions of the contract state question if market theory can succeed in this context. As the government is the sole purchaser of services, there is no competition in the pure market sense. The state also does not support capability development or the supply side, reducing the market's effectiveness. There are challenges to the short term nature of contracts, resulting in significant costs and loss of relationships and institutional knowledge. The accountability and transparency benefits of contracting are tested by the difficulties for the state to manage a network of service providers sufficiently, as a funder and a regulator. Agency theory that supports contracting is challenged on the view that non-profits are not self-interested agents, and will focus more on their clients over their compliance requirements. In addition, a core criticism of the market approach, is that unlike a pure market the client is not the purchaser of services. This is a challenge for ensuring the right services are purchased. Finally, the model of highly specified contracting arrangements poses a barrier for flexible service delivery. These challenges highlight the conflict between economic and social objectives within the contract state, questioning how responsive this neoliberal market approach can be to the real needs of individuals. This research questions the continued use of contracting for social services within the context of these challenges under the Fifth National Government.

What is the Role of the Hollow State?

The result of substantial contracting out is the state's role in the social sector, and in the lives of their citizens, significantly decreases. The 'hollow state' is a metaphor used for the increasing use of third parties, primarily non-profits, to deliver state-funded services (Milward & Provan, 2000). The hollow state refers to the degree of separation between government and the services they fund. Milward and Provan (2000) argued that with the hollow state, command and control mechanisms are being replaced with complicated relationships for the delivery of health and human services. Wolch (1990) named this the 'shadow state', whereby the state retains the control over services they fund, with non-profits becoming the vehicle for service delivery.

As identified earlier in this chapter, one of the supporting neoliberal arguments for the contracting out of social services is that it reduces the state's direct role in service

provision, reducing bureaucratic barriers and improving service availability and quality (Larner & Craig, 2005; Munford & Sanders, 2001; Schmid, 2003). Another argument used for contracting out is that there are some areas where it is politically difficult for the state to directly deliver a service (Ormsby, 1998). For example, through transferring the responsibility for some service provisions, the state can alleviate pressure from interest groups. Non-profits are able to deliver services removed from political debate, such as in areas that if the government were to deliver directly they would lose some political support (Ormsby, 1998). There are also some services that the state should not deliver to protect their regulatory and enforcement role (Treasury, 2013). This desire to separate out the role of government from certain aspects of society aligns with the neoliberal ideology, where state minimisation in the lives of citizens is an objective.

A key criticism of the hollow state is that through contracting out service delivery, the public sector loses its delivery capacity for core services through reducing skills and expertise 'in house' (Schmid, 2003). Larner and Craig (2005) argued that the responsibility for responding to social issues has been transferred from the state to contracted non-profits, with the state becoming dependent on non-profits for delivery of services, with no infrastructure or capability to deliver many services centrally. Schmid (2003) contended that there are moral and ethical questions of contracting out. Firstly, it lessens the accountability the state has for the welfare of its citizens, through being a step removed from the people. Secondly, there are issues of non-profit being the face of the service and taking on risks associated with service provision, again with the state removed from the responsibility and implications of service provision. Milward and Proven (2000) maintained that devolution of authority to non-profits means the government is working at 'arm's length' which can lead to a loss of legitimacy for government action in the lives of citizens. Here the contracting model is both challenged for its effectiveness and for what it means for the state's ability to govern. These are the implications of the neoliberal ideology, where a minimal role for the state and conflicts with social democracy and the states responsibility for the well-being of citizens.

Alternative Purchasing Models

The arguments and critiques for the contracting model provide important questions about the value of contracting through the 'market'. The contracting process demonstrates the power the state has in driving the social sector, where-by the state determines what services should be funded, what the services are worth and sets the performance measures (Grey, Sedgwick & Commerer, 2015). As identified there are a

number of critiques of the underlying economic theory of the market, led by neoliberal ideology (Boyd-Caine, 2016; Cordery & Halforn, 2010; Lerner & Craig, 2005; Mulgan, 2008; Salamon, 1995; Stace & Cummings, 2006; Smith & Smyth, 2010; Romzek & Johnston, 2005). As discussed, contracting also creates a hollow state, where government is removed from for the lives of citizens (Milward & Provan, 2000). In this next section, a number of alternative models for social service delivery will be identified, including purchasing outcomes which is focused on in this research.

Performance-based contracting and Results Based Accountability

As identified earlier, one of the criticisms of the contracting model is that it holds providers accountable for service outputs, not outcomes for the clients (Mulgan, 2008). Performance-based contracting is a technique used for identifying service outcomes, and holding non-profits accountable to these through funding arrangements (Hannah et al., 2010). Performance based contracting was first implemented in the United States (US) and United Kingdom (UK) for welfare to work programmes (Finn, 2009). Under a performance model, contract payments are tied to service provision outcomes for clients (Martin, 2007; Smith & Smyth, 2010). While outputs are the measure of service volume, outcomes are the measure of the improvement on people's lives (Hannah, et al., 2010). Outcomes are the desired end state for the clients, where the increased well-being for one person has wider social benefits (Treasury, 2013). For example, providing assistance to help someone find work is the service output, the outcome is that person entering the workforce and no longer receiving welfare. Purchasing outcomes attempts to improve on the contracting model through funding for outcomes, changing the accountability model (Romzek & Johnston, 2005).

Results Based Accountability (RBA) is a type of performance based contracting implemented in New Zealand that provides a framework and common language for identifying social service outcomes within contracting arrangements (Weir & Watts, 2013). RBA (designed by Marc Freidman in 2005) has been implemented in New Zealand, Australia, UK, Canada, Ireland, Norway, US, Chile, Moldavia (Weir & Watts, 2013). RBA is a management tool where goals or results are clearly defined, and data collected and reported to the government regularly. As with purchasing outcomes models more generally, RBA shifts accountability away from output delivery under the contract state, and identifies two types of accountability to monitor, population and performance (Weir & Watts, 2013). Population accountability are the improved outcomes for families and communities. Performance accountability is about the organisation or

provider demonstrating how they operate such as their delivery efficiency. This model aims to improve on the contract state without overturning it. Neoliberalism is still the driving force behind this contracting approach, with accountability of the provider to the state remaining central. The implementation of purchasing outcomes under the Fifth National Government is the focus of this research, and will be explored further in chapter three.

Prime provider model

Another attempt to improve on the contracting model is seen with the prime provider model or 'managed markets'. The prime provider model is where a government contract is awarded to a high-level umbrella organisation who then takes the responsibility to sub-contract out service delivery to non-profit and for-profit organisations (Gallet, O'Flynn, Dickinson & O'Sullivan, 2015). This model responds to the critiques of the contract state that clients have no choice (Cordery & Halforn, 2010). The prime provider model gives clients more choice in services and aims to improve coordination between service providers, enabling wrap-around delivery. An example of this has been seen in Australia with their employment services (Roger, 2007). The Job Network was established in 1998, the first example of a market approach for job brokerage services (Roger, 2007). Under this approach service providers are selected under a competitive procurement process to deliver services as part of the Job Network (Roger, 2007). Service providers have flexibility in how they deliver services and are rewarded financially for placing people into jobs (Finn, 2009). Some clear challenges continue, including competition between providers for clients which is supported through neoliberal rhetoric, to encourage innovation and service improvements. Neoliberalism also underpins this approach through the aim to reduce administration burdens from service providers to improve efficiency (Munford & Sanders, 2001; Schmid, 2003). Another challenge is that under this model a provider takes on the role of purchaser from the state. This brings new complexity to the relationship with a new layer placed on the funding relationship, and further removes government from delivery of services to citizens. As with the hollow state, government is at danger of becoming removed from the critical issues to inform policy decisions (Gallet et al., 2015). Despite limited evidence of its benefits, there is increasing interest in this model globally (Gallet et al., 2015). This model may be an alternative to the contract state, but reinforces many of the same principles of neoliberalism.

Integrated contracting models

A criticism of contracting out is that non-profits can have several contracts with several different government agencies, resulting in a heavy burden for agencies and duplication of administrative effort (Dwyer, Boulton, Lavoie, Tenbenschel & Cumming, 2011). Integrated contracting approaches have been implemented in New Zealand and internationally. Under integrated contracting, the state provides a single agreement with a provider for services that incorporates funding and reporting requirements from several government departments (Dwyer et. al., 2011). This simplifies contracting with government, and allows government agencies to share audit and other information with each other to reduce monitoring demands on non-profits (Milward & Provan, 2000). While this model does not significantly change the contracting approach, it provides an alternative way for the state to arrange funding to better support non-profits to deliver.

Social democracy and stewardship

As explored earlier in this chapter, social democracy supports contracting out where the state is not well placed to deliver a service. With the differing motivations behind contracting, social democracy conflicts with the neoliberal contracting approach. Agency theory, examined as part of the criticisms of the neoliberalism and the contract state,³¹ is challenged as it does not take into consideration unequal power distribution within relationships (Boston et al., 1996; Boyd-Caine, 2016; Cribb, 2006). Cribb (2006) argued against agency theory as a model for contracting, arguing instead for the theory of stewardship, where a relationship of trust is built around joint goals. Stewardship is about goal alignment, and is viewed as a critical component to relationship building (Cribb, 2006). Stewardship, aligned to the social democracy ideology, argues that acting collectively is of more benefit than individualistic and self-serving behaviours that are assumed under agency theory (Dicke & Ott, 2002). Accountability measures seen under agency theory are unnecessary under stewardship, where time up front to set shared goals reduces the need for on-going monitoring and auditing and would likely result in better services with non-profits being able to focus on their goals for clients (Cribb, 2006).

³¹ See page 20.

A stewardship model can also be understood as taking a partnership approach, which as previously defined means a relationship that is built on mutual objectives.³² Attempts at partnership models have been seen in New Zealand, including “Pathways to Partnership” in 2007. This initiative aimed to strengthen community based family, child and youth focused services through involving non-profits in service design, working to improve contracting arrangements to suit both parties (MSD, 2007). Hodgson (2004) looked at the UK’s experience and found partnerships between the state and non-profits formed a specific type of civil society built on a government agenda that Hodgson terms “manufactured civil society”. Hodgson argued that while this “manufactured civil society” can play a role in supporting communities to self-govern and be empowered, they can also reinforce state power and lead to increased state control over a larger range of social factors. There are also important issues around how a partnership approach works within a formal contractual relationship (Larner & Craig, 2005). A complicated dynamic is created where-by the state is both a funder and a partner, and non-profits are both service providers and community representatives (Aimers & Walker, 2008). As explored in the next chapter, partnership approaches implemented in New Zealand made no significant impact on the contract state, with non-profits continuing as ‘agents of the state’ (Aimers & Walker, 2008; Evans & Shields, 2005; Fyfe, 2005; Maden, 2007). The clash between neoliberal accountability frameworks and social democratic stewardship approaches will be examined further in chapter three.

The Nordic model

The neoliberal contracting model is built around central government agencies controlling social service funding. Internationally, especially in Nordic countries, a decentralised funding model for social services exists. Under a decentralised model, regional authorities have their own funding priorities for social services (Fredriksson, Hyvarinen, Mattila & Wass, 2010). In Nordic welfare states, regional authorities undertake contracting and delivery of most public services, guided by national level legislation. The regional authorities decide what is contracted out and what is delivered in-house (Fredriksson, et al., 2010). Historically, Nordic countries have had the majority of social services delivered by the state, supported by social democratic ideology (Petersen, Houlberg & Christensen, 2015). The devolved approach has witnessed an increase in regional authorities contracting out services over direct delivery (Petersen, Houlberg & Christensen, 2015). Here this model is viewed as being more responsive to community

³² Defined on page 8.

needs (Fredriksson, et al., 2010). Importantly the extent of contracting out varies significantly across local authorities, with Finish municipalities continuing to be the largest provider of social services, with only limited contracting out (Fredriksson, et al., 2010; Petersen, Houlberg & Christensen, 2015). Fredriksson et al. (2010) found that contracting out by local bodies increased as fiscal pressures reduced, and decreased when fiscal pressures increased. Fredriksson et al. (2010) suggested that this is caused by public push back against contracting out in times of fiscal strain, viewed as more important than the minor fiscal benefits of contracting out. This demonstrates the contrast between neoliberal and social democratic ideologies in contracting approaches.

There are a range of alternative models to the contracting approach established in New Zealand and internationally. The majority in recent times respond to the critiques of the contract state, without significantly shifting the aim or motivations. Purchasing outcomes, prime provider and integrated contracting all deal with some of the flaws of contracting, while still being driven by neoliberal assumptions. In contrast, contracting models led by social democracy, namely stewardship and devolved decision making, demonstrate different rationales for contracting. This research looks at purchasing outcomes under the Fifth National Government, exploring the discourse to identify if this has resulted in a shift away from the rationales of the contract state

Chapter Summary

Ideologies have significantly influenced the role of the state in social service provision. Critical to neoliberalism is economic theory, where the self-regulating market is used to argue for the contracting out of social services by the state. For the contracting model, the belief is held that by testing social services through competitive market processes, the state will be able to make the best purchasing decision resulting in efficiencies for public spending. A number of questions were raised around how pure economic theory works within the market created for contracting. Questions were also raised about the implications this has on the states responsibility for social provision if they become removed from core social issues. This chapter argued that the critiques of the contract state reflect a clash between economic and social policy goals, underpinned by a clash of ideologies. Alternative models to the contract state were identified, to demonstrate both attempts to address some of the critiques of the contract state, and alternative models provided through the social democratic ideology. This chapter provides some key questions for how economic and political themes have reinforced the contracting out

of social service delivery within the New Zealand context, along with the implications of this on the relationship between the state and the non-profit sector. The historic development of the contract state in New Zealand is explored in the next chapter.

Chapter Three: The History of Social Service Contracting in New Zealand

In chapter two, the neoliberal rationale for the contract state was discussed, along with critiques and alternative ideologies. This chapter will discuss the development of the contract state in New Zealand. Three key periods in New Zealand's history will be explored relating to the three significant ideological shifts that have informed the development of contracting, early colonial times to the development of the social democratic welfare state, the introduction of neoliberalism and the contract state from the late 1970s to the late 1990s, and the shift to social development from 1999 until 2008. The developments under the Fifth National Government, as the focus of this research will then be examined. The purpose of this chapter is to identify how the development, and subsequent retrenchment, of the welfare state altered the role of non-profits in New Zealand, and to explore the evolving relationship between the state and non-profit sector with the introduction of the contract state.

Social Democracy and New Zealand's Welfare State (1880s to the 1970s)

This section tracks the establishment of the welfare state in New Zealand. This period established the role of non-profits in New Zealand, and provides context to the introduction of neoliberalism and the subsequent retrenchment of the welfare state that followed.

Early social service provision

In the early colonial period from 1840 New Zealand was coming to terms with the new settler society. Following the signing of the Treaty of Waitangi, British Settlers went about implementing a government based on the English model. Māori expected to retain autonomous indigenous rights, while settler interests meant this was not to be the case (Cheyne et al., 2008). In this early period, the settler society did not have a strong philanthropic sector and the state had to take an active role in responding to the emerging needs of its citizens. "In the absence of large reserves of private wealth and a tradition of charitable giving, the state effectively became New Zealand's largest philanthropist" (Tennant, 2007: 9). New Zealand was a liberal society, but soon became recognised internationally as progressive through its first forms of basic social security,

with the 1898 Old Age Pensions Act providing the first non-contributory state pension, giving New Zealand the reputation as the 'social laboratory of the world' (Peet, 2012). New Zealand's small philanthropic sector in the 1800s resulted in the church playing an important role in delivering social services, predominately focused around moral reform (Tennant, 2007). As church outreach into communities grew, the state began providing some financial backing (Tennant, 2007). This role of religious institutions in providing welfare strengthened with the arrival of the Salvation Army in 1883 (Tennant, 2007). Non-religious voluntary institutions also developed over this period, including benevolent societies who provided mutual aid and short-term assistance, predominately for women and children (Tennant, 2007). This early relationship between the state and providers of services is important, setting a trend of the state providing funding to non-profits where it aligned to their goals.

The role of the state and non-profit organisations in social service provision was formalised under the 1885 Hospitals and Charitable Institutions Act (Tennant, 2007). This Act expanded the state's arrangements for poor relief into a national system and recognised a formal relationship between the state and the non-profit sector. This became the first time the state formally supported charitable organisations through transfer of public funds. This Act increased non-profits reliance on state funding, as the states involvement resulted in the limited contributions coming from the public to decrease (Tennant, 2007). Importantly this Act also gave the state power to direct funding to organisations based on their assessment of 'appropriate' forms of charity work. Due to this early funding reliance, the State steered the non-profit sector in New Zealand through directing the nature and scope of services. This set the direction for contracting, with the state determining funding priorities and holding the balance of power in the relationship with non-profits.

Development of the welfare state

With the development of the welfare state, the government began to deliver some social services under strong social democratic beliefs that the state was responsible for the well-being of their citizens (Chile, 2006; Harrison, 2010; Weisbrod, 1988). The first Labour Government (1935 – 1949) in New Zealand established the modern welfare state, driven by social democratic ideology, with popular support for state intervention following the Depression. This Government, led by Michael Joseph Savage, drove a range of progressive social reforms creating the framework for New Zealand's approach to welfare until the 1980s. The 1938 Social Security Act, viewed at the time to be the

most comprehensive welfare state provision in the world, provided protections ‘from cradle to grave’ (Peet, 2012; Tennant, 2007). The Social Security Act introduced benefits for superannuation; unemployment; sickness; age; widows; and orphans and provided health and education coverage (Castles & Pierson, 1996). Universalism³³ was the guiding principle for health and education provision, with other benefits being means tested. As explored in chapter two, the welfare state is based in social democracy with a strong ideological belief in social citizenship, the view that all citizens should be guaranteed basic social and economic security, with rights to health, education, work and welfare (Humpage, 2011). Alongside the welfare state, a wider social democratic approach was taken, with the 1930s seeing the state intervention in the economy leading to an increase in demand for goods and services, guaranteed prices for farmers, and increased state provided housing (Peet, 2012). Keynesianism economic management³⁴ was a driving force behind these examples of economic interventions. New Zealand experienced a period of economic prosperity, with the 1950s and 1960s holding extremely high employment. The welfare state was further expanded in the early 1970s with the introduction of Accident Compensation in 1972, and the Domestic Purposes Benefit in 1973. As the welfare state grew, non-profits began to deliver complementary services, shaping the role they would play.

Non-profits and the welfare state

As the state’s role in service delivery increased, non-profits had to reposition themselves in relation to state services being provided in their communities (Cordery & Halforn, 2010). The shift from the 1930s to universal welfare meant that non-profits had to “mark out a space for themselves in the new welfare economy” (Tennant, 2007: 73). Non-profits had to defend their legitimacy against public perceptions that their work should be nationally provided by the state. This resulted in a need to defend ‘voluntary’ provision of services, and the role for community and grass-roots groups (Tennant, 2007).

While this period (1930s – 1960s) resulted in growing pains as non-profits positioned themselves in relation to the welfare state, the number of voluntary organisations increased as they began targeting needs where government services were limited, such as aged care and disability as well as facilitating access to state services (Tennant,

³³ Universalism is where all citizens have the same benefits, coverage and eligibility for welfare programmes or policies (Brady & Bostic, 2015).

³⁴ See page 18.

2007). This was demonstrated with the development of groups such as the Crippled Children's Society, the Intellectually Handicapped Children's Parent's Association (Later IHC), New Zealand Playcentre Federation, and the Cancer Society of New Zealand. Non-profits played a significant role in the social movements of the 1970s, advocating for the social needs not being met by the state. Despite the welfare state and increased affluence in New Zealand, significant social problems persisted in this period, which non-profits responded to (Harrison, 2010; Tennant, 2007). Importantly following the development of the welfare state many non-profits began to organise in a more formal way, seen with the development of umbrella organisations such as The New Zealand Federation of Voluntary Welfare Organisations (1969), and the New Zealand Council of Social Services (1975) (Harrison, 2010). These organisations increased the profile and voice of non-profits, providing the sector with greater political weight to engage with Government on key social issues (Harrison, 2010).

Through the 1930s to 1970s, with the development of the welfare state, a more formal funding relationship between the state and the non-profit sector developed. Before 1935, government appeared ambivalent to non-profits, providing grants to their favoured organisations, acting as almost that of a private donor supporting worthy causes (Nowland-Foreman, 1997; Tennant, 2007). This period saw both an increase in grant funding for non-profits and more formal power delegations given to non-profits by the state (Tennant, 2007). Importantly the grant funding given to non-profits was rarely attached to specific services, allowing the organisations to undertake self-directed community work, recognising their role as complementary to the welfare state (O'Brien, Sanders, & Tennant et al., 2009).

The period from early colonial time of the 1840s, to the welfare state from the 1930s saw the beginnings of a funding relationship, with non-profits positioned as providing complimentary services to those of the state. With the social democratic welfare state the government's role in delivery of core social services increased, resulting in non-profits moving into specialist needs areas, with grant funding allowing them flexibility in how they delivered these services. While this early funding relationship was crucial for the development of the non-profit sector, the state also held the power over which social issues non-profits were funded to address. This had significant influence on how the relationship developed.

Neoliberalism and the Contract State (1974 To 1999)

The welfare state in New Zealand shaped the role of non-profits as providing complementary services to the state, with flexibility to meet the needs of their communities. This was to change as New Zealand entered the turbulence of the 1980s and the rise of neoliberalism. This section explores the retrenchment of the welfare state and the development of the contract state.

Economic reforms

The 1980s and 1990s in New Zealand saw an introduction of free market individualism and anti-state views, with the social democratic ideology of New Zealand replaced by neoliberalism³⁵ (Roper, 2005). The period between 1974 and 1983³⁶ in New Zealand was called the 'crisis of Keynesianism', with the global recession causing an economic crisis, exposing several weaknesses in the economy for many advanced countries including New Zealand (Castles & Pierson, 1996; Roper, 2005). From the 1980s and early 1990s New Zealand faced slow economic growth, resulting in the Government introducing significant neoliberal economic reforms (Peet, 2012; Roper, 2005). These included labour market deregulation (for example removing wage and price freezes, and ending compulsory unionism with the Employment Contracts Act 1991) and tightening of public expenditure (Castles & Pierson, 1996). The Fourth Labour Government (1984 – 1990) was also challenged publicly on the rising cost of welfare (Tennant, 2007).

New Zealand has been noted for its experimentation with NPM from the 1980s (Haworth & Pilott, 2014; Kelsey, 2015). As introduced in chapter two, NPM is the desire for an economically rational, fiscally conservative and market-based public sector (Verbeeten & Speklé, 2015). New Zealand became a world leader in NPM, introducing private sector practices for managing performance and accountability into the public sector (Whitcombe, 2008). Through this period, social democracy was held to account for New Zealand's weak economic performance, with the state's size and perceived inefficiency being seen as one of the causes (Larner & Craig, 2005). NPM approaches over the 1980s and 1990s aimed to reduce costs and inefficiencies by reducing government expenditure and staff numbers. Many of the reforms seen with the retrenchment of the welfare state were supported through a neo-conservative rhetoric of the welfare burden.³⁷

³⁵ Defined on page 11.

³⁶ This period covers the Third Labour and Third National Governments.

³⁷ This rhetoric is explored further in chapter four.

In New Zealand neoliberalism and NPM policies rationalised market orientated approaches, resulting in the dismantling of the controls that protected the economy from international competition and significant market deregulation and saw a move towards privatisation of state services (Grey & Sedgwick, 2013). Neoliberalism became the guiding ideological structure for economic policy making, with free trade and liberal democracy viewed by the state as being key for prosperity (Peet, 2012). Neoliberal ethos became entrenched in all elements of government over this period, significantly changing the public sector. Some examples of policy responses over this time include the State-Owned Enterprises Act of 1986 which introduced private sector disciplines into government-owned commercial activity, and the 1988 State Sector Act that created private sector structures and expectations within the public sector (Haworth & Pilott, 2014). The 1990s also saw a shift to privatise aspects of the health sector, to be explored further later in this chapter (Cheyne et al., 2008; Powell, 2016). Towards the end of the 1990s, the Government began to take a neo-conservative approach, seen for example through the Government releasing “Towards a Code of Social and Family Responsibility” that took the form of a policy statement and questionnaire (Larner, 2000). The purpose was to set out expectations and responsibilities for all citizens. This was developed in the aim of creating ‘active citizens’, being individuals taking responsibility for themselves and their families. While this demonstrated the neoliberal belief in individualism, this code was rationalised through the social authoritarianism of neo-conservatism (Larner, 2000).

The size and perceived inefficiency of the public sector was a key issue when the Fourth National Government came to power in 1990. This Government implemented shifts to user pay models of social security, and severe cuts to spending including welfare under what the Government called the “mother of all budgets” in 1991 (Brooking, 2004; Whitcombe, 2008). The aim of the 1991 budget was to reduce dependency on the state, aligned to neoliberalism, leading to the introduction of means testing for the Family Benefit and the tertiary allowance in 1991 (Cheyne et al., 2008). The introduction of the community services card in 1992 restricted some universal forms of healthcare to the low income. The Government cut unemployment benefit rates, and introduced longer benefit stand-down periods. Market principles and a reduced state led to a significant roll back of welfare provisions, with the age of superannuation eligibility increased, the value of the child’s benefit decreased, and increased targeting of benefits to low income families (Tennant, 2007). These neoliberal reforms provided a stark contrast to the social democratic welfare state provisions of the previous era.

There was significant public dissatisfaction around the policy choices of the Fourth National Government. A significant impact of this period was a sharp increase in unemployment rates, rising from 3.5% in the mid 1980s to 11% in 1992 (Peet, 2012). The welfare state retrenchment over this period resulted in poverty rising 40% between 1989 and 1992 (Peet, 2012). The cuts to welfare and social work agencies, along with inequality in health and education led to a social movement against the impacts of neoliberalism. In September 1998 the Anglican Church led a 'Hikoi'³⁸ of Hope' with around 40,000 people protesting the policy decisions of the National Government and the impacts of the 1991 budget on unemployment and welfare recipients (Mawson, 2006). The protest called for sufficient levels of benefits to enable people to move out of poverty (Mawson, 2006). This action highlights the conflict between neoliberal economic and social policy objectives.

Purchaser-provider split

The NPM reforms of the 1980s and 1990s significantly impacted how the state operated, with the separation of funding from policy advice and service delivery being a key neoliberal reform implemented (Cheyne et al., 2008). This was demonstrated through the separating out of funding and advisory arms from the delivery arms of government, known as the 'purchaser-provider split' (Cheyne et al., 2008). This split was enabled through the 1989 Public Finance Act which introduced a model where-by the government purchased service outputs from ministries and departments (Haworth & Pilott, 2014). While politicians noted caution at the time around the need for operational information to inform policy advice, Government implemented a 'one size fits all' approach (Whitcombe, 2008). The purchaser-provider split was rationalised by the Government, arguing that by moving out the policy functions government agencies would no longer be captured by the operational 'status-quo' and could consider wider policy options (Boston et al., 1996). Boston et al. (1996) argued that separating these arms may have actually increased 'capture issues', with advisory ministries still dependent on delivery departments for information (Boston et al., 1996). The purchaser-provider split represented the Government's aim to decentralise, and aimed to make government departments more accountable for performance, with clearly defined roles and objectives (Mulgan, 2008). As will be explored later in this chapter, the purchaser-provider split aligned with the development of the welfare state that had significant

³⁸ Hikoi is a Maori word for a protest march.

impacts on the non-profit sector and their relationship with the state as they became convenient deliverers of Government policy, losing autonomy and independence.

The reforms as part of the purchaser-provider split also saw the introduction of contracting arrangements between government departments (Boston et al., 1996). This included using contracting agreements to separate out the role of Ministers from department Chief Executives outlying the expectations on individual agencies (Mulgan, 2008). Chief Executives were now responsible for delivering the outputs set by the Ministers, with the State Sector Act 1988 appointing Chief Executives on fixed term contracts, and making them the employer of the organisations staff (Whitcombe, 2008). This shift removed the 'all of government' perspective by introducing a competitive funding environment between departments (Haworth & Pilott, 2014).

An example of the impacts of the purchaser-provider split is seen with the 1990s shifts to privatise aspects of the health sector, which aimed to improve efficiencies through making health services market-based (Cheyne et al., 2008; Powell, 2016). A shift in the delivery of health funding was foreshadowed in the 1988 release of the 'Unshackling the Hospitals' report, where it was argued that poor management in the health sector was a result of the state's bulk funding arrangements. Resulting policy changes aimed to create a health care market in New Zealand, through separating out government's role as a health care provider and their role as a purchaser of health services (McCloskey & Diers, 2005). Public hospitals became state owned companies, expected to compete with other public hospitals and the private sector for funding. The Government's provider role was divided between 23 regionally distributed health care systems called Crown Health Enterprises, and the purchaser role was divided between four Regional Health Authorities (RHA's). The purpose was to allow new non-profit and for profit entities to compete with government for health service contracts, with the belief this would bring efficiencies through market-based principles of neoliberalism (McCloskey & Diers, 2005).

There were significant consequences of purchaser-provider split in health, including creating barriers to critical collaboration between public hospitals, limiting long-term planning by incentivising short term decision making, cherry picking of clients by the private sector, and eroding the culture within the health profession, particularly in relation to clinical governance (Cheyne et al., 2008; Powell, 2016; McCloskey & Diers, 2005). This model resulted in health providers being held to account for efficiency and financial performance, over clinical outcomes (McCloskey & Diers, 2005). This example shows

the impact of the contracting approach, and the behaviours it drove which will be examined later on in this chapter looking at the impacts of the contracting culture on non-profits. By the mid 1990s the 'purchaser-provider' split appeared to both the Government and the public as a failed market experiment. Government found that the changes were causing significant disruption and were not resulting in any cost savings, with for example health care costs actually increasing by 40% between 1984 and 1995 (Boston et al., 1996; Powell, 2016). The competitive funding model led to duplication across the four RHA's, and national suppliers had to negotiate with four bodies resulting in additional coordination costs for the Ministry of Health (Boston et al., 1996). The Government acknowledged that due to New Zealand's size, private sector providers or non-profits were not able to easily enter and exit the health market, with the Government owning and operating most of the health care institutions.

The biggest challenge of NPM approaches, including the purchaser-provider split, is that the public sector has different objectives to the private sector with NPM overlooking the ethical behaviour required of Government (Whitcombe, 2008). The Schick Report (1996) was critical of the reforms seen in New Zealand, which had resulted in a weakening of government departments, a loss of institutional knowledge and a fragmentation of the public sector (Haworth & Pilott, 2014; Whitcombe, 2008). NPM policies negatively affected the public service ethos and the commitment to social equality, integrity and communitarian values (Difenbach, 2009). Humpage (2011) found that the neoliberal reforms of the 1980s and 1990s have negatively influenced the broader understanding of citizenship, and have had a far-reaching impact by shaping attitudes towards government and promoting views of individual responsibility over the collective. This shows the conflict between neoliberal and social democratic ideologies. While NPM approaches had little benefit, and in many cases had detrimental impacts, the competitive and market-based ethos of neoliberalism continued within government's policy approach (McCloskey & Diers, 2005). As with government departments, the neoliberal reforms had significant impacts on the non-profit sector, explored in the next section.

Impact of the Contract State on Non-profits

This period of economic reform over the 1980s and 1990s led to the separation of economic and social policy, and the state working to remove itself from the delivery of social services, for example as seen with the privatisation of the health sector (Cheyne et al., 2008; Cordery & Halforn, 2010). Neoliberal ideology and the separation of policy

and service delivery witnessed over the 1980s and 1990s, significantly impacted the non-profit sector. This period of restructuring led to the state moving away from grant funding of non-profits to contracting arrangements which came with strict procurement processes and heavy reporting requirements (Kelsey, 1995; Tennant, 2007). The contract state³⁹ gave non-profits the 'rights' to deliver social services, with contracts being awarded to the 'lowest bidder' (Larner & Craig, 2005). The cuts seen to social services across the board resulted in a shift of burden from government to volunteers in the community (Kelsey, 1995). As highlighted in chapter two, contracting out was framed both as enabling communities to make decisions for themselves, and reducing the size and influence of the state. The contracting approach implemented for non-profits was supported by neoliberal expectations of efficiency and greater accountability (Domberger & Jensen, 1997). Contracting was implemented on the assumptions of a contestable supply, specific service outputs and ease of monitoring, conditions that proved difficult to find within the social sector (Boston et al., 1996).

The 'contract state' for non-profits was embedded by the early 1990s, starting with the establishment of the New Zealand Community Funding Agency in 1992 (part of the Department of Social Welfare) (Tennant, 2007). Nowland-Foreman (1997) saw this as representing the shift towards the state requiring greater justification to fund a non-profit, and moving away from allowing flexibility in the delivery of services. This neoliberal market-based approach both cemented non-profit reliance on state funding, and the state's reliance on non-profits for delivery of state funded services. Through the contract state the government removed itself from 'frontline' service delivery, while also increasing its role in setting social sector priorities through highly specified procurement processes and contracting arrangements (Harrison, 2010). As noted in chapter two, contracting out resulted in a hollowing out of the state, where government was removed from direct service delivery to its citizens. This lessens the accountability the state has for its citizens and the state is now working at 'arm's length' and no longer on the 'frontline' seeing the social issues first hand, challenging the state's legitimacy (Milward & Proven, 2000).

Critique's from the non-profit sector

Under the implementation of the contract state between the 1980s and 1990s, non-profits had to adjust to the new operating environment. The market principles applied to

³⁹ As define on page 8.

social service delivery through procurement processes and contracting requirements had a significant impact on the non-profit sector (MSD, 2001). The discussion in chapter two identified several critiques against the contract state, and against the assumptions that this model improves efficiency and accountability. For non-profits in New Zealand, the contract state meant a shift from grant funding which enabled them to have some control over what services they delivered, to contracts that were highly specified resulting in restrictions on service provision (Larner & Craig, 2005; Munford & Sanders, 2001; O'Brien et al., 2008). Non-profits become delivery agents for the state, with outcomes and service approaches dictated by the contract. In the next section the discussion will turn to the implications of the contracting model on the non-profit resources, the pressure on organisations to professionalise,⁴⁰ and impacts on their independency and ability to advocate.

Resource demands

For the non-profit sector some immediate challenges of the introduction of the contract state in the 1980s included high compliance costs to meet contracting accountability requirements (McDonald, 1997; Tennant, 2007). The previous chapter identified greater accountability as one of the objectives of the contract state, supported by neoliberal ideology. For government to demonstrate transparent decision-making, procurement processes had become heavily process driven. Non-profits experienced significant administration costs involved in completing government procurement processes, creating a competitive environment with many organisations not having the resources to bid for contracts (ANGOA, 2012). As a result, the ability to write good funding application documents became more important than non-profits ability to meet the clients' needs (McDonald, 1997). There were also heavy administration costs associated with reporting (Grey, Sedgwick & Commerer, 2015; Nowland-Foreman, 1995). Non-profits had to invest in information systems and monitoring to allow evaluation and tracking, resulting in new administration burdens (Smith & Smyth, 2010). Resource constraints also meant non-profits struggled to keep up with training, service standards and risk management requirements expected by Government (Tennant, 2007). ANGOA⁴¹ (2012) argued that there were also significant challenges for non-profits working under a range of different Acts, regulations, and policies. Non-profits also faced challenges from the duplication of audit efforts by government.

⁴⁰ Refers to the requirement for non-profits to formalise and follow private sector business models.

⁴¹ Association of Non-Governmental Organisations of Aotearoa.

A challenge of the contracting approach is the preference by government for short-term agreements (Stace & Cummings, 2006). The short-term nature of contracts resulted in insecurity of funding for non-profits and increased resource competition within the sector, significantly affecting the ability for non-profits to work together (Harrison, 2010). Short contract cycles and delays in contract renewals are a significant challenge for non-profits, and act as a barrier to non-profits working towards longer term outcomes (ANGO, 2012). Another significant consequence was that funding did not cover the total costs of services. Establishment and overhead costs are viewed by government as non-essential, with the expectation that non-profits self-fund to cover these (Larner & Craig, 2005; Munford & Sanders, 2001; Stace & Cummings, 2006). This left non-profits with a funding gap, while still holding full accountability for the service provision outlined in their contracts (Tennant, 2007). With no other choices for funding, non-profits had to adapt to these new neoliberal conditions to continue to provide services. Through this period the state was focused on getting the best price for services through this market approach, which conflicted with the goals of non-profits and left them in an unstable position and without any power.

Pressure to professionalise

The burdens of accountability and new resource demands created pressures on non-profits to professionalise (Austin, 2003; O'Brien et al., 2008; O'Brien et al., 2009; Smith & Smyth, 2010). As demands on non-profits grew, many began to seek new sources of revenue, resulting in them needing to become more commercial (Weisbrod, 1997). Many non-profits adapted to the market approach though implementing formalised management practices, developing marketing plans and hiring consultations (Tennant, 2007). These practices were necessary for non-profits to continue receiving funding. Weisbrod (1997) argues that with increased fiscal pressures, non-profits entered more commercial activities that blurred the lines between non-profits and private organisations. Non-profits adapting to private sector management models had negative impacts on their relationship with clients as they adjusted their services to meet funding requirements to receive state funding (Smith & Smyth, 2010). This demonstrates the conflict between the neoliberal ideology of the state and the objectives of the non-profit sector.

The pressure to professionalise within the sector led to a clear distinction between large non-profits acting as corporates, and the smaller community-based non-profits. Large

non-profits operated in a business-like manner, and had enough resources to respond to the requirements of government procurement processes and reporting. These groups tended to have 'brand awareness' and be well recognised within society with a powerful voice, becoming interest groups with some influence over government decision making (Finn, 2009). In comparison small non-profits tended to be solely dependent on state funding, and more negatively impacted by government's procurement and reporting requirements. Smaller non-profits were also dependent on voluntary work forces and struggled under the accountability pressures of the contract state (Smith & Smyth, 2010). Government preferences, seen over the 1990s, of working with few larger non-profits over multiple smaller ones, created pressure on smaller organisations to form collectives (Crack, Turner & Heenan, 2007). This limited the supply side of the market, challenging the ability for the contracting market to run effectively (The Productivity Commission, 2015). The contracting practices of the 1990s not only resulted in competition between non-profits, but also led to challenges for the survival of smaller non-profits. Austin (2003) argued that this might damage democracy and citizenship as it reduces non-profits ability to develop and sustain a strong civil society.⁴²

Non-profit independence and community advocacy role

The contract state implemented in the 1980s resulted in significant challenges for the non-profit sector to respond to accountability requirements and pressure to professionalise. The neoliberal goals of the state clashed with those of the non-profit sector. A key criticism of the contract state was that it undermined non-profit independence. Contracting forced non-profits to become 'agents of the state', by having to mould their service offering to match a service the state was purchasing (Evans & Shields, 2006; Lerner & Craig, 2005). Funding dependence on government meant that non-profits risked losing their autonomy (Aimers & Walker, 2008; Evans & Fyfe, 2005; Maden, 2007; Shields, 2005). Previously non-profits set their services to match their community's needs, enabled through grant funding which specified an outcome or purpose, but not the service delivery requirements as seen under a contract. Contracts enabled Government to dictate services with strict specifications for non-profits to follow (Harrison, 2010). This forced some non-profits to move away from their core mission or values to remain financially sustainable, with significant concerns around the mismatch between government and non-profit priorities (Aimers & Walker, 2008; Evans & Shields, 2005; Fyfe, 2005; Maden, 2007).

⁴² Defined on page 8.

Reliance on state funding meant that non-profits were unable to respond to needs in their communities, putting their grass-roots identity at risk (Austin, 2003; O'Brien et al., 2008; O'Brien et al., 2009). The neoliberal ideology had placed the value of non-profits in their ability to reduce costs, as opposed to their community-building role in civil society (Austin, 2003). Contracted non-profits became accountable to the state, losing accountability to their communities (Nowland-Foreman, 1995). As highlighted in the chapter two, a key concern of the contract state is that the market is not client directed, with service providers accountable only to their funder and not the clients (Cordery & Halforn, 2010).

A core critique of the contract state identified in chapter two was the separation of the unfunded advocacy role of non-profits from their funded service delivery role (Grey & Sedgwick, 2013). Non-profits' ability to advocate on behalf of their communities has been significantly damaged by the contract state (Eikenberry & Kluver, 2004; Grey & Sedgwick, 2013; O'Brien et al., 2009). In addition to their unfunded advocacy role, non-profits' voices on behalf of their communities were constrained through fear of losing funding, with some contracts having specific causes preventing them speaking out (Onyx, Dalton, Melville, Casey & Banks, 2008; Tennant, 2007). Grey, Sedgwick and Commerer (2015), argued that the inability for non-profits to contribute to public debate or policy setting has led to a democratic deficit, with a limited ability to participate in democratic decision making related to social services. Research in Australia found that the fear of repercussions for speaking out was a significant concern for non-profits (Maddison et al., 2004; Melville, 2001). Salamon (2002) argued that non-profits who take a collaborative approach with government could increase opportunities to collaborate in policy development through contracting processes, and thereby advocate for their communities without affecting their funding. For example, the Salvation Army in New Zealand has a significant advocacy role, while still receiving significant government funding for their services. For these larger non-profits, their size may enable them to speak out, with the ability to use their position to critique the government through the media while protecting their funding sources (Finn, 2009).

The period from the 1980s to the late 1990s established a competitive environment for government agencies through the purchaser-provider split. The contract state significantly affected the role of non-profits and created a difficult relationship between the state and the non-profit sector. The accountability requirements implemented led to a "low-trust" environment (Eikenberry & Kluver, 2004). As non-profits lost their ability to

freely advocate and respond to the needs of their communities, this distrust grew. An apparent clash in ideology between the state and the non-profit sector emerged, further dividing the two sides (Tennant, 2007). Here it appears that the historic reliance on state funding disadvantaged non-profits who had to adapt and become competitive in the new operating environment. As New Zealand entered a new election in 1999, there were numerous calls for a change away from the strict neoliberalism seen during this turbulent period.

Fifth Labour Government and Social Development (1999 – 2008)

By the late 1990s, New Zealand was dealing with the consequences of two decades of neoliberal reform, with a clear public desire for a new approach (Humpage, 2011). Like other countries, New Zealanders were dissatisfied with the inequalities that had resulted, and there was a growing desire for social citizenship⁴³ (Humpage, 2011).

The Fifth Labour Government⁴⁴ elected in 1999, brought a new ideological approach - the 'third way'⁴⁵ (Adams & Hess, 2001; Eichbaum & Shaw, 2006; Ryan, 2011). This approach aims for social participation through developing a knowledge economy alongside market based principles (Heywood, 2007). New Zealand embraced the third way as 'social development' (Maharey, 2001), it was seen as a clear shift away from the neoliberal policies of the previous decades, without attempting to fully return to the Keynesian social democratic model of the past. Under social development Labour introduced a discourse of social inclusion, alongside the neoliberal belief in the market (Larner & Craig, 2005). Social policy over this period was focused on enabling full participation in paid employment, through a focus on education and training, while remaining dedicated to individual responsibility (Larner & Craig, 2005). The Pathways to Opportunity report (2001) outlined an overhaul of the benefit system, shifting welfare towards this social development approach with a vision to: "assist people to gain the skills that lead to a sustainable job, provide effective support to keep them in work, and make sure that taking a job always leaves them and their families better off" (MSD, 2001: 4).

⁴³ As defined in chapter two, social citizenship is the view that a basic level of social security should be guaranteed to citizens through equal rights to welfare, education, employment and health service, aligned with social democracy.

⁴⁴ With coalition parties of Alliance and the Green Party.

⁴⁵ Explored in depth in chapter two.

Social policy decisions made over this period aimed to rectify some of the neoliberal approaches taken in the previous decades. The Fifth Labour Government moved away from the purchaser-provider split, towards collaboration and coordination between government departments through 'whole-of-government' approaches (Whitcombe, 2008). The Government reversed the deregulation of accident compensation, introduced higher taxation for those on higher incomes, and removed interest on student loans (Roper, 2005). Under social development ideology, a crucial policy package of this period was 'Working for Families'. Introduced in 2004, it implemented a number of tax credit schemes for working families, improving welfare assistance for the low-income (Roper, 2005). This period of the early 2000s saw a number of policies implemented to increase housing affordability through income-related rent, and the expansion of the family start programme⁴⁶ (Roper, 2005). For the health sector, the NZ Public Health and Disability Act 2000 established District Health Boards, amalgamating purchasing and delivery of services previously separated under the NPM reforms⁴⁷ (Brunton, 2009). Over this period the Government was committed to social objectives, while remaining loyal to market-led economic policies (Roper, 2005). This balancing of social and economic objectives is crucial to understating the contracting out social services, which this research explores.

Partnership approaches to the non-profit sector

A key focus for the Fifth Labour Government from 1999, under the banner of social development, was improving the relationship between the state and the non-profit sector, through introducing a partnership approach (Jessop, 2002; Keil, 2002). A partnership approach aimed to counter the fragmentation of social services that had resulted from the previous period of competitive neoliberalism (Aimers & Walker, 2008). As defined in chapter one partnership refers to a specific collaborative contracting relationship, built on mutuality, shared understanding and maintenance of organisational independence (Aimers & Walker, 2008; Brinkerhoff, 2002). Partnership arrangements can be complex, and differ between the groups involved and the social problems being addressed (Larner & Butler, 2005). Larner and Butler (2005) argue that partnerships in this context are strategic approaches by government to utilise community allegiances, creating new spaces and subjects in social policy creation. Partnerships bring multiple actors together to address a social problem, ensuring the targeting of services to causes

⁴⁶ Family start delivers child development and parent education in home at varying levels of intensity.

⁴⁷ As explored in chapter two.

and not just symptoms through better integration (Brinkerhoff, 2002). Austin (2003) argued that through partnership rhetoric the Government was making a deliberate shift away from approaching social service contracting by the “lowest bidder”, towards the state purchasing social service delivery and wider community building from non-profit organisations. These partnerships approaches represented a new form of inclusion, built on trust and collaboration (Clarke & Glendinning, 2002; Newman, 2001; Rhodes, 1999).

Partnership aligns with stewardship theory.⁴⁸ Stewardship theory holds that contractual arrangements built on trust and joint goals reduce the need for the accountability focus seen under agency theory (Cribb, 2006). While there is little empirical evidence on the effectiveness of partnership, both the state and non-profits predominantly believed that partnerships would be of mutual benefit, joining these institutions together around a common goal (Aimers & Walker, 2008). Partnerships aimed to change the culture of contracting within government by installing a focus on openness and transparency between the state and community organisations (Larner & Butler, 2005). O’Brien et al. (2008) argued that while it is impossible for a truly equal relationship to exist between the state and the non-profit sector, the two parties can work in a collaborative and meaningful way. The partnership model needed to support this collaboration while also protecting the non-profits independence and meeting government requirements for accountability of funding (O’Brien et al., 2008). Without effective monitoring it continues to be difficult to prove if partnership approaches can make a real difference (Larner & Butler, 2005).

One partnership initiative developed during the Fifth Labour Government was “Pathways to Partnership” in 2007, introduced in chapter two. This initiative aimed to strengthen community based family, child and youth focused services and showed a clear attempt to involve non-profits in service design, working to improve contracting arrangements to suit both parties (MSD, 2007). This period also saw two important legislative moves for the non-profit sector. Firstly, the establishment of the Office for the Community and Voluntary sector in 2003⁴⁹ within the Ministry of Social Development. This followed the formation of a Community and Voluntary Sector Working Group with significant sector representation, who found that many organisations felt distrusted and undervalued by the state (Tennant, 2007). The establishment of this office was the first time a government agency had a direct mandate to give legitimacy and support to volunteering

⁴⁸ Identified and explored in chapter two.

⁴⁹ This office was dissolved into the Department of Internal Affairs in February 2011.

as an essential part of community development, and improve the relationship between the sector and the state (Tennant, 2007; Chile, 2006). Another milestone was the establishment of the Charities Commission in 2005, which holds a legislative function to maintain a register of charities, promote public trust in charities, encourage effective use of charitable resources, and educate and assist charities in good governance and management (Charities Act 2005). These steps supported the role of non-profits in advocating for their communities within contracting practice, importantly working to protect the autonomy of these groups and open up spaces for non-profit organisations (Grey & Sedgwick, 2013).

Criticisms of partnership approaches

There was political will under the Fifth Labour Government to improve the relationship between the state and the non-profit sector, but the policies of the past few decades' impeded progress (Grey & Sedgwick, 2013). Under this Government resources were dedicated to collaborative approaches, but there was clear scepticism held by the non-profit sector about partnership approaches (Larner & Butler, 2005). One issue, apparent over this time, was that funding priorities and social sector policy decisions continued to be determined by the government alone and not shared transparently with the non-profit sector (Aimers & Waller, 2008). Aimers and Walker (2008) provide the example of the Community Employment Group who facilitated community based solutions to create employment for disadvantaged groups. This group underwent numerous reviews and restructuring between 1999 and 2000. Although these reviews found that this group had good accountability systems and provided good outcomes, the Government disestablished it in 2004. Here it appeared that the criteria informing funding decisions were hidden from the non-profit sector, and not driven by community need or the quality of the service provision.

Distrust between the state and the non-profit sector

Some authors question how realistic partnership is in the context of state and non-profit contracting given the clear power imbalances at play (Aimers & Walker, 2008; Austin, 2003; Larner & Butler, 2005). As noted in chapter two, partnerships can reinforce traditional power dynamics (Hodgson, 2004). The term partnership raises expectations of status equality, which proves difficult when one party is the government (Bromell & Hyland, 2007). State directed partnership approaches have been imposed on non-profits, and while many non-profits are open to this, the distrust that developed with the

contract state poses a barrier (Larner & Craig, 2005). Partnerships, despite starting out as local initiatives, became a mandatory tool within the social sector under the Fifth Labour Government, with limited focus on how to build trust first (Larner & Butler, 2005). Consequently poor relationships between the state and non-profits continued.

Grey and Sedgwick (2013) found through a survey of non-profit organisations in New Zealand the introduction of partnership rhetoric under the Fifth Labour Government resulted in a limited increase in genuine engagement with the sector. Over this period there was limited acknowledgement by the state of the clear power imbalances that the partnership rhetoric was masking. Distrust between the state and non-profits continued, with neoliberalism and the contract state continuing to underpin the relationship. ANGOA (2012) in their report on the contracting environment argued that lack of skill by government contract managers created a barrier to effective relationship building to support partnership approaches (ANGOA, 2012). Cordery and Halforn (2010) found that while New Zealand has maintained a significant role in the funding of social services, there was no indication of true partnerships between the state and non-profits. Partnership approaches appear to have not been able to move past the historical distrust and scepticism (Larner & Butler, 2005). ANGOA (2012) argued there needed to be a review of the relationship between the non-profit sector and the state, the contracting cycle, and an increased focus on capability building in how the state and the sector work together.

The Fifth Labour Government signalled a move away from neoliberalism towards third way ideological approaches under social development. For non-profits the biggest difference was in partnership approaches implemented by the state. While welcomed by many, partnerships were promoted by Government without questioning the assumptions that surrounding this approach (Larner & Butler, 2005). The historic distrust between the non-profit sector and the state did not disappear under these partnership attempts. The core contracting mechanisms remained, resulting in continuation of many of the issues witnessed under the implementation of the contract state. The next section explores the relationship of the state and the non-profit sector under the Fifth National Government, the period of focus for this research.

The Fifth National Government, Social Investment and Purchasing Outcomes (2008 – 2016)

So far this chapter has explored the implementation of the contract state in New Zealand, along with the impacts this had on the non-profit sector. This was followed by exploring the challenges of partnership approaches introduced under social development. This research focuses on contracting out of social services under the Fifth National Government, specifically investigating the political discourse of contracting over this time period (2008 – 2016). This section will introduce this Government, the role of social investment implemented as a neo-conservative approach to social services, and the shift towards a purchasing outcomes model for contracting with non-profits.

The Fifth National Government led by John Key commenced in 2008.⁵⁰ National's election came on the back of marketing their moderate centre-right policies, and a commitment to retaining some of the popular policies implemented by Labour including Working for Families (Levine & Roberts, 2010). Using strong neoliberal language, the National Government argued that Labour had inflated the public sector, increasing bureaucracy and inefficiency (Levine & Roberts, 2010). They argued that Labour failed to deliver shorter health service waiting times despite increased spending and that there was a health workforce 'crisis' (Roper, 2011). The National Government also suggested that Labour had not been tough on crime and had failed to provide any tax cuts. The National Government's approach to welfare involved implementing programmes that put pressure on beneficiaries to enter part or fulltime employment. They implemented a targeted growth strategy that included a review of the business regulatory environment, and worked to make New Zealand internationally competitive. Roper (2011) argued that this government had a clear neoliberal agenda, aiming to benefit the top 20 percent, with a significant focus on making a more business friendly environment in New Zealand.

Global Financial Crisis

Upon election the Fifth National Government was immediately faced with the Global Financial Crisis (GFC), where the collapse of large financial institutions in the US dramatically affected the global economy (Bardhan, 2008). The GFC was a result of a shift globally since the 1970s towards the 'FIRE' (finance, insurance and real estate) economy (Kelsey, 2015). The GFC led to an uneven wealth distribution, which supported a rise in inequality in Western countries from the 1980s and resulted in Western countries having their economies reliant on borrowed money, creating an

⁵⁰ With coalition partners of ACT, United Future and the Māori Party.

unstable economic system⁵¹ (Kelsey, 2015). The 2008 GFC made the consequences of this economic system and neoliberalism more generally visible, including poverty and social inequality (Kelsey, 2015). The National Government responded to the GFC with a short-term fiscal stimulus package, using debt to protect against the harsh impacts of a recession (Roper, 2011). In addition they used tax cuts and employer incentives to stimulate the economy through employment (Starke, 2013). This economic stance, supported by neoliberal ideology, has significantly influenced the wider policy approach of this Government.

Reintroduction of NPM?

The Fifth National Government appeared to have reinforced the NPM rhetoric of the 1980s and 1990s, with a strong focus on reducing the size of the public sector (Haworth & Pilott, 2014). Supported by neoliberal ideology, a policy of 'doing more for less' was implemented by the National Government, with upwards of 500 government reviews conducted between 2008 and 2014, supported by a sustained anti-public service rhetoric used by Ministers (Haworth & Pilott, 2014). Powell (2016) noted that under the Fifth National Government there have been signals of a shift back to a competitive approach for health services, including opening District Health Boards up to competitive funding approaches. Over this period all elements of government appeared to have been placed under a fiscal conservatism lens,⁵² with the neoliberal ideology of efficiency guiding many policy decisions. Roper (2011) has argued that while this Government has implemented a programme of neoliberalism, it has been at a slower pace than witnessed in the 1980s with policies avoiding any major spending cuts to housing, health, superannuation or education (Roper, 2011). Lessons were learnt in the 1980s and 1990s that radical reform needs to be balanced with well-being of citizens.

Social investment approach and welfare reform

In 2012 the Fifth National Government campaigned on and undertook a significant programme of welfare reform, following recommendations of the welfare working group established in 2010 (Chapple, 2013). This reform simplified the benefit system and introduced one on one case management for clients at risk of long-term benefit

⁵¹ See Kelsey (2015) for a detailed examination of the precipitating factors for the GFC.

⁵² Define in chapter two as the neoliberal aim of low taxes and low government spending (Peet, 2012).

dependency, with the core focus to reduce long-term benefit liability⁵³ to the state. Under the welfare reform programme, strict eligibility criteria, mandatory stand downs and sanctions were implemented for welfare recipients. This can be viewed as an attempt to reduce benefit dependency, both a neoliberal and neo-conservative policy position (Stanley-Clarke, 2016). Key to the welfare changes made was the implementation of a 'social investment approach' (The Productivity Commission, 2015). An explicit purpose of the welfare working group was to investigate how to use learnings from the insurance industry and ACC, to apply an actuarial approach⁵⁴ to long-term benefit liability to maximise employment and improve social outcomes (Chapple, 2013). Under an actuarial approach, welfare became conceptualised as liability for the government, leading to a focus on the efficiencies of social spending, identifying current and future costs that are avoidable (Chapple, 2013). New Zealand's social investment approach saw a return on investment logic applied to social service spending (Deloitte, 2016). As noted in chapter two, New Zealand's application of social investment was unique, with New Zealand focusing on using data to quantify a social problem, while internationally the focus was on labour market integration and human capital (Leoni, 2016). Social investment in New Zealand was applied in New Zealand under a neo-conservative perspective, with acceptance of the need for an intervening state, targeting of welfare groups and focus on labour market participation (Leoni, 2016).

While MSD was the biggest user of the investment approach, the National Government also applied this approach in smaller applications within Education and Justice (Deloitte, 2016). For Child Youth and Family, the social investment approach was a critical concept used for the organisation's restructure into Oranga Tamariki, the Ministry for Vulnerable Children, announced in 2016.⁵⁵ MSD also applied this approach to social housing, using data and evidence to move away from a 'one-size-fits-all' approach (MSD, 2016). A culmination of this shift was seen with the establishment of the Social Investment Unit in 2015. This Unit within MSD used a cross agency approach to embed social investment across the social sector. Treasury had also supported and led the social investment approach, with the Minister of Finance sharing responsibility for this Unit alongside the Minister of State Services. This Unit defined social investment as "improving the lives of New Zealanders by applying rigorous and evidence-based investment practices to social services, with agencies and the social sector collectively

⁵³ Defined on page 17.

⁵⁴ Refers to the mathematical skill to predict financial risks and future events.

⁵⁵ Vulnerable Children's Agency formally established on 1 April 2017.

making better decisions about where to put their investments to get better results for targeted populations” (Social Investment Unit, 2017, pp 1). In 2016, the focus on social investment was further demonstrated through the appointment of a Minister of Social Investment, Amy Adams, in 2016 and the announcement that the Social Investment Unit would be restructured into a standalone Social Investment Agency (Adams, 2017).

There are a number of challenges for how social investment was implemented in New Zealand, and its expanding application. The difficulty for social investment is that not all government spending can be understood in terms of investment principles. Social protections and some social services are based in ideas of citizenship rights, which do not neatly conform to investment logic models (Perkins, Nelms & Smyth, 2004). Other challenges for social investment include a lack of data and data skills to enable this approach to be implemented widely. In 2017 the Government attempted to invest in a large data collection programme to support the social investment approach (Kirk, 2017b). The IT system was proposed to enable client information to be shared across numerous organisations, alongside requirements for non-profits to share more client data under their contracts. This was challenged by the Privacy Commissioner, and caused tension between the non-profit sector and MSD (Kirk, 2017a). Here the goals of social investment to use data to target groups, clashed with the values of the non-profit sector.

Lack of support for the trialling of interventions, and the short term focus of government department’s also posed barriers for long-term investment thinking and measurement (Deloitte, 2016). Chapple (2013) argued that long-term benefit liability provides a narrow view, and that for welfare it shifts how success is measured, with efforts to dissuade people from claiming a benefit being seen as an achievement of the model. Long-term benefit liability is also affected by social and economic factors outside of the control of government, so it is an imperfect measure to understand the impact of efforts (Chapple, 2013). While the liability model has enabled MSD to think about the harder to place clients, those that are more entrenched within the welfare system, Chapple (2013) argued that you do not need an investment model to do this, with historic data enabling you to identify these groups without looking at long-term benefit liability. Chapple (2013) argued that the problem definition for the liability model was not well thought through, and more suitable models were not reviewed. Chapple (2013) proposed that instead of an investment model, the government should use cost-benefit analysis. This allows a rational economic and social model to identify the benefits from someone entering work. This model is widely used by government, so could be applied to welfare recipients. With

some pressures evident, this Government continued to commit this social investment approach across the social sector.

Purchasing outcomes

Social investment supports taking an outcomes approach to social services. The National Government began wanting to measure the impact non-profits were having, taking a neo-conservative lens to targeting specific populations (Smith & Smyth, 2010). The contracting model introduced in the 1980s funded by service outputs, and did not always result in better outcomes for clients. As explored in chapter two, purchasing outcomes, or performance-based contracting, aims to tie payments to delivery of real social impacts on clients' lives. The move towards purchasing outcomes under the Fifth National Government signalled a shift in the relationship between the state and the non-profit sector, and how social funding was distributed.

Examples of purchasing outcomes

There have been a number of examples of this shift to purchasing outcomes under the Fifth National Government. In 2010 'high trust contracting' was implemented for selected MSD providers across the country, providing an outcomes and performance focused contracting model. This initiative looked at simplifying the contracting process for non-profits and provided upfront payments for outcomes-based deliverables (Treasury, 2013). The 2011 Social Sector Trials⁵⁶ gave more responsibility to communities to dictate social outcomes and how services will be delivered to achieve these (Treasury, 2013). From 2012, the Youth Service,⁵⁷ implemented under welfare reform, began to trial contracted out case management with some payments based directly on outcomes achieved, such as getting a young person into work or training (Treasury, 2013). Another key initiative was the 2013 "Investing in Services for Outcomes (ISO)" programme that aimed to refocus MSD's social service funding towards outcomes that were aligned with government priorities for vulnerable children and welfare reform (Treasury, 2013). Under this programme, funding was directed to results-focused services, contracting mechanisms streamlined and support provided to develop non-profit provider capability and to enable providers to work collaboratively (MSD, 2013). MSD's "Community Investment Strategy" released in 2015, also set out the aim to create a results-focused

⁵⁶ See the Ministry of Social Development for more information.

⁵⁷ A part of the Ministry of Social Development.

and evidence-based approach to purchasing outcomes for vulnerable people and communities (Tolley, 2015).

Another example of the shift towards purchasing outcomes seen under the Fifth National Government has been “Whānau Ora”, implemented in 2010. Whānau Ora is an example of an integrated contracting⁵⁸ model that utilises provider collectives (Dwyer et al., 2011). Whānau Ora was a flagship policy of the Māori party, implemented under their coalition⁵⁹ arrangements with the National party. It was developed as an alternative model to other state funded family based services, with devolved decision making (Dormer, 2014). Phase one of Whānau Ora began in 2010, focusing on building provider capability to deliver services centred on the Whānau (Te Puni Kokiri [TPK], 2017). Te Puni Kokiri (TPK) worked with collectives of social service and health providers to identify how they could work together under this model. Phase two was the establishment of three non-government commissioning agencies in 2014 who would partner with service providers and coordinate services around a family’s needs (TPK, 2017). Questions continue about appropriate accountability and measurement frameworks for this model (Dormer, 2014).

In 2013 the Fifth National Government implemented the “Streamlining Contracting with NGOs” project that introduced a contracting framework for government agencies and non-profits utilising RBA. As introduced in chapter two, RBA is a management tool for identifying and assessing social outcomes. The National Government had also attempted to streamline contracting processes with the non-profit sector (Treasury, 2013). These initiatives demonstrate the Government’s commitment to purchasing outcomes over outputs, and attempts to improve the contracting arrangements between the state and the non-profit sector.

Barriers to implementing purchasing outcomes

Treasury’s (2013) review of the social sector found that in practice funding of most contracts under the Fifth National Government remained linked to outputs not outcomes. This review also found that for outcomes focused contracts, there had been limited attempts to directly link performance funding to the outcomes delivered, with a number of barriers posing challenges for this type of funding arrangement. While most non-profits are supportive of funding linked to outcomes, there is some resistance to

⁵⁸ See page 28.

⁵⁹ See page 1.

outcome measurements; predominantly due to lack of clarity around how outcomes are defined and how long-term term outcomes can be measured (Brown & Potoski, 2003; Munford & Sanders, 2001; Treasury, 2013). The range of influences that determine someone's outcomes are complicated and it is difficult to quantify the impact of family, friends and community on a social outcome. Non-profits have called for the environmental impacts on social outcomes to be taken into consideration, with many non-profits supporting shared outcome accountability models across agencies and organisations (Treasury, 2013).

Some non-profits found the shift from having to report only outputs of services, to having to demonstrate the impact their services have on the lives of clients challenging (Weir & Watts, 2013). ANGOA (2012) found that there was a significant skill and capacity gap in the ability to measure outcomes, posing a significant barrier to outcome based contracting. Non-profits also identified having the required IT infrastructure to conduct analysis an issue for outcomes funding models. Tomkinson (2016) argued that government should fund activity by service providers to measure social impact and upskill staff. The Productivity Commission (2015) also found that information about the effectiveness of services continues to not be captured in way to be able to inform decision making. This is a significant issue for purchasing outcomes, with an apparent underinvestment in appropriate evaluation required. Tomkinson (2016) argued that outcomes reporting should not just be by non-profits for government for accountability purposes. Information on the social impact of services should be shared with a wider group of stakeholders, including between service providers (Tomkinson, 2016).

Munford and Sanders (2001) identified that for non-profits to provide the best service to their clients and achieve wider societal outcomes they need longer term and flexible funding. Non-profits see short-term contracting practices, and frequent re-bidding of contracts by government favoured under the neoliberal contracting model, as a significant barrier to achieving and measuring social outcomes (Boyle, 2002; Maden, 2007; Milward & Proven, 2000; Stoker, 2006). A result of this is that purchasing outcomes can lead to service providers selecting clients for programmes based on how easily they will be able to achieve the outcomes and receive their payment; potentially excluding clients who need the most help (Hannah et al., 2010). For example, employment service providers may select work ready clients to ensure they get a payment, over clients that may be harder to place. Service providers may also 'park' clients who are more challengingly, providing only minimal service, focusing instead on clients with fewer barriers to employment (Finn, 2009). As seen with the attempts at

partnership approaches under the Fifth Labour Government, purchasing outcomes appear to have been implemented without considering or addressing the constraints of the contracting model they are situated within.

Impact on relationship between the state and the non-profit sector

The period following the election of the Fifth National Government has been significant for the non-profit sector, with the cuts in the public service increasing the demand on social services delivered by non-profits (Haworth & Pilott, 2014), alongside a move towards purchasing outcomes and improvements to how funding is provided. Purchasing outcomes are challenged due to funding not being independent, with the state defining the outcomes to be purchased based on the government's agenda and funding priorities (Boyle, 2002; Chile, 2006; Maden, 2007; O'Brien et al., 2008; Eichbaum & Shaw, 2006). Continued use of traditional procurement processes reinforced hierarchical and controlling approaches to contracting, which is a barrier to stronger relationships and trust (Tomkinson, 2016). In 2013, the Social Development Partners, a non-profit umbrella organisation, found there was a consensus of an uneasy relationship with government (Grey, Sedgwick & Commerer, 2015). This resulted from inconsistent and unclear government funding priorities and unclear outcome focuses. These are important concerns and signal that the relationship between the state and the non-profit sector continues to be troubled.

The constraints on non-profit advocacy identified with the implementation of the contract state, as examined earlier in this chapter, appear to have continued into contracting relationships under the Fifth National Government. Grey, Sedgwick and Commerer (2015) compared the views of non-profits under the Fifth Labour government and under the Fifth National Government. They found that the community and voluntary sector are continuing to find the contracting approach with government a constraint on their ability to engage in open public debate and effect political change. They found that contracting arrangements continue to limit communities' ability to critique or debate government action. This study also found significant distrust between the state and the non-profit sector under the Fifth National Government (Grey, Sedgwick & Commerer, 2015). Non-profits felt they had limited opportunities to contribute to policy setting, with many finding consultation efforts by the state to be unproductive as their expertise was not trusted. An aggravating issue was that even when non-profits were provided the opportunity to input into policy making, they most often did not have the resources to be able to contribute fully (Grey, Sedgwick & Commerer, 2015). Non-profits have also continued to find

working with each other challenging since 2008, with the competitive funding environment preventing full and open collaboration (Treasury, 2013). The Productivity Commission (2015) found that market competition between non-profits is still a significant issue for the non-profit sector.

The Fifth National Government has continued to support a neoliberal regime, with the addition of a shift to neo-conservatism with the social investment approach. For non-profits the introduction of purchasing outcomes has been significant. While many see this as a positive shift away from purchasing delivery outputs, there are a number of concerns about the implementation process and the issues that have persisted in the funding of social services. At the core of these issues is outcomes funding still being constrained within the contracting model. The current contracting approaches do not appear to support non-profits working towards addressing significant social issues, with outcomes-based contracting approaches not going far enough. This reflects the neoliberal and neo-conservative ideologies that are being supported. This research will investigate if the attempts under the Fifth National Government to rethink the contracting approach have resulted in any shift in the rationales, assumption and ideologies of the contract state.

Chapter Summary

This chapter has tracked the development of the contracting approach in New Zealand, and the implications this has on the non-profit sector. The relationship between the state and the non-profit sector has developed from the establishment of the welfare state, where the non-profit's role as complimentary to state social service provision was established. The relationship was challenged under the significant retrenchment of the welfare state in the 1980s and 1990s, and the introduction of the contract state, seen with a push for government to operate like a business and a desire for increased accountability of public funds. A distrusting relationship between the state and the non-profit sector resulted, as non-profits became convenient service providers, losing their ability to freely advocate for their communities. The Fifth Labour Government brought a shift towards the third way with social development and a push to partnership approaches with the non-profit sector. While many welcomed this new approach, the historic distrust between the Government and the non-profit sector continued. Under the Fifth National Government, the implementation of the social investment approach has significantly affected governments approach to social spending. The introduction of

purchasing outcomes was viewed as a move in the right direction, but has not significantly advanced the relationship between the state and the non-profit sector. At the core, non-profits continue to be constrained by the contracting model used by the state, built under neoliberalism. This chapter provides the context for this research, to investigate the political discourse of contracting out under the Fifth National Government. The next chapter provides the method this research followed.

Chapter Four: Critical Discourse Analysis

The previous chapters provided the context for this research, which investigates the ideologies used publicly to support the contracting out of social services to non-profits by the Fifth National Government. The purpose of this chapter is to outline the scope of this research, to explore the political discourses and ideologies that underpin the contracting of social service delivery to non-profits by the New Zealand State, and specifically the shift towards purchasing outcomes. Critical Discourse Analysis will be introduced as the method for this research to analyse the different discourses that reinforce or challenge contracting approaches under the Fifth National Government. This chapter will then introduce three lens to support the analysis phase; namely power and control, post-

structuralism and critical social theory. This will be followed by the introduction of Fairclough's Critical Discourse Analysis as the framework that will be following for data gathering. The criticisms of this model will be explored, before the limitations and ethical consideration of this research are outlined.

Research Aim

This research will identify the ideologies that publicly support the contracting out of social services, by identifying and analysing the political discourses⁶⁰ used by the Fifth National Government to influence public perceptions. This research seeks to understand the core assumptions that support contracting, specifically to see if there has been a shift in rationale with the introduction of purchasing outcomes. This research also looks at the implications of these assumptions on the power dynamics between the state and the non-profit sector. The previous chapters have identified the significant challenges of the contract state, built predominantly on neoliberal ideology, and the implications of its introduction in New Zealand. While the narrative has changed and developed since the introduction of the contract state in the 1980s, such as seen with the impact of social development ideology, the contracting model appears unmoved. At the core is a question as to whether the neoliberal market approach continues to inform contracting decisions under the Fifth National Government, or if other ideological positions have developed. This research will be guided by three key questions:

- What political discourses support purchasing outcomes, and contracting out more broadly, in New Zealand under the Fifth National Government?
- What ideologies do these discourses reflect?
- What power dynamics are evident within the discourses used?

These questions look beyond the facade of contracting, a taken-for-granted mechanism for social service delivery, to understand what this framework really means for the relationship between the state and the non-profit sector. By exploring the core assumptions or beliefs that support this contracting model publicly, insights will also be gathered into what this means for clients of social services under the Fifth National Government.

Critical Discourse Analysis: An Introduction

⁶⁰ Defined on page 8.

This research will uncover what political discourses support purchasing outcomes and contracting out more broadly under the Fifth National Government, and what ideologies and power dynamics these represent. Critical Discourse Analysis has been selected as the method for this research. Critical Discourse Analysis (CDA) provides an approach to identify discourses used within texts and analyse patterns to infer how power has been established or disestablished (Alba-Jeuz, 2009). This approach is used in this study to understand what discourses have supported the Fifth National Governments approach to contracting out social services, specifically purchasing outcomes. CDA will uncover the motives behind contracting, through the political discourses used by the Government to influence public perception, and what ideologies can be identified such as neoliberalism and social investment. To explore this method discourse analysis, CDA and their purpose to identify power dynamics will be outlined, along with some examples of discourse analysis research undertaken recently.

Discourse analysis

As defined,⁶¹ discourse is a term used by both social theorists and linguists and is broadly the practice of talking and writing (Philips & Hardy, 2002). Cheek (2000) argued that discourses are a set of common assumptions that are often taken for granted. A discourse is a group of ideas, or ways of thinking, speaking and knowing identified through communications (Powers, 1996). Discourses are produced from social factors and at any one time there are numerous discursive frames available to us that order our reality (Cheek, 2000). Different social groups place their own meanings onto discourses, that are culturally and historically informed (Burr, 1995). Discourse is as an important area of academic investigation, used to help us understand power dynamics and societal shifts (Agger, 1991).

Discourse analysis is defined as the study of how language is used within different contexts, with discourse viewed as a form of social practice that is both socially reproduced and transformative (Alba-Jeuz, 2009; Fairclough, 1992). It has two concerns, how language is used, and how dominant ideologies are reproduced (Lupton, 1992). As a method, discourse analysis can provide social insights that can inform changes by institutions or society as a whole (Hammersley, 1997), and works to unveil hidden dominant ideas through the use of language (Alan & Hardin, 2001).

⁶¹ See page 8.

Discourse analysis has become a prominent method of qualitative research (Cheek, 2000). As a method, it aligns with linguistic studies, which focuses on how texts are constructed and 'work' with an interest on language for its own sake. Discourse analysis goes further than linguistics to understand the underlying beliefs and assumptions, and how discourse is used to achieve a goal (Bloor & Bloor, 2007). Following a similar method to other forms of document analysis, discourse analysis involves finding texts, appraising them, and then synthesising the data into themes in order to develop knowledge (Bowen, 2009; Cheek, 2000). It is important to distinguish discourse analysis from textual analysis. Where textual analysis looks at linguistic principals and the structure of texts, discourse analysis is more encompassing looking at both the text and its context (Alba-Jeuz, 2009). Discourse analysis allows conclusions to be drawn from the frequency and use of linguistic features and from comparisons and contrasts of how the features are used within a specific social context. The advantages of document analysis methods include their efficiency as they are less time-consuming than other methods, the availability of many public documents of interest, and their cost effective nature. The stability of documents provides consistency for repeated reviews, with the exactness of documents also being useful for the researcher (Bowen, 2009). In addition, with the documents being static, there is a reduced risk of inconsistency in the data (Graneheim & Lundman, 2004). This method is also unobtrusive (Bowen, 2009).

Critical Discourse Analysis (CDA)

This research chooses to use CDA as the method to explore political discourses related to the contracting out of social services. There are many forms of discourse analysis such as Conversation Analysis, Narrative Analysis, Foucauldian Discourse Analysis and Critical Discourse Analysis (Alba-Jeuz, 2009). Conversation analysis investigates the structure of social interactions through analysing verbal and non-verbal human interactions, primarily through video or audio recordings of naturally occurring communication (Sacks, 1992). Narrative Analysis involves close reading of stories told by study participants, aiming to understand the experience or phenomena (Riessman, 2008). Foucauldian discourse analysis must acknowledge the effects of discourse, so what discourses produce such as actions or social conditions (Hook, 2001).

CDA, as the chosen method for this study, is a tool to explore language and power within social policy (Fairclough, 2000; Marston, 2004; Meyer, 2001). Here discourses are identified and analysed to understand how dominant positions are legitimised (Lunt, 2008). This research looked at government published texts and therefore required a

method that dealt appropriately with written text. CDA analyses written and spoken texts to uncover discursive sources of power, dominance, inequality and bias (van Dijk, 1998). CDA interprets and explains texts through looking at how discourses are reproduced through social, political and historic contexts. The relationship between texts and social subjects is studied, with both writer and reader having different interpretations (van Dijk, 1998). The main goal of CDA is to make explicit any ideology that underpins social interaction, which for this research is any ideology that supports the contracting out of social services under the Fifth National Government. CDA increases the understanding of a social problem through identifying what discourses are used to reproduce social conditions, and the taken for granted assumptions that underpin these (Mogashoa, 2014).

While there is not always a clear line between discourse analysis and CDA, at a high level discourse analysis describes discourse practices, while CDA identifies how discourse practices hide power relations and prejudices (Maingueneau & O'regan, 2006). Maingueneau and O'regan (2006) identified ways that CDA provides a critical approach to discourse analysis. Firstly, a critical approach can be taken by a researcher with the choice of topic, for example any topic that is considered politically negative. Secondly, the approach taken may be critical, whereby the researcher's stance is that study should aim to transform society. CDA "examines practices and customs within a society both to discover and describe how they work and also to provide a critique of those practices" (Bloor & Bloor, 2007: 3). CDA aims to address social problems through understanding how discourses have established a society or a culture, or have supported an ideology (Fairclough & Wodak, 1997). This research will utilise CDA to explore the contract state and identify ideologies that are represented in the political discourses used to publicly support contracting out and purchasing outcomes under the Fifth National Government.

Discourse analysis and the welfare state

The role of competing vocabularies in policy settings is of increasing interest to social policy studies (Lunt, 2008). The use of discourse provides key insights into how the state governs its population (Fairclough, 2000). Analysis of discourse is an important tool to understand how individuals within society view the role of the state and individual responsibility within state provisions (Lunt, 2008). Discourse analysis has been used to investigate the welfare state worldwide and in New Zealand, analysing shifts in public perception of social service provision (Finlayson, 2004; Hastings, 1999; Lunt, 2008;

Marston, 2004). Discourse analysis holds that vocabulary and linguistic devices set the parameters and inform policy positions within welfare debates, framing how welfare is viewed (Finlayson, 2004; Hastings, 1999; Lunt, 2008; Marston, 2004). Studies using this method explore how different discourses have been used to support policy approaches, and the impacts of changes to the welfare state on communities and individuals.

How linguistic devices have been used to support and advance political positions has been a recent focus point for social policy studies, for example looking at the introduction of the third way and the social investment state (Powell, 2000; Williams, 2004). The importance of discourse to social policy studies has become prevalent within analysis of how the neoliberal agenda has been embedded in politics (Bourdieu, 1998; Hay, 2004). Schmidt (2001) argued that any direction change in social policy, such as seen with the neoliberal retrenchment of the welfare state in the 1980s in New Zealand, needs a consensus to be established facilitated through the use of discourse. Player (1994) found that with any significant welfare reform programme, work needs to be undertaken to shift the culture, context and perceptions around welfare. Lunt (2008) argued that discourse use is important to understand the implementation of neoliberal policies in the 1980s and 1990s, which faced limited opposition at the time, even though they worked against the self-interest of various groups (Lunt, 2008).

A number of key discourses have informed the public debate on the welfare state. Discourse of 'dependency' and understandings of the 'underclass' have changed perceptions about recipients of welfare (Player, 1994). Discourse of welfare dependency, being long-term benefit reliance, became associated with intergenerational cycles of benefits, perceived as resulting in people who choose not to work. Social welfare has become increasingly linked to particular groups of the 'undeserving poor' (Kahu & Morgan, 2007; Larner, 2005; Lunt, 2008; Mayer, 2008). Under welfare regimes in the US, UK, Australia and New Zealand, the problem of poverty has been constructed through discourse of personal failure, supported by a permissive welfare regime which encourages dependency (Archer, 2009; Cassiman, 2008; Kahu & Morgan, 2007; Mayer, 2008; Stryker & Wald, 2009). This is closely linked to neo-conservatism and the concept of moral authoritarianism, where from the late 1990s moral obligations became strongly linked to welfare (Larner, 2005).

Lunt (2008) undertook discourse analysis to explore the development of the welfare state in New Zealand. Lunt (2008) found that from the 1980s welfare became framed in the state's role to encourage self-reliance. The cuts to welfare benefits in 1991 under the

'mother of all budgets'⁶² were supported through rhetoric of re-entry to work (Lunt, 2008). The reforms saw a language shift in the public towards the 'welfare problem'. Lunt (2008) identified a number of discursive strategies used by National administrations between 1990 and 1999 around welfare. Branding was used to develop 'welfare to well-being', supported by NPM concepts. Hyphenating and prefixing was also seen with the increasing use of terms such as 'welfare spending' and 'welfare dependency', coupled with new words being introduced such as 'bludger'. Over this period welfare increasingly became associated with abuse of the system, and welfare recipients took on associated negative connotations (Lunt, 2008). This resulted in binaries developing with equality being used alongside discourse of self-sufficiency, and between poor and non-poor with welfare recipients placed on the spectrum between deserving and undeserving (Lunt, 2008; Smith, 1990). Dependency became an individual's flaw over this period seen through discourse of 'social responsibility'. Hegemony is an important concept to understand discourse and the welfare state. As will be explored later in this chapter, hegemony is the process where value is placed on one view or set of ideas over others (Swingewood, 2000). This can be used to understand inequalities, and how policy problems can be constructed to get public support (Peters, 2010).

Discourses in New Zealand have driven an agenda of productivity and capitalism. Kahu and Morgan's (2007) study used CDA to analyse government policies that aimed to improve outcomes for women through reviewing discourse used in policy documents. This study aimed to understand the discursive constructs of women's identities as mothers and workers, and what discourses were used to create or challenge these identities. The authors argued that while policy documents drew on some feminist discourse, the analysis showed that certain discourses were used to restrict a women's choice (Kahu & Morgan, 2007). For example, certain discourses placed paid work in a privileged position over caregiving roles for women.

These examples demonstrate the usefulness of discourse analysis within the welfare state, and how discourse can expose underlying narratives that support an ideology or political position. This research explores the underlying ideologies and power dynamics within the political discourse of the Fifth National Government.

Discourse analysis and contracting

⁶² See chapter three.

Through the exploration of contracting out social services in the previous chapters, some discourses were identified relating to the relationship between the state and the non-profit sector. Grey and Sedgwick (2013) looked at the introduction of partnership rhetoric and found the change in rhetoric towards a more collaborative approach resulted in limited increase in any genuine engagement with the non-profit sector. There was also no acknowledgement by the state of the power imbalances prevalent in their relationship with the sector which would prevent true partnership from forming (Grey & Sedgwick, 2013). Peters (2010) analysed the political language of partnership used between the Fifth Labour Government and business. Utilising Fairclough's CDA model Peters (2010) identified that the rhetoric of partnership was positioned through a shared purpose. This was contrasted with the tensions between the state, society and business interests seen under previous Labour governments and more widely within the social democratic ideology. Discourse was used to align business interests with the public good, therefore making any conflicts invisible, representing a shift away from traditional social democratic values of Labour, and shaping common perception (Peters, 2010). Here CDA was used to identify how the relationship between the state and business has changed over time, providing a good example of CDA being used to analyse discourse of government to understand shifts in ideological position.

For contracting, the shift in language to 'consumers' or 'customers' for social service clients was significant. It weakened connections between institutions and took away the lived experiences of individuals of social service clients (Boyd-Caine, 2016). Another example of the importance of language within contracting was seen with O'Shea's (2007) study that used CDA to analyse the shift in policy discourse from "funding" community organisations to "purchasing" the delivery of community services in Australia. Here conversations with community organisations were analysed using CDA and it was found that this discourse change threatened the flexibility and autonomy of community organisations. This study was positioned within the impacts of neoliberal ideology in Australia. These examples provide support for the use of CDA for this study to investigate the ideologies which underpin the contracting out of social services to non-profits through identifying and analysing the political discourses used by the Fifth National Government to influence public perceptions.

Media discourse

This research looks at the use of political discourse in relation to the contracting out of social services, specifically the political discourse used publicly by the Government to

influence public perceptions. Ministerial media releases and speeches are the chosen documents for analysis. The role of the media has been a significant area of focus for discourse analysis studies into the portrayal of the welfare state. Kingfisher (1999) looked at the use of discourses relating to welfare in the New Zealand media compared to the United States, focusing on the association of the 'undeserving poor' rhetoric with single mothers. Here the author was able to examine the gendered media discourse of poverty and the convergence of discourse around single mothers as 'irresponsible', 'hedonistic' and 'dependent'. Kingfisher (1999) found that this discourse in the media supported a reformation agenda for single mothers. Beddoe (2014) undertook textual analysis of New Zealand media stories over the period of welfare reform (2011 to 2013) in New Zealand. This author analysed how media stories stigmatised and characterised welfare recipients and created the 'feral families' discourse. This discourse supported increased control over welfare recipients, and worked to reduce empathy for the poor through invoking stigma and fear around these populations. Another example of discourse and media was Hackell's (2016) investigation into the focus on 'Māori child abuse' by the media, and in political discourse within the 2012 White paper for Vulnerable Children. Hackell (2016) found that discourse around child abuse was focused on rationalising cuts in social services and high surveillance of targeted communities that further embedded neoliberal ideas and citizen subjectivity. This aligns closely with the social investment approach and targeting of sub-populations, as highlighted previously.

These examples show the importance of media for how political discourses and narrative is embedded. This research will investigate how political discourse has been used publicly by the Government, through ministerial press releases and speeches, to inform the public narrative. For this research CDA will be used to understand what ideologies have supported the Fifth National Governments approach to contracting out social services, specifically following Fairclough's (1992) CDA model. Media discourse links closely to the power and control lens for this research, which will be explored in the next section.

Research Lenses

So far in this chapter CDA has been introduced as the method for this research. CDA is used in this study to identify and analyse the political discourses used by the Fifth National Government, to understand the ideologies and power dynamics of contracting

out social services. The usefulness of CDA has been introduced, with media discourse identified as an important focus for this research.

Alongside CDA as the method for this study, three lenses are applied to support the analysis and understanding of discourse. These are power and control, post-structuralism and critical social theory. Understanding power and control is essential to this research, looking at the underlying dynamics between the state and the non-profit sector within contracting. Both post-structuralism and critical social theory provide perspectives which support discourse and language as a valid and important area of academic investigation. These core concepts provide a frame to unveil how discourse creates power dynamics and either supports or shifts the status quo. These lenses are used to critically analyse the use of discourse surrounding purchasing outcomes and New Zealand's contracting approach more broadly. These lenses are briefly introduced below before the research process followed is outlined.

Power and control

At the centre of CDA is the belief that discourse is an essential element in power and control, with discourse having the ability to legitimise a dominant position, whereby language benefits some over others (Alba-Jeuz, 2009; Lunt, 2008; Marston, 2004; Mangueneau & O'regan, 2006; van Dijk, 1998). CDA research looks at how discourse produces or reproduces power, and how groups may resist this (Wodak & Meyer, 2009). Power can be held by institutions or individuals, with discourse able to support or challenge who holds this power (Bloor & Bloor, 2007). Power is something belonging to some participants and not others, with people's power being determined by their role, socio-economic status, or identity (Alba-Jeuz, 2009). Discourses represent political interests and therefore discourses are competing for power status (Weedon, 1987). Some discourses have the ability to marginalise other discourses and achieve a 'truth status', with Cheek (2000) providing the example of medical discourse around the body, where medicalised terms have become dominant discourses. These terms have a power status provided by the assumed authority of the health profession, and have the ability to marginalise other discourses. Power dynamics are crucial to understanding the objective of discourse, and the taken for granted assumptions at play. Lukes (2005) 'third face of power' argues for an understanding of indirect power, where structures affect those with

power subconsciously. This links to the concept of hegemony,⁶³ where subversive means are used to gain power (Gramsci, 1971). As identified in the previous section, this research focuses on the public use of discourse, with media a key avenue to establish or disestablish power through discourses.

The role of power through political discourse is key to this research. Political discourses are the creation of divisions and categories (Peters, 2010). Stone (1989) introduced the notion of 'causal stories' where political actors use narrative story lines and symbolic devices to change popular perceptions through manipulation, making a point of view seen as a fact. These stories can be used to challenge or reproduce social order and create alliances. Stone (1989) argued that politicians and others in power can systematically control the interpretations and images of situations. This understanding of power within political discourse is critical to the exploration of contracting out of social services by the New Zealand state, and how the assumptions of this approach have been reinforced.

Post-structuralism

Post-structuralism is the second lens applied in this research. Post-structuralism is a postmodern philosophy developed in the 20th century and is a theory of knowledge and language (Agger, 1991). Post-structuralism is concerned with how language constructs meaning, and suggests that there are multiple truths with language being an unstable system due to the multitude of interpretations (Agger, 1991). Discourse is a critical concept under post-structuralism, with discourse shaping our social reality, located within a historical context (Widdowson, 2006). Understanding of discourse is essential as it categorises the social world and brings phenomena into plain sight (Parker, 1990). For this research, post-structuralism provides a lens to question how social reality is created, and the construction of meaning through language. This provides an important frame to explore discourse within the contracting out of social services.

Foucault is one of the most well-known post-structuralist theorists (Allen, 2004). Foucault's particular take on post-structuralist thinking provides a useful approach for discourse analysis as it looks at how discourse connects knowledge to power and creates power dynamics (Foucault, 1984; Widdowson, 2006). Foucault regards power as fluid and as something constantly being performed with discourse constructing its

⁶³ Explored further under critical social theory on page 70.

meaning (Foucault, 1984). With this concept of power, Foucault argued for a decentralised view of how power operates (Allen, 2004; Ma, 2013). While power is held by some, it is operationalised in all facets of society, with discourse being critical to how power is performed. Foucault's approach to discourse and power provides a post-structural view to support the power and control lens as explored previously.

Critical social theory

The third lens of this research is critical social theory. Critical social theory provides a political and critical focus to research, looking at issues of power, self-interest and control. A critical social theory perspective assumes that our truths are taken for granted, and that our reality is shaped by a range of elements including politics, culture, gender, race, economics and history (Agger, 1991; Bailey, 2007). Critical social theory provides a framework for research which is critical from the start, seeking to create social change, and produce works that question power and the status quo, as opposed to other forms of research where a critique might be an outcome but not the initial purpose (Hammersley, 1997). Critical social theory developed in the view that society can change for the better, and aims to critique society and systems of power to create social change (Hammersley, 1997; Willis, 2007). A critical theory must not only explain the problems that exist, but provide a solution for making change (Agger, 1991).

As introduced previously in this chapter, Gramsci's (1971) concept of hegemony underpins critical social theory, defined as social groups gaining control and domination through subversive means of moral, cultural, ethical and political leadership (Gramsci, 1971). Hegemony identifies both macro and micro processes that establish value of one set of ideas over others (Swingewood, 2000). While force and coercion belong to the state, hegemony is a way to gain power belonging to civil society (Swingewood, 2000). Here modern society is a balance between the force of the state and civil society, with hegemony being how society is brought together without force. Critical social theory supports power and control as a lens of this research as hegemony explores how consent of the population is gained by the 'elite' with cultural norms enabling power to be maintained by the few (Gramsci, 1971). The construction of policy problems through discourse can become hegemonic, and determine whether a policy response is publicly acceptable or not (Peters, 2010). Critical social theory is therefore an important lens to take a critical stance on the contracting out of social services by the state and the funding mechanisms used.

Power and control provides a lens to look at how discourses compete and the role of political discourse to give or take away power (Peters, 2010; Weedon, 1987). Post-structuralism focuses on the role of discourse in creating our social reality (Agger, 1991). Critical social theory provides an approach to uncover power dynamics and critically examine a subject, with the aim of bringing social change (Hammersley, 1997). These three lenses will be used to support the analysis process for this research, through supporting the researcher to question the discourses presented, to identify what they are hiding or supporting. The next section outlines the research process followed using Fairclough's CDA model.

Fairclough's CDA Model

The previous sections outlined the method of CDA, and the lenses that will be used to support analysis. This section outlines how Fairclough's CDA model was followed for this research. This will be followed by the limitations of this study and ethical considerations.

Norman Fairclough, a key CDA theorist, follows a Dialectical-Relational Approach to CDA that looks at language in relation to ideology and power (Tenorio, 2011). Fairclough is interested in social processes and how public discourse reflects social conflict (Fairclough, 2000, 2001). Fairclough's model focuses on a social problem, and the analysis of semiotic dimensions, which are signs and symbols that create meaning, including visual images and language (Fairclough, 2001). This model follows a structural analysis of the context of the text, to identify the relationships between semiotic dimensions, focused on how dominant discourses are reproduced or resisted (Fairclough, 2001; Tenorio, 2011). Fairclough is particularly concerned with social change, and how discourse practice shifts the relationships between semiotic dimensions.

Fairclough's model was selected for this research as it provides a comprehensive and pragmatic approach to undertaking CDA research. This model provides researchers with a systematic way to explore the relationships between discursive practices and social and cultural structures, and how these are shaped by ideological and power struggles (Fairclough, 1992). Halliday's Systemic Functional Linguistics also significantly influenced Fairclough's CDA model, where language is viewed as a social act (Fairclough, 1992). Fairclough's model responded to gaps he identified in critical linguistic models. He argued that earlier work assumed all audiences interpreted texts in

the same way (Fairclough, 1995). He also argued that previous work had focused too much on the detailed textual and grammatical level, without looking at the organisation of texts as a whole (Fairclough, 1995). Fairclough also drew from Foucault and Gramsci's concept of hegemony as discussed in the previous section (Fairclough, 1989, 1992, 1995). Fairclough (1992) developed a stepped model for undertaking CDA to look at three elements of the text, namely social practice, discourse practice and textual analysis as outlined in the next section.

Data collection: Selecting Texts

The first step under Fairclough's (1992) CDA guidelines is to define the scope of the research, its focus and limits. Having a clear and defined scope is essential for identifying texts. The scope of this research is the period of the Fifth National Government from 2008 to the end of 2016, used to provide a clear timeframe to gather texts. To analyse the political discourse of the Fifth National Government, this research identified ministerial press releases and speeches relating to the contracting out of social services to the non-profit sector and purchasing outcomes initiatives as source material for this study. This research is focused on political discourse of contracting and builds on media discourse⁶⁴ analysis to identify discourse used by the Government to influence public perceptions. Ministerial press releases and speeches provide access to this type of discourse. The selected ministerial portfolios are social development, the community and volunteer sector and finance. As introduced in chapter one, these portfolios incorporate the key agencies involved in direction and policy setting for contracting out to the non-profit sector. This research recognises that by focusing on Government texts it is unlikely to identify any discourses of resistance against the state's contracting approach. By utilising documents published under the community and voluntary sector portfolio, some insights into the frames used within the wider social sector were identified, providing some contrast. This research is focused on discourses the Government uses publicly to support and direct contracting out, therefore focusing on Government alone is justifiable. This scope provided a range of source material incorporating key government perspectives on the contracting out of social services.

The next step was to determine the range of texts to be considered, which Fairclough (1992) calls the research archive of discursive practice. The following criteria for text identification were developed and applied:

⁶⁴ See page 67.

- Published under the ministerial portfolio of social development, community and volunteer sector or finance.
- Be a press release or speech published on the Beehive website.
- Published between 19 November 2008 following the election of the Fifth National Government, and the end of 2016 (31 December).
- Relate to either social service contracting (specifically purchasing outcomes where identified) or social service delivery by non-profits more broadly.

To identify the texts (the specific ministerial press release or speech) a key word search on the Beehive news website was conducted, filtered by the three ministerial portfolios of focus.⁶⁵ An initial search was undertaken for terms such as “contracting social services” and “purchasing outcomes”. This was then widened to include “social service outcomes”, “investment approach”, “high trust contracting”, “non-profits”, and “NGO’s”. From this search 44 texts were identified for the initial document archive.⁶⁶

Fairclough recommends that a small ‘sample’ of documents from the corpus be selected for full analysis. 20 texts were selected for closer analysis, chosen to ensure the diversity of practice from the archive was represented, with a mix of the document types (press releases or speeches) and topics found from an initial review of all texts. These sample texts were then reviewed and coded. The coding system designed distinguished texts from the social development portfolio with a 1 at the start of the code, community and voluntary sector texts with a 2, and finance texts with a 3. The number following, for example 1.1., refers to the specific text within that portfolio, ordered ascending by date. This correlates to texts detailed provided in Appendix A.

Of the 20 texts in the sample, 14 were from the social development portfolio, 5 from the community and voluntary sector portfolio, and 1 from the finance portfolio. This was representative of the mix of documents in the wider archive, indicating that the majority of texts published in relation to contracting social services came from the social development portfolio. That only one document from the finance portfolio was identified, indicated that this portfolio rarely published any media releases or speeches related to contracting out social services in the period of focus. This was acknowledged as a limitation of the study, outlined later in this section. Initial analysis of the sample also identified an interesting distribution of texts across the time periods. The majority of texts

⁶⁵ Outlined in chapter one page 6 as social development, community and voluntary sector and finance.

⁶⁶ Documents listed in Appendix A.

were published in the first half of the focus period (2009 to 2011), with limited texts identified during the second half of the period (2012 – 2016). As will be explored in the next chapter, this distribution aligns with the GFC,⁶⁷ with a number of the earlier texts responding to this context.

Following the collation of the sample texts, as per Fairclough's guidelines, the documents were reviewed to identify at a high level the discourses presented. For this research, initial analysis was conducted by reviewing the texts and identifying the key themes and where and in what texts these were evident. A second more in-depth analysis of the themes was undertaken by ordered key sections of the texts by the themes identified, and reviewing to identify trends and patterns for interpreting.

Fairclough's three stages of CDA

As discussed earlier, Fairclough (1992) provided three stages of analysis to follow, namely social practice, discourse practice and textual analysis. Social practice analysis refers to the social, cultural and historical context under which texts are produced and how texts reproduce power structures through the discourse used. Discourse practice is an interpretive phase of analysis that looks at the production, distribution and consumption of texts. Finally, textual analysis is the microanalysis of discourse that looks at how texts are constructed. It is left up to the researcher to determine the order these stages are completed in. This research will start from the broadest level of analysis to the most detailed. Key questions are designed to ask of the texts at each stage to structure the analysis.

Stage one: social practice analysis

Social practice analysis is the broadest phase of Fairclough's CDA model. Here the social context of the text is analysed to see what systems of knowledge are represented, what ideologies are supported (for example neoliberalism), if power relationships are represented and how the text supports or counters hegemonic practices. This social context can be referred to as the discourse domain (Bloor & Bloor, 2007). A domain is usually narrowed from the wider social context which can be very broad, and is usually focused around the social setting where discourses take place. The general objective of

⁶⁷ Global Financial Crisis, explored on page 51.

this stage of analysis is to explain the nature of the discourse practice, and what effects the discourse has on the social practice (Fairclough, 1992).

This stage of the analysis began with summarising the social structures that informed the development of the texts (Fairclough, 1992). This was built from chapter two and three where the context of the relationship between the Fifth National Government and the non-profit sector was explored. For this stage three questions were asked of each of the texts.

- What is the social context?
- What ideologies are represented by the texts used?
- How is the state and non-profit sector positioned by the discourses used? What power dynamics does this indicate?

The aim was to identify at a high level the ideological and political effects of the discourses used. By analysing documents from the social practice dimension the ideologies and power dynamics that support the contracting approach to social services were identified, and linked to their social and historical context. Understanding the discourse within its context was key for developing a full understanding of the texts, and enabling conclusions to be drawn. As with all stages each text, by portfolio and in ascending order, were analysed on their own and assessed using the questions.

Stage two: discourse practice

Discourse practice is the second stage of analysis, and takes a closer look at each text to identify what discourses are drawn on and how they were established or maintained. Fairclough (1992) identifies intertextuality as a core dimension of discourse practice requiring consideration in the analysis. Intertextuality asks what went into the production of the text, what other texts are referenced and how the discourse is contextualised. Intertextuality is how a text relies on and incorporates other texts (Bloor & Bloor, 2007). Here the text is analysed in 'its place' within the order of texts, identifying where texts have drawn on other elements and discourses.

This stage took a closer look at each text to identify what discourses are drawn on and how they were established or maintained (Fairclough 1992). Analysis of discourse practice aims to identify any conflicts within the discourse used, any innovative practice in the texts, any transformations the texts undergo and any intertextuality identified. For the discourse practice phase, the following key questions were asked across the texts:

- How have different discourses been established and maintained?

- Are there any conflicts within the use of discourse across the three portfolios?
- What does the order of discourse reveal? Any tensions or acceptances?
- What intertextuality is exhibited?

By answering these questions this research aimed to understand how the different discourses have been established and maintained within the texts by the authors. Here the relative importance of each of the discourses identified was assessed, to understand the ideologies or power dynamics they represent. This enabled the level of 'work' required to establish each discourse to be assessed, to identify what ones are assumed or taken for granted and those that are new.

Stage three: textual analysis

In the final stage of Fairclough's model, textual analysis is undertaken, where the thematic structure of the texts and the underlying assumptions are assessed (Fairclough, 1992). This stage aligns most closely to traditional document analysis and looks at the functional relations between the clauses and sentences of the texts (Fairclough, 1992). While a detailed stage, a thematic approach can be taken by the researcher to explore how topics have been introduced and developed. Discernible patterns in the text's thematic structure are identified along with the key words used. For this stage two questions were asked of each text:

- What thematic patterns are identifiable?
- What word use is of interest?

By answering these questions, specific textual patterns that build to support the ideological positions were identified. Identifiable patterns and word use of significance helped build the picture of discourse use within the contracting out of social services. This stage completes the analysis process, with all three stages complementing each other.

Fairclough's three stage analysis provided a logical structure to work through and analyse the different layers of discourse used within a text. Following the analysis of each text, the answers to the questions were compared and contrasted between the texts to identify patterns. These three stages of analysis were able to build a picture of what discourses have enabled, supported or moved against the contracting approach to social services of the Fifth National Government, and ideologies and power dynamics that are supported publicly. The results are summarised in the next chapter. The next

section provides the criticisms and limitations of this method and the ethical considerations.

Criticisms and Limitations of Fairclough's CDA Model

One criticism of CDA is that it does not provide absolute answers to specific problems as everything is viewed as open to interpretation, so it can be challenged about its usefulness (Mogashoa, 2014). Here the researcher's interpretation of a text is not the only one, and therefore there is no clear closure (Cheek, 2000). Cheek argued that definite answers are not the intent of discourse analysis, with CDA's usefulness being in its ability to increase the understanding of conditions behind a problem. Both post-structuralism and critical social theory as lenses to support this research, view the social world as ever changing, supporting that there can never be one truth (Hook, 2001). Widdowson (1998) posited that CDA is unsystematic, which means there is a lack of impartiality to how it is applied, with the researcher being able to focus on linguistic features that have specific ideological meaning, while ignoring other areas. Crotty (1998) suggested that rigour is gained from the coherence of the chosen research process. This research gains rigor through the close following of Fairclough's three stage model.

Another issue is the interplay between a text and its social domain, as it can be difficult to assess how far into the social context a researcher should go. The top down manner of CDA has been criticised, where particular theories or social elements are presupposed when analysing language used (Breeze, 2011). It is also argued that CDA can jump too quickly to connect micro linguistic features to the macro context (Breeze, 2011). Check (2000) concluded that clear boundaries need to be developed to support appropriate analysis of all elements of discourse including the social context. Texts need to be clearly justified, and a clear approach followed. In addition, some argue CDA may focus too heavily on the 'critical', and not pay enough attention to the potential positive role of discourse (Luke, 2002; Martin, 2004). This is also a criticism of critical social theory, which can be viewed as taking a negative view of society (Alvesson & Sköldberg, 2000). As with critical social theory, CDA takes a critical approach through focusing on social issues that require scrutiny. This research focuses on an area that has had critical academic exploration, with the challenges of social service contracting and the power imbalances within the funding relationship between the state and the non-profit sector requiring scrutiny. In response to this criticism, and as will be covered within the ethical considerations, the researcher remained aware of their position throughout the research.

Many of these criticisms of CDA are founded in the view that this method is limited as there are no explicit techniques provided for researchers to follow (Cheek, 2000). A challenge that faces CDA is the variety of CDA methodologies, and variable approaches taken by authors for data gathering and analysis (Wodak & Meyer, 2009). The various approaches introduced in chapter three were all built on similar theoretical approaches, but the actions taken for analysis vary. While this is a challenge, every method must find its own rigour, with it being essential that researchers clearly identify their parameters (Cheek, 2000). Fairclough's model for CDA was selected for this research as it responds to some of the core criticisms of CDA. Fairclough's model provides structure and rigour through which to analyse discourse and identify findings. The three stages of Fairclough's model enable the social context to be incorporated into the study, while establishing clear boundaries for analysis. Fairclough (1992, 1993, 2001, 2000, 2003, 2005) has extensively written on his model and provides clear stepped guidance to undertake analysis. The usefulness of this approach for application to social and political issues, along with its practical framework, are why this has been selected as the method for this research.

Limitations

There are some limitations to using CDA, and discourse and document analysis more broadly. One limitation is that the research project is limited by what documents can be accessed. A concern here is that you might get an incomplete document set resulting from 'biased selectivity', where documents are published based on an organisation's policies or principals which would result in you not getting a full picture (Bowen, 2009). The limitation that only government published material is being used for this research is recognised. This is due both to the complex analysis required meaning only a limited number of texts can be analysed, and that Government is the main producer of political discourse around social service contracting with the public use of discourse by the Government the focus of this research. This focus means comparison and contrasts to discourses used by the non-profit sector will not be possible. While this perspective will not be included, the purpose of this research is political discourse and government language has been chosen specifically for this study. Another limitation of document analysis is that some documents may have insufficient detail and may not be able to answer the research question fully (Bowen, 2009). The documents identified provide sufficient material in this case to be able to complete the study. Another limitation, as indicated earlier, was that only one document from the finance portfolio was identified

through the text selection process for analysis, limiting the perspective provided. This was acknowledged and recognised in the results.

Ethical Considerations

This research project uses secondary data through the analysis of public information. As per the Massey Code of Ethical Conduct (2015), a key principle for this research is minimisation of risk of harm. As there are no direct research participants, and no direct risk of harm to others, ethical approval was not required. Risk of harm to the researcher was identified as the main ethical consideration. As previously introduced in chapter one, the researchers position as an 'insider' within government poses some risks. An 'insider' is where a researcher is researching within a setting in which they work or have an intimate knowledge (Robson, 2002). This research was undertaken by the researcher as a student, and not in a professional capacity as an employee of government. Separation was maintained firstly due to the agency of current employment not being an agency or area of focus for this research. Secondly, only publicly available documents were used, and therefore no privileged information was used, only what was readily available to the public and could be independently audited if required. Any risk to the researcher as an employee of government through undertaking critical research into the state was mitigated by New Zealand's strong democratic process, where citizens are able to critique government publicly. There were also no conflicts or risks to undertaking this research within employment contracts or code of conducts, and approval was sought from the government employer. If the research leads to anything that may pose a risk to the researcher, the option to embargo the material may be considered.

In response to the potential ethical concerns of insider research, it has also been argued there is value in the researcher's knowledge from lived experiences (Chavez, 2008). Some of the benefits of insider research include the ability to understand community norms and values, and ability to interpret data within the context (Chavez, 2008). Alternatively, shared understanding or pre-existing relationships can be challenging for the researcher and participants, and power dynamics may complicate the process (Merriam, Johnson-Bailey, Lee, Kee, Ntseane, & Muhamad, 2001). Reflexivity is a useful concept to mitigate any challenges of insider research, through maintaining distance (Greene, 2014). Reflexivity is where a researcher undertakes on-going self-critique, ensuring the researcher remains self-aware of their own position and bias that could

affect the results (Bloor & Bloor, 2007). Bloor and Bloor (2007) argue that discourse analysts are closely tied to the discourse group they are studying, often holding similar beliefs and attitudes. Both post-structuralism and critical social theory hold that the researcher is not able to be independent from the aspect of the social world they study, and the researcher “must be highly critical of their own role in the social structures and be prepared to make clear their own position with respect to the topic of research” (Bloor & Bloor, 2007: 4). Reflexivity does not strive for objectivity like scientific research approaches, given the impossibility of achieving this due to the researcher’s own experiences, but analysts must be critical of their own position (Bloor & Bloor, 2007). For this study, the researcher has remained aware of their position in relation to the subject matter.

Chapter Summary

This research will identify the ideologies that publicly support the contracting out of social services, by identifying and analysing the political discourse used by the Fifth National Government to influence public perceptions. This research seeks to understand the core assumptions that support contracting, specifically to see if there has been a shift in rationale with the introduction of purchasing outcomes. This research also looks at the implications of these assumptions on the power dynamics between the state and the non-profit sector. As identified Fairclough’s CDA model was followed in this research. This model has been selected as it provides a tool kit to undertake analysis of the role of discourse in social service delivery in New Zealand, and to understand both the ideologies and power dynamics that have enabled and supported the contracting approach to social services. This chapter also outlined the lenses that will be used to support the analysis, namely power and control, post-structuralism and critical social theory. The criticisms, limitation and ethical considerations of this research were also highlighted. The next chapter will provide the results of the analysis undertaken. This analysis will draw on the earlier chapters that explored the history and context of the contract state and purchasing outcomes in New Zealand.

Chapter Five: Results

This research aimed to identify and explore the political discourses that support purchasing outcomes, and more generally contracting out social services in New Zealand under the Fifth National Government. Following the previous chapter which outlined the method, this chapter outlines the results. This research identified the discourses used by the Fifth National Government, and the assumptions and conflicts within them. This chapter begins by outlying the initial learnings from the document corpus. The research results are then presented using Fairclough's three stages of CDA as outlined previously, namely social practice, discourse practice and textual analysis through summarising the answers to the questions posed of the texts. Initial insights are provided, to be further explored in chapter six so as to answer the research questions.

Social Practice

Social practice is the broadest stage of Fairclough's CDA model and its analysis refers to the social, cultural and historical context under which texts are produced, and how texts reproduce power dynamics through discourse (Fairclough, 1992). Understanding the context is key for developing a full understanding of the texts, enabling discourses to be analysed in their place and conclusions to be drawn. The aim of this stage was to identify what Fairclough calls the 'discourse domain'⁶⁸ of each of the texts from the sample.

The Fifth National Government, elected in 2008 under John Key's leadership, is the social context of focus for this research. As argued in chapter three, with the election of the Fifth National Government came the reintroduction of NPM rhetoric, including the use of anti-public service language. The social investment approach, as implemented by

⁶⁸ The specific/ narrow context of a text, that sits within the wider social context, such as a specific social policy within a wider programme of policy reform.

MSD under welfare reform, introduced a return on investment approach to social service funding, supported by neoliberalism and neo-conservatism, that resulted in the implementation of the purchasing outcomes model (Hannah et al., 2010). For this stage, four key discourse domains were identified across the texts, namely the GFC; welfare reform and the social investment approach; outcome based contracting; and capability development for the non-profit sector. These domains represent the key contextual influences for the discourses used. These domains are summarised below, with many being further explored in the next stages of analysis.

What is the social context?

Global Financial Crisis (GFC)

The Fifth National Government's first challenge upon election was responding to the GFC.⁶⁹ From the initial text review, a number of the documents were related in some way to the GFC, with the number of texts appearing to drift off as New Zealand moved out of the recession period. This drop was especially visible with the texts from the community and voluntary sector, with no sample texts identified after 2010. This may also reflect fewer active media releases following the transfer of the Office of the Community and Voluntary Sector from MSD to DIA in 2011 as discussed previously. From the 20 sample documents selected, 7 specifically mentioned or referenced the recession, indicating that this was an important event that impacted on the Fifth National Government's approach to the non-profit sector. The GFC was referenced as *"the worst economic downturn in more than a generation"* (1.3),⁷⁰ and *"the biggest global recession since the 1930's"* (1.7). Many of the policies and programmes referenced were contextualised with language such as *"these tougher economic times"* (1.1), *"time of economic uncertainty"* (1.2), and *"economic downturn"* (2.1).

The texts indicated that the economic pressures had resulted in more burden on government funding due to a drop in philanthropic giving. *"Some philanthropic trusts and foundations face declining income and capital. This is forcing them to scale back their grant making, or at least to consider doing so in the future"* (1.3). *"Many of our largest corporates are reducing their donations and sponsorships, and the traditionally generous private giving from individual New Zealander is also likely to be affected. And of course, the Government has less income from taxation to distribute"* (1.3). Another result of the

⁶⁹ See chapter 3, page 51 for full discussion.

⁷⁰ As identified the code corresponds to text information in Appendix A.

GFC identified in the texts was significant pressure on social services, noting *“the community sector is often the first line of response to communities which are hurting”* (2.4). *“Demand on your services is likely to grow in the months ahead – I know many of you are dealing with this already”* (1.3), *“the human casualties behind those economic trends very often end up on your door step”* (1.3). Texts across the portfolios identified Government responding to increased pressure on non-profits because of the GFC, including establishment of the Community Response Fund.⁷¹ This aimed to provide *“crisis funding to providers of critical services that are having real trouble maintaining their services ... (and) ... are experiencing big increases in demand for their services”* (1.3). Here the non-profit sector was told by the Government that *“we must be resilient”* (2.1), with the GFC positioned as a time for innovation, *“using the recession as a catalyst for change”* (2.1).

Welfare reform and the social investment approach

Another key discourse domain identified was welfare reform. As outlined in chapter three, the Government undertook a significant programme of welfare reform in 2012. Welfare reform was first mentioned in the texts in response to the Green Paper for Vulnerable Children and the Children’s Action Plan (2012) (1.9). Strong language was used in the texts to introduce the need for reform, for example *“our welfare system is failing many”* (1.9), *“the days of a passive system are over”* (1.9), and *“I will reform the system”* (1.9). As noted in chapter three,⁷² the social investment approach informed welfare reform (Deloitte, 2016). The texts closely linked welfare reform to the benefits of social investment. *“This will also transform our system into an investment approach”* (1.9), *“this is what our social investment approach is about – securing long-term results for vulnerable New Zealanders”* (1.13). Social investment was a critical concept of many of the documents. The finance portfolio document introduced social investment as a:

toolkit that will help us understand all of our customers – but we can choose to focus on groups that are a high priority at any particular time...at its core, social investment is a more rigorous and evidence-based feedback loop linking service delivery to a better understanding of people’s needs and indicators of the effectiveness of social services (3.1).

⁷¹ A fund established to provide assistance to organisations facing cost pressures to deliver vital services.

⁷² See page 52.

Outcome based contracting and Whānau Ora

Performance or outcomes based contracting was identified in chapter two as an alternative model to the traditional outputs based approach. Moving towards outcomes contracting was a core domain of many of the texts. *“We will also simplify their reporting requirements, so it’s more effective and results-based”* (1.4), and *“I am expecting a transformation from output based, tick-box contracts to outcome based relational contracts”* (1.8). This was positioned as a significant shift in the contracting model, moving towards *“a more results-focused and evidence-based approach”* (1.12). For MSD in particular, results focused contracting aimed to *“create more targeted and efficient purchasing of the \$331 million each year we invest into social sector services”* (1.13).

Whānau Ora⁷³ was introduced as a key results focused initiative (1.8, 1.14) that aimed to take a holistic Whānau approach to social services through utilising integrated contracting with provider collectives. This approach was positioned as a shift away from the neoliberal contracting model, *“to be Whānau centred rather than contract focused”* (1.8). Whānau Ora was positioned as *“effective as a means of improving results for many vulnerable families, particularly Māori and Pasifka, with whom social service agencies have traditionally struggled to engage”* (1.14). This alternative model was made possible through the coalition arrangements with the Māori party, for whom this was their flagship policy. This indicates an attempt by Government to move away from the neoliberal contract model.

Capability investment in the non-profit sector

The final domain identified through the texts was the government’s investment in non-profit capability. This was positioned by the government as essential *“for Non-Government Organisations to deliver extra high-quality services”* (1.6). For example, the announcement of the Capability Investment Resource, *“aimed at building a stronger, adaptable and more integrated social sector”* (1.10). This funding was provided so non-profits could work *“independently or with specialist mentors, to build a plan that will develop and strengthen their organisations”* (1.11), and to enable *“organisations to really grow and improve their ability to support New Zealanders in need”* (1.11). The Quality Services Fund was also announced *“for social sector NGOs to move toward integrated service delivery, remove duplication, merge back room functions, improve skill training*

⁷³ See page 55.

and share best practice” (1.6). This fund aimed to “*address gaps in delivery, encourage collaboration and support new high quality, innovative services*” (1.6), indicating a move towards professionalisation for non-profits through adopting private sector models: one of the critiques of the neoliberal contracting approach.

Discourse Practice

The second stage of Fairclough’s CDA model is discourse practice, which takes a closer look at each of the texts to identify what discourses are used and how they have been established or maintained, as explored in the previous chapter. The analysis of how discourses have been established and maintained is the most significant part of this stage, with seven core discourses identified and analysed.

How have different discourses been established and maintained?

Outcomes based services (effective and evidence based)

Discourse of service effectiveness and outcome based delivery was identified across many of the texts analysed. This discourse was used as a push by the Government towards only funding social services which had a strong evidence base. “*We need to understand the effect that our services have on improving the lives of vulnerable people*” (1.13). Further:

At the moment there is little evidence of the effectiveness, or not, of funding in this sector, because up until now most contracts have focused on the numbers of clients receiving services, rather than the effect that the service has on improving the lives of vulnerable people (1.12).

Effective services were defined as those supporting long-term outcomes for social service clients. “*It’s our challenge to know the support and assistance we’re providing is being effective; not just getting people through the next week or the next month, but in changing the drivers that created the situation they’re in*” (1.2). Through monitoring effectiveness, the Government aimed to ensure social services address “*the long-term drivers of hardship*” (1.13). The discourse of effectiveness underpinned the shift towards outcomes or results focused contracting, identified as a social domain. “*Over the next three years MSD will work with providers to help them transition to contracts that include results measures*” (1.12). “*We need to address this so that future contracts are built around positive results and evidence of what is working*” (1.12). This shift appeared to

aim to tie funding directly to outcomes, *“I’m telling you now I will only pay for real results”* (1.9).

Evidence on effectiveness of social services was positioned as crucial for the Government to make informed funding decisions. *“Until recently government agencies knew too little about which programmes and services work well and which don’t”* (1.13). *“Rather than spending more, we want to know that we are spending right”* (1.13). Through this discourse there was a call for greater data and research on service results, for example *“...publishing more and better evidence on effectiveness”* (2.1), *“right sort of evidence”* (1.13), *“...systematic measurement of the effectiveness of services”* (3.1), and *“this will require the development of the data and measurement infrastructure that delivers the feedback loop to support decision makers”* (3.1). The phrase *“what works”* was used frequently within this discourse. *“We’ve always said we’ll back what works”* (1.1), *“we need to know what works and what doesn’t”* (1.12), and *“this information can then be used to do more of what works – and stop things that don’t”* (3.1).

Purchasing outcomes was implemented under the social investment approach,⁷⁴ supported by neo-conservative ideology (Leonie, 2016). The discourse of effectiveness and evidence-based funding decisions aligns closely with the social investment approach, identified as a social domain, with many linkages made in the texts. *“We want to get better results from the billions of existing spending, and we want to know where to invest new money to make the most impact”* (1.13). *“How do you know you’re making a difference on the ground? – reflects one of the key questions behind the government’s social investment approach”* (1.13). *“At its core, social investment is a more rigorous and evidence-based feedback loop”* (3.1). The language used positions information on effectiveness as a core focus of contracting for Government, to inform future funding decisions.

Targeting services and value for money

Closely associated with service effectiveness, was the discourse of targeting services to specific populations. This discourse appeared initially alongside the Government’s response to the GFC, identified earlier under social practice, and the need to target services accordingly, for example *“...making services more readily available to those in need”* (1.1), and *“we are going to have to do more with the funding we currently have”*

⁷⁴ Explored in chapter three.

(1.1). Targeting was more broadly implied with language such as “*critical services*” (1.3) and “*...redirecting every last cent of unallocated money into higher priority services*” (1.6). Language use was important for this discourse, with for example the term ‘vulnerable’ implying the need to target specific groups. “*...making the most difference to our most vulnerable families*” (1.1), and “*... Governments focus on finding new ways to provide services and support for vulnerable Whānau and families*” (1.14).

Discourse of targeting was also closely aligned to the social investment approach:

Social investment is a toolkit that will help us understand all of our customers – but we can choose to focus on groups that are a high priority at any particular time. Right now we are focusing primarily on the 10 to 20 per cent of New Zealanders who need Government support the most (3.1).

This aligns with the neo-conservative ideology of the social investment approach, where targeting services was based within moral principles which can be compared to the use of binary terms of deserving and undeserving within the welfare state (Kahu & Morgan, 2007; Larner, 2005; Lunt, 2008; Mayer, 2008). Targeting services was also aligned with rhetoric of efficiency of spend, closely aligned with neoliberalism, targeting services aiming to deliver “*value for money to the tax payer*” (1.4). “*It is especially important in such difficult financial conditions for the Government to make sure it gets full value for money for every single dollar it spends*” (1.3). “*We have focused on value for money and keeping resources on direct services*” (1.7), “*...we must ensure that taxpayer dollars are being invested in services that reach the at-risk people who need and deserve support, and that this is having a positive impact on their lives*” (1.12). This is driven by the neoliberal discourse for low taxation and small Government spending (Levine, 2009; Peet, 2012).

Incorporated into the discourse of targeting services and value for money was a need for transparency of funding, and the role for the Government to hold social service providers accountable. “*As Government assesses all of its spending to ensure that programmes and services provide real value for money, we need to look at whether or not these programmes and services are helping people change their lives for the better*” (1.2). “*We know some programmes are working ... and we know that some organisations are not making a difference*” (1.7). The Government is positioned as needing to conduct “*regular review(s)*” (1.8) as there is a “*need for transparency and accountability*”. Here “*the Government’s role is to provide funding and hold the provider accountable for delivering changes in the lives of those families*” (3.1). Accountability is strongly associated with neoliberalism and the contract state.

Innovative and future focused approach to social services

Another discourse identified was innovation and transformation of social services, where rhetoric of the Government *“doing things differently”* (2.1) was introduced. For example, *“this Government is about fresh thinking”* (1.3), *“we need to think differently”* (1.3), *“bold new approach”* (2.5), *“transform the delivery of family and community services”* (1.7), and *“bringing real change to how social services are provided to those in need”* (2.5). Through this discourse the Government is viewed as future focused through setting *“pathways forwards”* (1.13). The Government appears to want real transformation in the social sector. *“We want an adaptive and pioneering social sector, one that can respond to the changing needs of New Zealanders, and one that is not scared of out-of-the-box solutions”* (1.13). *“We want evidence that challenges the status quo. We want good ideas, new concepts, and ‘real life’ expertise from unexpected sources”* (1.12).

Discourse of transformation in the social sector was closely linked with welfare reform. *“Our welfare system is failing many”* (1.9), *“tackling this growing problem has been left in the ‘too hard’ basket for too long”* (1.9), *“the days of a passive system are over”* (1.9). As identified through social practice analysis, welfare reform throughout the texts was linked to the introduction of the social investment approach. *“This will also transform our system into an investment approach”* (1.9). Transformation discourse was also closely associated with the introduction of Whānau Ora, as identified earlier as an example of purchasing outcomes. *“The goal of Whānau Ora is very clear: transformation”* (1.8). *“Whānau Ora is about transforming social service delivery so that services are focused on the needs of Whānau rather than only responding to the specific issues that an individual has presented”* (1.8).

This transformation and innovation discourse was used in the texts to call for a change in the contracting framework for social services, with traditional models positioned as preventing innovation and flexible delivery. *“...system of multiple contracts with multiple funders; a system which has serious disadvantages for providers and often restricts their capability to be more responsive to Whānau”* (1.8). This contrasts with the neoliberal assumption that the market led contract approach results in innovation. A key failure of the traditional model was introduced as high compliance costs where *“different reporting schedules require heavy demands on time, competition between providers compromises collaborative effort, and Whānau needs are compromised at the expense of meeting required contract outputs”* (1.8). *“I’ve heard horror stories about providers with multiple*

contracts who have to go through a ridiculous number of audits each year – all while continuing to deliver a trusted service” (1.4). Through this discourse the Government was positioned as supporting contracting frameworks that allow greater flexibility, seemingly moving away from neoliberalism. “Contracting arrangements need to be flexible enough to respond to the needs of complex, vulnerable customers while preserving accountability” (3.1), “We are keen to try new ways of delivering funding and contracting with service providers so that families, Whānau and communities reap the benefit” (2.5). This indicates a shift in ideology towards social democratic framing.

Organisational development

As identified through the social practice analysis, discourse of organisational development in the non-profit sector was strong throughout many of the texts. *“We’ve provided funding so they [non-profits] can work independently or with specialist mentors, to build a plan that will develop and strengthen their organisations” (1.11). “Some groups may benefit from technical assistance, like help with accounting systems, whereas others may need help building networks and collaboration with other community organisations” (1.10). Here the Government calls for non-profits to “improve skills training and share best practice” (1.6), and “assess where they need to make improvements, create a concrete plan of action and make it happen” (1.10). This discourse is based in the assumption that through organisational development, non-profits will be able to focus more effort to helping their clients, supported by neoliberal ideology of cost cutting. “By helping NGO’s build their capability, we ensure they have the best possible resources and skills to help others” (1.10) and, “we want providers to be the best that they can be” (1.10).*

Through this discourse, organisational development is positioned as one of the greatest challenges for the non-profit sector. *“...community and voluntary sector networks will be instrumental in finding solutions to important issues for the sector, such as strengthening governance, sharing resources and good management practice” (2.2). It is unclear if this is Government’s view alone, or if non-profits played a role in shaping this. One interesting notion is the Government’s push for non-profits to merge ‘back office’ functions. “... making use of relationships across the whole sector – to work collaboratively, to merge or share resources” (2.1), “encourage organisations to combine their resources to meet the needs of people in their communities” (3.1), and “remove*

duplication, merge back office functions, work together, join services up where synergies exist and share best practice" (1.7). This focus on reducing administrative costs aligns with neoliberalism and a cost saving agenda.

Collaboration and partnership between the state and the non-profit sector

Discourse of collaboration between the state and the non-profit sector was evident through the texts analysed. *"Our relationships between and with each other are of the utmost importance"* (2.1), *"... what we can achieve together"* (2.1), and a *"key lever to making a difference will be the drive to collaborate"* (2.4). Key to this collaboration was understanding *"each other's world views"* (2.1). *"When we understand each other's needs and perspectives, it becomes possible for us all to deliver the best possible services to the people we serve – our communities"* (2.4). This discourse established collaboration as a shift away from traditional approaches. *"We recognise that the individual government agencies need to get better at working with their community and voluntary sector partners"* (2.4) and this *"requires a different mind-set from a top down approach"* (2.4). The discourse of collaboration is also used to encourage better collaboration within the non-profit sector. *"Traditional funding models have tended to set social service providers against each other, rather than encouraging collaboration which is what our communities really need"* (1.6). The Government aims to *"support providers to work more collaboratively, recognising that collectively they can have more impact than going it alone"* (1.10). This links back to the discourse of organisation development, where the Government was supporting the joining up of back office functions to increase collaboration as well as cost reduction.

Collaboration in the texts was positioned to mean closer alignment of goals between the state and the non-profit sector. *"It requires Government agencies and NGO's to better coordinate and align their service settings and priorities"* (1.8). *"The engagement between Government and the community at national and policy levels, as well as the regional and local interface; is of ongoing and increasing importance if we are to achieve the goals we set for ourselves"* (2.1). *"Government and the sector are working toward the same goal – better outcomes for families – and we need to look at how we work smarter together to do that"* (1.4). An example of alignment of goals in the texts was the Government's focus on youth. *"So how do we work together, Government and NGO's like yourselves, to get parents to step up and take responsibility"* (1.2). Through this discourse the Government's goal or priority is implied to also be that of the non-profit sector, suggesting the Government is speaking on behalf of the sector.

Within the discourse of collaboration, came rhetoric of strong support by the Government of the non-profit sector. *“NGO’s play a vital role in supporting the most vulnerable members of our society”* (1.2), *“you are making a difference to our communities every day, and we are all better off for it”* (1.2), and *“I stand before you, representing a Government that’s backing you all the way. I believe in what you do and I believe you can do even better if we get out of your way”* (1.7). These examples distinguish the Government’s role and the role non-profits play in social services. *“Our role as Government is to be very clear about what is happening out there in the community”* (1.2). *“The dynamics of the relationship between you as social service providers and the people you help is different from the one between the Government as a social service provider and the people we help”* (1.2). *“Building a strong relationship between Government and the community sector places value on the common unity that we can find together – appreciating our distinctiveness while at the same time valuing it is that which brings us together”* (2.4). The discourse of collaboration links back to the discussion on partnership approaches under the Fifth Labour Government where social development ideology supported attempts by the Government to improve how they worked with non-profits, and involve them in decision making.⁷⁵

Responsibility

Throughout the texts discourse of responsibility came through strongly. *“We want to give all young people equality of opportunity, but also the responsibility, obligation and motivation to better themselves no matter what their circumstances are”* (1.2). *“People must be prepared to help themselves and do what needs doing”* (1.2), and *“...Whānau to be self-managing and take responsibility for their own social, economic and cultural development”* (1.8). A number of key phrases supported this discourse, including *“self-sustaining”* (1.8), *“collective responsibility”* (1.8), *“self-managing, self-reliant, self-driven”* (1.8), and *“self-determination”* (1.8). This discourse placed responsibility on clients to help themselves, with Government support viewed as short-term, aligned to neoliberalism and neo-conservative beliefs in self-sufficiency.

The discourse of responsibility was interestingly also applied to the non-profit sector, with a view from Government that there is an on-going danger non-profits will become reliant on state funding:

⁷⁵ See chapter three.

Every day I see examples of organisations that are given access to funding for a fixed period to enable them to “secure sustainable funding sources” or to “reshape themselves for self-sufficiency”, but once the deadline arrives they have come to expect that the money will continue (1.3).

“One of the risks with this scheme for us is that organisations begin to rely on this fund once the crisis has passed” (1.3). “I want to be quite clear with you all: this is short-term, crisis funding. It’s not a permanent top-up” (1.3). This implies an on-going issue around funding sustainability for the non-profit sector, and a challenge of the contracting model. This also links back to discourse of organisational development, and the expectation from Government that non-profits build long-term capability to reduce reliance on the state, supported through neoliberal ideology.

Community leadership and decision making

Discourse of devolving social service decision making to communities was prominent in many of the documents analysed. For example, the Community Response Fund⁷⁶ was pitched to *“support spending on services that communities value and see as priorities themselves, rather than the Government making those choices for them” (1.3), and “community-based approach to decision making on how the fund can best support services to meet needs” (1.3).* The establishment of regional panels for decisions under this fund aimed to help *“direct funding to organisations that communities value and are relying on” (1.3), and “finding local solutions to cross-community issues is vital and stronger networks will help us to achieve this” (1.3).* This model of regional decision making was an apparent success. *“We handed that fund over to the community representatives and local officials (and they) made really smart, responsible, considered decisions” (1.7).* Devolving decision making was also implied in the texts as common sense, *“they know what’s happening out there in their communities better than Wellington” (1.7), and “it just doesn’t make sense to drive local solutions from Wellington” (1.7).* This aligns with devolved decision making, an approach seen under social democratic ideology such as the Nordic example.⁷⁷

Through this discourse there is an implied trust from Government that non-profits know what is best for their communities. *“I believe these providers will be able to do more with the money we give them if we simply let them get on with the great work they do in*

⁷⁶ See page 83.

⁷⁷ See page 30.

supporting kiwi families” (1.4), and *“let us trust in our communities to determine their own solutions”* (2.4). This was supported by a view that the Government needs to sit back and let communities get on and do it. *“These providers are best placed to know what works in their communities, so I want to give them the freedom to concentrate on that”* (1.4). *“Now the Government is simply backing them to do what they do best”* (1.5). *“We are serious about backing our communities to come up with local solutions”* (1.7). *“... sometimes Government needs to step back and let communities do it for themselves; knowing that National is backing them all the way”* (1.7). This rhetoric also suggests that the Government should be providing governance and oversight, without any ‘hands on’ function, supported by the neoliberal belief in a minimal state (Heywood, 2007; Levine, 2009; Peet, 2012). These discourses show a range of beliefs by the Fifth National Government, with some conflicting ideologies represented across the texts.

Are there any conflicts within the use of discourse across the three portfolios?

The three portfolios of social development, community and voluntary sector, and finance all provided a different lens to the Government’s approach to contracting out social service delivery throughout the discourses identified. It is noted that with more documents available from the social development portfolio than the community and voluntary sector portfolio, and only one document identified from the finance portfolio, any true comparison is challenging. With these limitations in mind, several conflicts in the discourses used were evident across the three portfolios.

One conflict identified was that discourse of evidence based and targeting service delivery came predominately through the social development portfolio, with limited to no use of this discourse from the community and voluntary sector portfolio. The discourse of collaboration also exhibited some conflicts. The social development portfolio committed to working with non-profits because it was implied they were working towards the same goals. The community and voluntary sector on the other hand supported collaboration, but viewed the relationship as being broader, and introduced the need for the state and the non-profit sector to understand *“each other’s world views”* (2.1). This is contrasted with the social development portfolio, with for example *“your constant interaction with Government agencies means you probably have some ideas on how we can provide better services and value to the people who need it most”* (1.2). This positions the value of non-profits as their interactions with Government, not their expertise or interactions with their clients. Also of interest the discourse of responsibility only came through from the social development texts, indicating a connection between

responsibility discourse and welfare provision. The discourse of devolved decision making was similar across the social development and community and voluntary sector portfolio.

Both social development and community and voluntary sector portfolios argued for changes to how the Government contracts, but through different angles. The social development portfolio was focused on transforming contracting to reduce administration burdens for service providers, for example *“Whānau needs are compromised at the expense of meeting required contract outputs”* (1.8). In comparison, the community and voluntary sector portfolio indicated a wider aim for changes to contracting, for example *“we are keen to try new ways of delivering funding and contracting with service providers so that families, Whānau and communities reap the benefit”* (2.5). Additionally, the community and voluntary sector also identified broader issues for the non-profit sector than reporting requirements, through for example *“local organisations often did not have the opportunity to engage in the policy processes of central government”* (2.2). Non-profit’s ability to engage in government processes, identified as a critique of the contracting model in chapter two and three, or any issue outside of administration demands were not raised in any of the social development texts.

What does the order of discourse reveal? Any tensions or acceptances?

Two themes were identified from how the discourses were ordered in the texts analysed. One theme was around discourse of government’s goals. For example in 1.2 the government’s goal is introduced, followed by an invitation for the Salvation Army to participate in that goal. Another example is the discourse introduced in 1.6 around government *“working closely with the sector”* in the establishment of the transformation fund, followed by the introduction of Government’s priorities, which appear independent to those of the sector. In these examples the order of discourse indicates that the state’s goals align with those of non-profits’, while it is not clear if this is indeed the case with Government goals positioned as central. This is challenged by the identification of a clash between the ideological views of the state and the non-profit sector identified in previous chapters.

The second theme identified was the tensions between discourses that support the non-profit sector and those where non-profits are positioned as in need of government monitoring. For example, in 1.3 the valuable role of the sector is introduced, and the need for government to fund the ‘critical services’ they provide. This provides a contrast

within the same text between both the discourse of the unsustainable funding models of non-profits, and the need for the state to prevent non-profit funding dependency identified. This tension is mirrored in 1.9 where the discourse of the provider 'knowing what's best' for clients is introduced, contrasted with the state having to monitor poor performance of non-profits. The state is both supporting and trusting the non-profit sector on one hand, and monitoring and controlling the sector on the other.

What intertextuality is exhibited?

Intertextuality⁷⁸ is both the direct and indirect reference to other texts (Fairclough, 1992). Many of the texts analysed referenced reports and documents published by Government and the non-profit sector. For the non-profit sector, the 'Grassroots Voices' (2009) report by the New Zealand Council of Christian Social Services was referenced in text 1.1, noting "... *the report highlights the need for a collaborative approach between government agencies and community organisations*" (1.1). The 'Good Intentions: An Assessment of the Statement of Government Intentions for an Improved Community-Government Relationship' Report (2009) was referenced in 2.1. This report found "*the full potential of managing for outcomes has yet to be realised because of the fragmented responsibilities of agencies*" (2.1). A State of the Nation report from The Salvation Army titled 'Into Troubled Water' (2009) was referenced in 1.2. The 'From Talk to Action' report from the Community and Voluntary Sector Reference Group, and the Grant Thornton Not-for-Profit Survey (2009) was referenced in 2.4. The brief mention of these reports provide an insight into the voice of the non-profit sector into contracting debates, and indicate the sector is attempting to get its voice heard through policy based reports. This reflects the challenge of the contract state, identified in chapter two, that non-profit independence and ability to advocate is challenged under the contracting model.

For Government published texts, 2.5 released the 'Code of Funding Practice' (2010) from the community and voluntary sector portfolio to "*assist government agencies and community organisations to build better funding arrangements*" (2.5). This text also referenced Treasury's 'Contracting Guidelines' and the Office of the Auditor-Generals 'Good Practice Guidance for funding arrangements'. These texts are rules based, providing context for the discourse of contracting from Government. Document 1.9 mentions the 'Green Paper for Vulnerable Children' (2012), the 'White Paper for Vulnerable Children' (2012) and the 'Children's Action Plan' (2012). 1.12 released

⁷⁸ See page 76 for definition.

MSD's 'Community Investment Strategy', and references the Governments Better Public Service Targets. Document 3.1 referenced the productivity commissions report into 'effective social services' (2015). These texts provide a wider context for the discourse to be drawn upon.

Textual Analysis

The final stage of Fairclough's CDA model followed was textual analysis, where the structure of the texts and the underlying assumptions are assessed (Fairclough, 1992). A thematic focus was taken to identify the key findings.

What thematic patterns are identifiable?

Government priorities and joint direction

A key thematic pattern identified was of word use that implied joint Government and non-profit goals, also identified under discourse practice. For example, *"pathways forward"*, *"setting our own direction forward"*, *"it's about determining our destiny"* (2.1), *"our communities"* (2.4) and *"jointly tackle society's problems"* (2.4). Here word use like 'our' indicates shared objectives. In contrast, word use such as 'we' indicates Government positions alone, with for example *"we're making"* (1.3), *"we expect"* (1.3), *"we've always said we'll back what works"* (1.10), *"By helping NGO's build their capability, we ensure..."* (1.10). Another example of joint direction setting is seen through, *"it is about all of us having a stake in our future, restoring the sense of collective responsibility to our communities and to our nation"* (2.4). Here the use of 'our future' implies the wider social sector not just government. Also interestingly, the use of 'restoring' implies that collective responsibility between the state and the non-profit sector is something that has been lost. Joint direction setting is further supported by language that implies an equality of status between the state and the non-profit sector. *"It is up to us all to know that the solutions lie within us"* (2.1), *"we need to understand each other's world views"* (2.1), and *"valuing everyone perspective"* (2.1). This language is occasionally contrasted with some strong language around the state's defined role as funder. For example, *"it's time to make the hard calls"* (1.9), *"pulling no punches"* (1.9), and *"three strikes and you're out"* (1.9). This language positions the state as the ultimate decision maker.

In addition to language use, the lack of direct quotes from the social service organisations, or any specific references to their goals was telling. Throughout the texts, only one quote was identified. *“One organisation said, “we often don’t take the time to step back and take a big picture view of what’s happening in the organisation. Having an independent facilitator lead us through that process has been invaluable”* (1.11). This quote is referring the Capability Development Fund. This lack of direct reference to the social sector, or their priorities is interesting given so many of the texts refer to what is best for the non-profit sector, without explicitly capturing the sector’s perspective. *“Building closer relationships means NGO’s feel able to approach the Ministry and share these ideas”* (1.2). This statement for example appears to be making assumptions for how the non-profit sector will feel, with no direct quote or reference to qualify this. Here the state appears to be talking on behalf of the non-profit sector.

What word use is of interest?

Two recurring uses of words were of particular interest. Firstly, most of the texts did not explicitly talk about the clients of social services, but where they did they shared a common definition of clients as vulnerable. As identified under discourse practice, language of the vulnerable client was used to support rhetoric of targeting social services. *“Vulnerable and at-risk people, whether old or young”* (1.3), *“it is you who looks after our most vulnerable”* (1.7), *“vulnerable children”* (1.7), *“ensure this funding is making a difference for our most vulnerable Kiwis”* (1.12), and *“our most vulnerable families”* (1.5). Use of vulnerable to define clients was especially evident when texts referred to the social investment approach. *“I’m here today to talk about social services, particularly for the most vulnerable New Zealanders”* (3.1). *“We have a system that does reasonably well in meeting the needs of 80 to 90 per cent... but it can struggle in dealing with the most vulnerable New Zealanders”* (3.1). The use of the vulnerable label aligns with the use of discourse to stigmatise welfare recipients as part of the ‘welfare problem’, as explored in the previous chapter. Importantly there are only minimal references to clients being part or at the centre of decision making, for example *“Government trusting Whānau to create their own solutions”* (1.8), and *“the more complex the need, the more important it is that decisions on specific interventions be made locally – whether by service providers or by customers themselves”* (3.1). Here the use of vulnerable assumes they are not the best people to be responsible for decisions on the type of services they receive.

Secondly, words used to describe the shift in the contracting framework to outcomes based under the social investment model was of interest. Language use implied a transformation of the framework, as identified previously through discourse practice. For example, *“radically reshaping”* (1.4), *“bold new approach”* (1.5), *“bringing real change”* (1.5), *“real difference”* (1.6), *“important juncture”* (2.4), and *“new era”* (2.4). This was supported through emotive language around the burdens of the contracting model such as *“horror stories”* (1.4), and *“it’s a wonder they have any time to help families”* (1.4). Throughout the texts this language of transformation is connected to language of simplification of the contracting model. For example, *“simpler ways”* (1.4) and *“simplifying their reporting requirements”* (1.4), *“simplified contracts with clear expectations and regular monitoring”* (1.12). These examples demonstrate conflicts between language of transformation and simplification in relation to the contracting framework, which give different meanings but are used to explain the same thing.

Chapter Summary

Using CDA, this chapter identified how discourses of contracting out social services were introduced and used by the Fifth National Government. Political discourse was identified for analysis through selecting a sample of ministerial press releases and speeches under the social development, community and voluntary sector and finance portfolios within the time period of focus. The initial review of the 20 texts selected for analysis identified the importance of the social development portfolio in setting the direction for contracting social services in New Zealand. Results of the analysis were presented under the three stages of Fairclough’s CDA model. Firstly, the social context of the texts was identified, analysing the social domains, including the impact of the GFC and welfare reform on contracting under the Fifth National Government. Discourse practice was then explored through identifying the key discourses presented, and evaluating how these were developed within the text, such as the importance of the social investment discourse on contracting. Finally, textual analysis was undertaken, to explore the use of textual patterns, such as the ‘vulnerable client’ label. These results provide the basis to explore the core research questions in the following discussion chapter, identifying a number of conflicting ideological positions and power dynamics.

Chapter Six: Findings and Recommendations

The earlier chapters have followed the ideological and historical development of contracting out social services in New Zealand. The previous chapter outlined the results from the analysis phase of this research that used CDA to investigate the political discourse of contracting under the Fifth National Government. In this chapter the results will be explored to answer the three questions of this research, pulling in the insights from earlier chapters and applying the three lenses of this research. The importance of this study will be reflected on, to explore how the findings fit within the literature in this area, and what the limitations and implications of this research are. Recommendations will also be made on the back of the research findings.

Research Aim and Questions

The aim of this research was to identify the ideologies that support the contracting out of social services to non-profits, by identifying and analysing political discourse used by the Fifth National Government to influence public perceptions. This research sought to understand if neoliberal ideology continues to underpin decisions to contract out, and to explore the role of discourse in supporting or challenging the status quo. It further aimed to understand the implications of contracting discourse on the relationship between the state and the non-profit sector.

This research sought to answer three key questions:

- What political discourses support purchasing outcomes, and contracting out more broadly, in New Zealand under the Fifth National Government?
- What ideologies do these discourses reflect?
- What power dynamics are evident within the discourses used?

These questions will be answered through summarising findings from the analysis phase in chapter five, along with the findings from the exploration of New Zealand's contracting model in earlier chapters, and through using the three lenses of this research, power and control, post-structuralism and critical social theory.⁷⁹

⁷⁹ See page 70.

Question One: What Political Discourses Support Purchasing Outcomes, and Contracting Out More Broadly, in New Zealand under the Fifth National Government?

Seven key discourses were identified that support the Fifth National Governments contracting approach:

- Outcome based services (effective and evidence based)
- Targeting services and value for money
- Innovative and future focused approach to social services
- Organisational Development
- Collaboration and partnership between the state and the non-profit sector
- Responsibility
- Community leadership and decision making.

The first three discourses of outcomes based, targeting and innovation work to support the shift under this Government to purchasing outcomes models over outputs based contracts. Purchasing outcomes initiatives were introduced under the Fifth National Government as part of the social investment approach, whereby the state wanted to measure the impact social services were having, and hold non-profits accountable for specific outcomes in targeted populations (Smith & Smyth, 2010). Discourse of evidence based decision making is core to this shift, through rhetoric of “*effectiveness*” (1.4, 1.14, 2.1, 3.1) and “*what works*” (1.1, 1.4, 1.12, 3.1). Purchasing outcomes was presented as enabling services to be targeted to those most in need, using data to direct services to where they can have the greatest impact. Discourse of targeting was closely aligned to value for money and return on investment rhetoric also identified. Innovation and future focused discourse further supported purchasing outcomes in the texts, with the shift from output based contracting to outcomes models being positioned as transforming service delivery towards outcomes that will make a real difference.

The literature identified a number of constraints to outcomes based purchasing models, which challenge the transformation rhetoric in the texts analysed. One core constraint identified was that contracting arrangements favoured short term agreements to enable regular testing of services on the market. This does not support delivery against social outcomes that require a longer term focus, for example reducing child poverty (ANGOA, 2012; Harrison, 2010; Stace & Cummings, 2006). A further challenge is the difficulty of directly attaching funding to outcomes that are difficult to measure with a range of influencing factors at play (Treasury, 2013). A broader concern for purchasing outcomes

is that social service funding is not independent, with the state dictating which outcomes are funded in alignment to their objectives alone (Boyle, 2002; Chile, 2006; Maden, 2007; O'Brien et al., 2008; Eichbaum & Shaw, 2006). The only barrier acknowledged to purchasing outcomes in the texts was the challenge for non-profits to work together to achieve complex social outcomes. In the texts non-profits sharing back office functions was positioned as the solution to support collaboration, aligned with discourse of organisational development and cost cutting. This does not address the root cause identified as the inherent competition between non-profits within the market approach of the contract state (Stace & Cummings, 2006). This study found that purchasing outcomes is supported through rhetoric of evidence based decisions, value for money and innovation that may mask some of the challenges facing the implementation of purchasing outcomes within the traditional contracting framework. The challenges of implementing this approach can be compared to the introduction of partnership approaches under the Fifth Labour, where the rhetoric of this 'new approach' did not result in any real change as the underlying challenges of the contracting model were not addressed (Grey & Sedgwick, 2013).

The next four discourses identified of organisational development, collaboration, responsibility and community leadership all support contracting out more broadly. As explored in chapter two and three, the contracting approach to social services in New Zealand was implemented under neoliberalism and NPM approaches in the 1980s to 1990s. Contracting out was implemented by the Government with the assumption that creating a competitive market would result in value for money and efficiencies within the welfare state (Cordery & Halforn, 2010; Schmid, 2003; Stace & Cummings, 2006; Treasury, 2013). Organisational development within the non-profit sector was identified as a focus for the Fifth National Government to improve service delivery within contracting arrangements through alignment to private sector practices. Administrative burdens were suggested through the texts as being the biggest challenge of contracting for non-profits, hiding some of the greater challenges identified across earlier chapters. A core argument against the contracting market is that this is not a 'pure' market, as the state is the sole purchaser of services and controls what services are tested, and how service providers are assessed (Cordery & Halforn, 2010). Non-profits have limited market information to fully participate, and the state has limited economic factors to assess the true value of the services they want to outsource, resulting in a highly managed and complex market (Cordery & Halforn, 2010). The contracting approach also restricts how non-profits can deliver services, and their ability to freely advocate on behalf of their communities without risk of losing future funding (Larner & Craig, 2005;

Munford & Sanders, 2001; O'Brien et al., 2008). None of these significant issues associated with contracting out were identified in the texts.

Collaboration discourse between the state and non-profit sector was positioned around shared goals for social services. This indicated a shift in ideology, as was seen with the implementation of partnership approaches under the social development ideology of the Fifth Labour Government. The assumption of shared goals is challenged by the literature reviewed in earlier chapters. As identified in chapter two, non-profits became convenient vehicles for service delivery under the contract state, with the state alone determining the funding direction for social services (Levine, 2009; Peet, 2012; Walker, 2002). The challenges identified with partnership approaches question if the state can really be talking on behalf of the sector in these texts, and how realistic shared goals are. Collaboration discourse was contrasted in the texts with discourse of responsibility that introduced strong rhetoric of the need for non-profits to be self-sufficient and not reliant on state funding, potentially challenging collaboration and reinforcing the neoliberal view that the state should not fund the full costs of services. Discourse of community leadership and local decision making also implied a shift in ideology, with devolved decision making to communities a contracting model which sits under social democracy. This discourse challenges the neoliberal assumptions of the contract state, while at the same time reinforcing the neoliberal view of a minimal state through letting providers get on and *“do what they do best”* (1.5) (Levine, 2009; Peet, 2012; Walker, 2002).

This study has highlighted some of the challenges of the contracting model, where economic market approaches of competition and cost-reduction clash with the goals of social services. While challenges to the contract state were acknowledged in collaboration and local decision making discourse, many of the texts reinforced the arguments for the traditional contracting market approach and neoliberalism, continuing to place non-profits as competitive market actors. Administration burdens were identified as the biggest issues facing non-profits, without acknowledging the wider challenges or opening the core assumptions of the contract state up for debate.

Question Two: What Ideologies do these Discourses Reflect?

Neoliberalism was reflected throughout all of the texts analysed. As identified in earlier chapters, neoliberalism is the underpinning ideology of the contract state, founded on market fundamentalism, protection of individual's rights, and minimum state intervention (Heywood, 2007). NPM, as a set of neoliberal policy approaches, brought the establishment of the contract state (Larner & Craig, 2005; Munford & Sanders, 2001;

Romzek & Johnston, 2005; Schmid, 2003). Neoliberalism was identified in discourse of value for money and service targeting, aiming to ensure “*taxpayer dollars are being invested in services that reach the at-risk people who need and deserve support, and that this is having a positive impact on their lives*” (1.12). The accountability discourse also reflected the neoliberal view of the role of the state to monitor delivery by non-profits, and hold providers accountable for “*delivering changes in the lives of those families*” (3.1). Discourse of organisational development, such as “*helping NGO’s build their capability*” (1.10), aligns closely with the neoliberal ideology, through the push towards non-profits operating like the private sector by adopting management practices (Austin, 2003; O’Brien et al., 2008; O’Brien et al., 2009; Smith & Smyth, 2010). Neoliberalism was also seen through the discourse of responsibility, both for social service clients and non-profits, positioning the need for self-reliance, for example “*...Whānau to be self-managing and take responsibility for their own social, economic and cultural development*” (1.8). These discourses demonstrate the continued importance of neoliberal ideology for contract state under the Fifth National Government.

The discourses identified also reflected the importance of the social investment approach for setting the direction of contracting under the Fifth National Government. Social investment was positioned as “*a more rigorous and evidence-based feedback loop linking service delivery to a better understanding of people’s needs and indicators of the effectiveness of social services*” (3.1). As explored in chapter two, social investment was implemented in New Zealand in a unique way. New Zealand’s social investment approach focuses on using data to quantify a social problem (The Productivity Commission, 2015). Social investment was underpinned by neo-conservative ideology, providing a rationale for welfare reform that targeted social services to clients with the greatest risk of long-term benefit dependency (Chapple, 2013; Leoni, 2016). Service targeting is core to the social investment approach, with funding directed to where services can make the greatest difference to liability for the state, “*Right now we are focusing primarily on the 10 to 20 per cent of New Zealanders who need Government support the most*” (3.1). While neoliberalism was the prominent ideology, moral obligations and service targeting seen under social investment, reflect a neo-conservative ideology that has influenced social service delivery under the Fifth National Government.

Two challenges to the neoliberal ideology were identified in the texts through discourse of collaboration and community decision making. Discourses of collaboration implied shared goals, and discourse of devolved decision making implied moving to a devolved

model. Both of these are supported by social democratic ideology. An example in the texts of this conflict with neoliberalism was seen with discourse of Whānau Ora, that appeared to provide an alternative approach to traditional contracting which “*has serious disadvantages for providers and often restricts their capability to be more responsive to Whānau*” (1.8). This alternative approach was positioned as a shift away from the neoliberal contracting model, “*to be Whānau centred rather than contract focused*” (1.8). This example is also interesting as Whānau Ora was a flagship policy of the Maori party under coalition arrangements, and therefore was not a core policy of the National party that may explain the ideological conflict presented. These conflicting discourses indicated a shift, with the Government appearing to be balancing economic drivers with social objectives. While these examples of conflict are insightful, they did not significantly impact the rationales of contracting under the Fifth National Government, with neoliberalism remaining as the underpinning ideology. Using a power and control lens, the discourses that reinforce neoliberalism have become hegemonic, with value placed in these ideas over others (Swingewood, 2000). As highlighted in the previous chapter, discourse can be used to produce or reproduce power (Wodak & Meyer, 2009). Here neoliberal discourses has become hegemonic, and reinforced subversively through the texts. The assumptions of neoliberalism and the contract state continue to hold power, which may prevent alternative models from being implemented.

Question Three: What Power Dynamics are Evident within the Discourses Used?

Using critical social theory as a lens, a critical view of discourse relating to the relationship between the state and the non-profit sector was taken. As explored in chapter three, there is significant literature on the power imbalances between the state and the non-profit sector within contracting relationships (Aimers & Walker, 2008; Austin, 2003; Bromell & Hyland, 2007; Grey et al., 2015; Lerner & Butler, 2005; Tomkinson, 2016). The discourses used in the texts demonstrated an uneven power dynamic between the state and the non-profit sector. The discourses positioned the state as the decider of ‘what works’, and therefore what should be funded, giving the state the power within this relationship. Discourse of accountability is also used in the texts to give the state power as the assessor of social services, through conducting “*regular review(s)*” (1.8) and monitoring.

The state’s position of power conflicts with the discourse of collaboration with the non-profit sector and discourse of the state needing to step back and let non-profits get on

and “*do what they do best*” (1.5). Purchasing outcomes was positioned as a shift towards a collaborative approach, seen through the state and the non-profit sector working towards “*the same goal*” (1.4). Here the state is on one hand setting the direction and objectives for social services, while on the other supposedly working collaboratively with the non-profit sector. The Government appears to be trying to reconcile these different motivations within the contracting model. Discourse of collaboration is challenged by the literature which found non-profits are used by the state as convenient deliverers of policy (Austin, 2003). In the 1990s under social development ideology partnership approaches attempted collaboration, but with the state continuing to make all funding decisions, the non-profit sector saw limited change (Aimers & Waller, 2008). Many authors have questioned how partnerships are possible when there is a power imbalance with one party being the state (Aimers & Walker, 2008; Austin, 2003; Bromell & Hyland, 2007; Lerner & Butler, 2005). The assumption of shared goals are also challenged by the apparent clash in ideological values identified between the state and the non-profit sector in previous chapters.

Another example of this power dynamic at play is where the Government has positioned administrative burdens as the greatest challenge for the non-profit sector as this aligned most closely with neoliberal ideology. In contrast, discourse of non-profits needing to be self-sufficient and not reliant solely on state funding implies that funding longevity may be a greater challenge for the sector. Here the state is assumed to know what is best for the sector without any view of what non-profits define for themselves as important. The implementation of the contracting model led to non-profits redirecting their services to meet state funding requirements, constraining their ability to choose how they deliver services (Smith & Smyth, 2010; Grey et al., 2015). The literature identified that in some cases this has led to non-profits having to move away from their core mission, as there was a mismatch between state and non-profit priorities (Aimers & Walker, 2008; Evans & Fyfe, 2005; Maden, 2007; Shields, 2005). The discourse shows that the Fifth National Government continues to hold power through being the decider on what is funded, and through not addressing or acknowledging any of the wider challenges faced by the non-profit sector.

Discourse of the “*vulnerable*” client (1.1, 1.2, 1.3, 1.5, 1.7, 1.12, 1.13, 1.14, 3.1) was another power dynamic evident that worked to imply social service clients have no power. There were minimal references to the consideration of clients in service decision making throughout the texts analysed. While discourse did support devolution of decisions to provider or community level, almost none of the texts considered clients

themselves in this equation. The language used implies others (the state or the non-profit) should oversee decision-making on clients' behalf, raising the question as to how clients get a voice in the services delivered to them. This is only challenged by discourse of clients needing to take responsibility for their own lives, and not be reliant on state support, which conflicts with the vulnerable label. This labelling can be compared to the literature identified in chapter four on the rhetoric of welfare dependency, and the labelling of 'undeserving poor' seen from the 1980s to 1990s. This rhetoric supported the view that welfare was linked to certain groups who chose not to work and created the 'welfare problem'⁸⁰ that underpinned the welfare cuts of the 1990s (Lunt, 2008). Critical social theory holds that discourse can be used to frame social problems and defend policy solutions (Peters, 2010). Using the lenses of critical social theory and power and control, the state can be seen here as gaining power over this 'group' through discourse (Peters, 2010). Lukes (2005) argued that this is conducted subversively under the 'third face of power'.⁸¹ Using a post-structural lens, language constructs meaning, and is used to categorise people subversively (Agger, 1991). The discourse of the vulnerable client was strongly associated with social investment, with this label further supporting population targeting based on investment logic. The vulnerable label reinforces the client's role outside of service decision making, as seen under the traditional contracting approach. This vulnerable label, and the assumptions that sit under it, may be a barrier to moving towards client centred models in New Zealand.

Summary of Findings

The purpose of this research was to identify the ideologies that underpin the contracting out of social services to non-profits under the Fifth National Government, what impact purchasing outcomes have had, and what power dynamics were evident between the state and the non-profit sector. This study found:

- Neoliberalism continues to be the underlying ideology of the contract state, with some conflicts presented, indicating attempts at balancing economic and the social goals. The social investment approach has shaped contracting under the Fifth National Government, supporting both neoliberal and neo-conservative ideology.

⁸⁰ Explored in chapter four under examples of discourse analysis in research.

⁸¹ See page 69.

- Purchasing outcomes, supported through the social investment approach, while positioned as transforming social services have resulted in no real change to the neoliberal ideological rationales of contracting.
- The Government continues to hold the power within the relationship with the non-profit sector. The Government appears to be grappling with the conflict between their role as sole decision maker, and attempts at collaboration with the non-profit sector.

This study sought to identify what ideologies support the contracting out of social services under the Fifth National Government, specifically if neoliberalism continues to underpin the contract state. This study found that neoliberalism continues to drive the contracting approach, but with social investment, influenced by neo-conservatism helping to shape contracting under the Fifth National Government. While social investment and purchasing outcomes have altered the discourse of contracting, the core neoliberal rationale of the contract state has not shifted under the Fifth National Government. Traditional neoliberal rationales continue to be reinforced through discourse of a devolved state, value for money and continued faith in the competitive market to deliver better services. The challenges of how social investment has been implemented in New Zealand, and the critiques of the neoliberal contracting model, were hidden by the discourses used. Some challenges to the neoliberal discourse were identified, with the ideology of social democracy coming through in the use of collaboration and community decision making discourse. While these indicate the Government is grappling with social objectives, these discourses do not challenge the core assumptions of the contract state. The power of political discourse was evident through both the reinforcement of the contract state and in the use of the vulnerable label for social service clients. This highlights the importance of political ideology in supporting the status quo, and the need to investigate the role of political discourse in New Zealand.

This investigation also sought to explore what impact the introduction of purchasing outcomes has had on the contracting rationale. Purchasing outcomes models were heavily supported by the discourse of social investment in the texts through the desire to use evidence based decision making to target funding to where the greatest impact could be made. Discourse of transformation was used for purchasing outcomes in the texts, but the core assumptions of the contracting approach, which are barriers for outcomes models, were reinforced. Therefore purchasing outcomes has resulted in no real change to the rationales of the contracting model. The core neoliberal principles

have not been questioned by the introduction of purchasing outcomes. The on-going challenges of the contract state need to be brought to the public debate, to question the assumptions and rationales that supports this approach which prevents alternative models from being implemented.

This research also sought to understand the relationship between the state and the non-profit sector under the Fifth National Government. The importance of this relationship was explored, identifying the interdependences that exist within the contracting model. The state continues to hold decision making for funding, and makes contracting decisions through an assumption of 'shared goals' with the non-profit sector. The significant challenges faced by the non-profit sector were not acknowledged in many of the discourses, with barriers posed only as administrative burdens, over some of the wider independence and funding issues faced by the sector. While there was discourse of collaboration, there was no evidence that the relationship between the state and the non-profit sector has shifted under the Fifth National Government, with the contracting model continuing to reinforce the state's power over non-profits. This challenges the Government to review how it works with other sectors and acknowledge the conflicting ideologies between the state and the non-profit sector.

Limitations and Critical Reflections

While this study has provided several beneficial learnings, the small scale and scope means the findings are not widely generalizable (Bowen, 2009). While the focus on the specific timeframe and type of texts was useful to answer the research questions, it captures only a snapshot of time, and only conveys political discourse as it is used publicly. As identified previously, this study only tells one side of the story with only political discourse through government published texts reviewed, therefore excluding discourse used by non-profits. This study also only looks at the use of discourse in New Zealand, and therefore no international comparisons are possible. While these limitations are noted, the insights are still applicable.

The purpose of this research was to take a critical look at the purchasing outcomes, and contracting approaches within the social sector under the Fifth National Government through the analysis of political discourse. This research builds on literature on contracting out in New Zealand, the development of the non-profit sector, and the changing relationship between this sector and the state (Cheyne et al., 2008; Cordery & Halforn, 2010; Larner & Craig, 2005; Grey & Sedgwick, 2013; Harrison, 2010; Haworth &

Pilott, 2014; Nowland-Foreman, 1997; Tennant, 2007). This research found that neoliberalism continues to support the contract state, building on research to date around the reintroduction of neoliberalism and NPM under the Fifth National Government and the challenges of purchasing outcomes as a model for social service delivery (Boyle, 2002; Chapple, 2013; Chile, 2006; Finn, 2009; Hannah et al., 2010; Haworth & Pilott, 2014; Kelsey, 2015; Maden, 2007; O'Brien et al., 2008; Powell, 2016; Proven, 2000; The Productivity Commission, 2015; Roper, 2011; Eichbaum & Shaw, 2006; Stoker, 2006; Tomkinson, 2016).

This research investigated the dynamics of contracting under the Fifth National Government which have not been well researched to date, specifically identifying the impact the social investment approach has had on social services over this period. The discourse surrounding purchasing outcomes was identified, and the power dynamics were also uncovered. Using CDA as the method enabled the political discourse of the Fifth National Government to be opened up, to provide a deeper understanding of this Government's approach to the non-profit sector, and the motivations behind their contracting approach. The findings of this study also build on research looking at the introduction of partnership approaches to contracting, and the challenges to implement these within the power dynamics between the state and the non-profit sector (Aimers & Waller, 2008; Cordery & Halforn, 2010; Grey & Sedgwick, 2013; Larner & Butler, 2005). The challenges identified for partnership approaches are mirrored with the findings of this research on purchasing outcomes, with both interventions making little impact due to the on-going barriers of the contract state. This research also adds to the understanding of political discourse in New Zealand, and builds on the literature on how discourse is used to frame populist views on welfare and social services through the neoliberal agenda (Bourdieu, 1998; Hay, 2004). The use of vulnerable discourse reinforces the power of discourse to label and support a political agenda, in this case the targeting of services. This calls for political discourse to be transparent and questioned.

This study comes at the end of the Fifth National Governments reign, with the election of the sixth Labour Coalition⁸² Government on 26 October 2017. With this election comes a potential for a shift in the ideological framework back to social development or social democracy. Questions are now raised as to the future of contracting out social services, the non-profit sector and social investment. Early indications by this Government imply that social investment will be repackaged, moving away from framing welfare recipients

⁸² Collation arrangement with New Zealand First, and confidence and supply arrangement with the Green Party.

by potential liabilities, to prevent stigmatisation (Kirk, S, 2017b). They also plan to reduce the level of data collected, and roll back the Social Investment Agency established by the Fifth National Government back into the social development portfolio (Kirk, S, 2017b). The election campaign also indicated that this Government would move away from neoliberalism, while retaining a fiscal responsibility focus (Cooke, 2017). Time will tell what impact this has on the future of the contract state.

Research Recommendations

There are three key recommendations identified from this research. Firstly, this research raises the importance of political discourse, asking that the role of discourse, and how this can be used to both hold and give power, be further examined. Political discourse has been vital in the continued use of the contracting model, despite the evident flaws. How language is used by the state to implement its agenda should be openly discussed. In addition to the discourse of contracting, this research has raised concerns around the use by the state of the vulnerable discourse for social service clients. This places social service clients separate to decisions about the services they receive. With the establishment of Oranga Tamariki, the Ministry for Vulnerable Children in 2017 this discourse may become further embedded. This dialogue needs to be addressed so that clients can be put at the centre of decision making.

Secondly, through the findings and the supporting literature, this study calls for an independent review of contracting. The flaws of the contract state highlight a clash between economic and social objectives, and conflicting ideologies between the state and the non-profit sector. Social investment ideology has re-framed the contracting model, pitching social services under a return on investment logic, potentially further removing clients from the centre of social service decisions. The assumptions of neoliberal ideology imply the contracting model is working for the state, preventing the challenges of contracting from being brought up for debate, and alternative models from being fully investigated in New Zealand. The contracting model should be reviewed to assess the assumptions that support it and question if investment rhetoric is well placed in the social service environment.

Thirdly, this research highlights challenges how the government works with other sectors and groups, and calls for the power imbalances under the contracting model to be addressed. Through contracting there is a conflict between the state wanting to devolve decision making to the community level, and not involving non-profit and community

perspectives in funding decisions. The state has the ability to share its resources and information alongside community insights to come up with joint solutions to direct service funding. The extent to which procurement rules and accountability frameworks constrain real partnership within this relationship should be assessed, alongside a review of the contracting approach. The power imbalances may also be indicative of the Government's approach to other sectors. Similar challenges can be seen in other aspects of government where delivery is devolved, such as witnessed between the Ministry of Health and District Health Boards' (McCloskey & Diers, 2005). This raises questions as to how the state could use their mechanisms differently to involve other parties in direction and decision making. If the state wishes to devolve decision making, trust must be established, and the state must work to understand community perspectives so it can act as a fair judicator between community objectives and funding pressures. In addition to reviewing how the state works with non-profits in setting funding direction for social services, the state should review how it incorporates viewpoints of New Zealanders in policy decisions, such as through reviewing policy consultation processes to enable real engagement.

Conclusion

This chapter has summarised the findings from this research, drawing on the results of the analysis and the earlier chapters which introduced the debates within the contracting out of social services by the Fifth National Government. CDA was used to answer the research questions of what discourses support the contracting model under the Fifth National Government, what ideologies these represent and what power dynamics are evident. The discourses identified reflect a range of assumptions that support purchasing outcomes and the contracting model more broadly. This research has provided a critique of the social investment approach that is a driving force behind purchasing outcomes, while uncovering some of the neoliberal assumptions that support the continuation of the contract state. Discourse use was explored to identify power dynamics between the state and the non-profit sector, and the state and social service clients. This study calls for the role of political discourse to be better understood, the assumptions of the contracting model to be brought to public debate and the power imbalance between the state and the non-profit sector to be addressed. With the change in Government there is an opportunity to see an ideological shift in New Zealand. Time will tell if neoliberalism and the contract state persist or are replaced.

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Appendix A

Sample texts

Social Development Portfolio		
Code	Reference	Summary
1.1.	Bennett, P. (2009). Grassroots Voices report welcomed [press release]. New Zealand: Author.	Responds to a report from the NZ Council of Christian Social Services, acknowledging the need for collaboration between government and social services providers.
1.2.	Bennett, P. (2009). Salvation Army Social Services Conference [speech]. New Zealand: Author.	Speech to Salvation Army on the Job Summit, FreshStart programme and youth guarantee. Talks of the need for effectiveness and value for money of services the government funds.
1.3.	Bennett, P. (2009). Launch of Community Response Fund [speech]. New Zealand: Author.	Launch of Community Response Fund as part of response to recession, recognising extra demand on social services to provide crisis funding. Also announced reshaping of P2P programme to get better value.
1.4.	Bennett, P. (2009). Contracting Overhaul for Social Services Sector [press release]. New Zealand: Author.	Announces introduction of trial of the High Trust contracting model to simplify contracting arrangements and reduce reporting burden.
1.5.	Bennett, P. (2010). Whānau Ora a bold move for innovative Govt [press release]. New Zealand: Author.	Announces investment in Whānau Ora and need for greater flexibility and innovation in the sector.
1.6.	Bennett, P. (2010). New 90.5m fund for social sector transformation [press release]. New Zealand: Author.	Building on success of Community Response Fund, an additional 90.5m over next 4 years announced for a Quality Services Fund. Funding focused towards integrated service delivery, and reduced back-office costs. Fund aimed to address gaps in delivery, encourage collaboration and support new high quality, innovative services.
1.7.	Bennett, P. (2010). Budget speech: Vote Social Development 2010 [speech]. New Zealand: Author.	Talks to the community response model to devolve decision making to communities, and other initiatives including Whānau Ora.

1.8.	Turia, T. (2010). Whānau Ora: Transformation [speech]. New Zealand: Author.	Whānau Ora initiative speech exploring the shift to outcomes and community driven decisions.
1.9.	Bennett, P. (2012). Address to New Zealand Council of Christian Social Services [speech]. New Zealand: Author.	Speech on welfare reform and transformation of contracting to outcomes models. Used youth services as an example of outcomes contracting.
1.10.	Bennett, P. (2013). 8.6 million to build muscle in the social sector [press release]. New Zealand: Author.	Announces first round of the Capability Investment Resource for non-profits to use on organisational capability.
1.11	Bennett, P. (2014). Investment helps beef up NGO capability [press release]. New Zealand: Author.	Announcement of 31.65m over 4 years to strengthen MSD funded organisations through the Capability Investment Resource fund and through capability mentors.
1.12.	Tolley, A. (2015). Strategy to improve results in social services [press release]. New Zealand: Author.	Release of long-term strategy for social service investment to deliver better results for clients and tax payers. Announced three years to transitions providers to results based contracts with measures.
1.13	Goodhew, J. (2015). Superu conference speech [speech]. New Zealand: Author.	Speech about investment approach and important role of Superu in research for this.
1.14.	Tolley, A. (2016). Funding and programmes for Whānau-centred services transferred to Whānau Ora [press release]. New Zealand: Author.	Announcement of transfer of additional funds to support Whānau Ora.
Community and Voluntary sector Portfolio		
Code	Reference	Summary
2.1	Turia, T. (2009). Association of Non-Governmental Organisations of Aotearoa [speech]. New Zealand: Author.	Speech to Association of Non-Governmental Organisations of Aotearoa. Calls for more collaboration with the community and voluntary sector and the need for a proactive response to the economic down turn.
2.2	Turia, T. (2009). Funding to support the voice of the community [press release]. New Zealand: Author.	Announcement of release of funding for community organisations to participate in government process/ policy consultation. Need to ensure they have a voice to get community solutions.
2.3	Turia, T. (2009). Turia announces interns for community groups [press release]. New Zealand: Author.	Funding announced to enable community groups to employ skilled interns from government, private and community sectors.

2.4	Turia, T. (2009). National Community-Government Forum [speech]. New Zealand: Author.	Speech about relationship between Government and community and voluntary sector. Responds to the 'good intentions' and 'from talk to action' reports. Proposal for relationship agreement. Mentions NGO survey, community sector taskforce and establishment of Whānau Ora.
2.5	Turia, T. (2010). Code of funding practice released [press release]. New Zealand: Author.	Release of the Code of Funding Practice. The Code will assist government agencies and community organisations to build better funding arrangements through working together to address issues such as managing risk and negotiations, high compliance costs, accountability, shared outcomes, monitoring and reporting.
Finance Portfolio		
Code	Reference	Summary
3.1.	English, B. (2015). Speech to Treasury Guest Lecture Series on Social Investment [speech]. New Zealand: Author	Talks to the social investment approach and social service outcomes, and the need for contracted providers to be flexible and be held to account for delivering outcomes to families.

Wider corpus

Portfolio	Reference
Social Development	Bennett, P. (2009). New fund to support critical social services during the recession [press release]. New Zealand: Author.
Social Development	Bennett, P. (2009). Critical social services get 8.8mil funding boost [press release]. New Zealand: Author.
Social Development	Bennett, P. (2009). Funding boost for essential social services [press release]. New Zealand: Author.
Social Development	Bennett, P. (2010). High trust contracting roll-out continues [press release]. New Zealand: Author.
Social Development	Bennett, P. (2010). New tool to provide funding transparency [press release]. New Zealand: Author.

Social development	Bennett, P. (2011). Government backing community organisations [press release]. New Zealand: Author.
social development	Bennett, P. (2011). Community social services get \$25m boost [press release]. New Zealand: Author.
social development	Bennett, P. (2012). Family Violence coordination gets support [press release]. New Zealand: Author.
Social Development	Tolley, A. (2015). Extensions for Social Sector Trials [press release]. New Zealand: Author.
Social Development	Tolley, A. (2015). Extra support for social service providers [press release]. New Zealand: Author.
Social Development	Boyle, B. (2016). Speech by Brendan Boyle [speech]. New Zealand: Author.
Social development	Tolley, A. (2016). Social Sector Trials move to local-led model [press release]. New Zealand: Author.
Community and Voluntary Sector	Turia, T. (2011). The Office of the Community and Voluntary Sector has a new home [press release]. New Zealand: Author.
Community and Voluntary Sector	Turia, T. (2011). Government to sign relationship Accord with Communities [press release]. New Zealand: Author.
Community and Voluntary Sector	Turia, T. (2011). Community-led Development initiatives make progress [press release]. New Zealand: Author.
Community and Voluntary Sector	Goodhew, J. & Wagner, N. (2014). Counting the contribution of the non-profit sector [press release]. New Zealand: Author.
Community and Voluntary Sector	Goodhew, J. (2015). Professional interns help the community [press release]. New Zealand: Author.
Community and Voluntary Sector	Goodhew, J. (2015). Community groups to gain skilled professionals [press release]. New Zealand: Author.
Community and Voluntary Sector	Goodhew, J. (2016). Community organisation grants scheme open [press release]. New Zealand: Author.

Finance	English, B. (2014). Next step in social investment focus [press release]. New Zealand: Author.
Finance	English, B. (2015). Data allows Govt to identify and protect at-risk youth [press release]. New Zealand: Author.
Finance	English, B. (2016). \$652.1m social investment for vulnerable Nzer's [press release]. New Zealand: Author.
Finance	English, B. (2016). Social investment analytics layer launch [speech]. New Zealand: Author.