



CPSU

Inquiry into Human Services

Community and Public Sector Union & State Public Services Federation Group
Joint submission to the Productivity Commission



Productivity Commission Inquiry into Human Services: CPSU Response to Preliminary Findings Report, October 2016.

The CPSU is pleased to provide feedback to the Productivity Commission's Inquiry into Human Services Preliminary Report. This brief submission should be read in conjunction with our previous submission in response to the issues paper, and the ACTU's submissions to this inquiry. We welcome the opportunity to elaborate on any aspect of our submissions with the Commission.

Unfortunately, the Preliminary Report has reinforced the CPSU's concerns with this inquiry, as outlined in our first submission. The premise of this inquiry is that (1) human service delivery needs to be improved, and (2) the emphasis of the Commission's investigation should be on increased competition, contestability and user choice. While we agree that improvements need to be made to human services, limiting the discussion to only investigating options to increase competition, contestability and user choice makes it clear that this inquiry is not genuinely about improving service delivery – it is about increasing privatisation and marketisation of human services. Despite the numerous submissions made to this inquiry outlining the issues with introducing further 'competition, contestability and user choice' into public services, the Commission has pushed ahead with recommending six areas that apparently could benefit from further marketisation and privatisation.

While we agree with the Commission's suggestion that "potential reform to existing government 'back office' systems that support the delivery of human services, such as payment systems, is beyond the scope of the inquiry" (p.5), and that "not all services are suited to greater competition, contestability and user choice" (p. 38), we are very concerned about the six areas that have been identified for reform.

Government should be more than just a steward

The draft report suggests that competition can drive innovation and efficiencies and already exists in many human services (GPs, private dental, childcare) while also acknowledging that users are not always willing or able to exercise choice for a range of diverse reasons (p.7). It is concerning that the Commission acknowledges that there are difficulties with defining and measuring outcomes (p.7) and yet makes the assumption that these can be overcome with good system design.

The Commission suggests that concerns raised in many submissions, including our own, about the failure of 'competition, contestability and user choice' where it has been implemented in public services, is simply a failure of 'government's stewardship role' and a failure of system design. The Commission states that stewardship "encompasses almost every aspect of system design, including identifying policy priorities and intended outcomes, designing models of service provision, and ensuring that services meet standards of quality, accessibility and suitability for users" (pp. 33-34). The CPSU's original submission provided very detailed information about the failure of the Job Network. We suggest that the Job Network failed for a raft of reasons, including design failure. Similarly, the ACTU's submission detailed the failure of the Vocational Education and Training (VET) reforms. The Commission dismisses the VET debacle as simply "what can happen when governments fail to discharge their stewardship role well" (p. 34), and suggests that failures of privatisation can be overcome "by designing appropriate systems to provide human services" (p. 10). The CPSU contends that privatisation of public services will continue to lead to failures; not least because of the incompatibility of the profit motive and services whose primary concern should be delivering quality outcomes to the public. These problems cannot be overcome by better system design – they are inherent in the private delivery of public goods and services.

We contend that the role of government is much more – and should be much more – than that of a steward. Government has a responsibility to its citizens to deliver public services; decent public

services are the foundation of a fair, just and democratic society. Quite simply, the Commission's conceptualisation of the role of government as simply a steward ignores its fundamental role in the delivery of services.

Commissioning

The Commission acknowledges that competition is not always possible or desirable and goes on to suggest that contestability can mimic competition to drive efficiencies (p.8). The CPSU is concerned about this approach, however, and seeks that the Commission provide evidence that shows how contestability achieves this outcome. The CPSU refers the Commission to the work of Associate Professor Helen Dickinson who, when referring to 'commissioning' noted that in the Australian context "many of the uses of the terminology of commissioning to date have been as a synonym for more contracting out or privatisation. In a number of documents the types of words that appear alongside commissioning are things like 'contracting' and 'contestability', with the aim of delivering efficiencies through competition-like mechanisms."¹ In comparing commissioning to unicorns she writes in a subsequent piece: "this is the tricky issue that many embarking on a commissioning approach are faced with: how is it possible to make a reality of a commissioning approach and in the process drive improvement through public service systems and make better use of resources – and not just simply become a horse with a carrot tied to your head? For sure there are no easy answers to this question. But, just like unicorns, high quality commissioning might be elusive but for sure it exists out there somewhere. Just watch out for the horn."²

Competition, contestability, user choice and not-for-profits

The Commission notes that not-for-profit providers deliver additional social capital in service provision (p. 35), and notes the concern of some not-for-profit providers that social capital could be lost by increasing competition. While the CPSU appreciates the important role not-for-profits organisations play in our community, we believe that further outsourcing and increased 'competition, contestability and user choice' in the sector will erode this social capital. We note the academic research in this area which has examined the impact of increased service provision by not-for-profits funded by government grants and contracts to deliver public services. This research has found that privatisation/outsourcing to not-for-profits leads to a loss of social capital and those unique characteristics which connect not-for-profits with the community. The impacts of privatisation/outsourcing have seen not-for-profits:

- lose their independence and their advocacy roles³ with some organisations being contractually prevented from criticising government policy⁴;
- experience 'mission drift' and 'role distortion' – moving away from what their stated purpose is and taking actions in the interests of their organisation which are counter to the organisation's ethics⁵ and sense of altruism⁶;

¹ <http://www.themandarin.com.au/18604-commissioning-public-services-definition-aims-matter/>

² <https://helendickinson.wordpress.com/2016/09/12/why-commissioning-is-like-a-unicorn/>

³ Scott Fitzgerald et al., "The Restructuring of WA Human Services and Its Implications for the Not-for-profit Sector," *Australian Journal of Social Issues* 49, no. 4 (2014): 510.

⁴ Al Rannie and Scott Fitzgerald, "Putting the Public First? Restructuring the West Australian Human Services Sector," *International Journal of Employment Studies* 20, no. 1 (2012): 114.

⁵ Fitzgerald et al., "The Restructuring of WA Human Services and Its Implications for the Not-for-profit Sector": 511.

⁶ Beth Cook, Victor Quirk, and William Mitchell, "The Impact on Community Services of Staff and Service Reductions, Privatisation and Outsourcing of Public Services in Australian States" (Centre for Full Employment and Equity, 2012): 168.

- become more competitive and concerned about their own survival over cooperation with other not-for-profits⁷ and the provision of the service to the community⁸;
- experience funding uncertainty through the implementation of individualised funding models⁹;
- promote and advocate for further outsourcing of public services, regardless of whether it is good for the community or not¹⁰; and
- exhibit a tendency to become corporatised¹¹ and appoint managers from a business background over those with experience in the not-for-profit sector¹².

The CPSU believes that the wider community loses out through the outsourcing of public services to not-for-profit organisations through:

- a further deterioration in the already poor employment conditions of not-for-profit workers¹³ despite the need for them to be highly skilled¹⁴;
- the introduction of direct client funding that employs workers on common law contracts with no Award, union representation, and unfair dismissal protections¹⁵;
- losing diversity of not-for-profit service providers as government policy tends towards favouring larger organisations which end up crowding out the smaller organisations¹⁶;
- governments outsourcing to not-for-profits as a precursor for outsourcing the service to a for-profit corporation¹⁷, and
- no demonstrated improvement in the performance of not-for-profit service providers in Australia from perspective of both users and employees¹⁸.

The introduction of further ‘competition, contestability, and user choice’ and further outsourcing of public services to the not-for-profit sector will be detrimental in terms of service delivery to the public, wages and conditions of workers, and will lead to a deterioration of social capital in the sector.

Government is best placed to deliver integrated services

The Commission notes that there is a push towards greater integration of human services (p. 59). The CPSU welcomes a move towards more integrated service delivery, and notes that it would benefit people with a range of complex needs who require support from multiple public services. We note that Bromfield and Holzer, in their review of child protection services, concluded that child protection service systems across Australia are failing to meet the needs of families with multiple

⁷ Fitzgerald et al., “The Restructuring of WA Human Services and Its Implications for the Not-for-profit Sector,” 514.

⁸ *Ibid.*, 518.

⁹ *Ibid.*, 516.

¹⁰ Cook, Quirk, and Mitchell, “The Impact on Community Services of Staff and Service Reductions, Privatisation and Outsourcing of Public Services in Australian States,” 165.

¹¹ Fitzgerald et al., “The Restructuring of WA Human Services and Its Implications for the Not-for-profit Sector,” 512.

¹² *Ibid.*, 515.

¹³ Rainnie and Fitzgerald, “Putting the Public First? Restructuring the West Australian Human Services Sector,” 109.

¹⁴ Fitzgerald et al., “The Restructuring of WA Human Services and Its Implications for the Not-for-profit Sector,” 513.

¹⁵ *Ibid.*, 516–7.

¹⁶ *Ibid.*, 512.

¹⁷ Al Rainnie and Scott Fitzgerald, “Putting the Public First? Restructuring the West Australian Human Services Sector,” 116.

¹⁸ *Ibid.*, 119.

and complex problems – not only because of a lack of services and resources, but because the service system is designed as completely separate organisations and agencies.

Social problems are often multifaceted, and families require support with housing, mental health, welfare, etc. Bromfield and Holzer concluded that, to respond more effectively to families with complex problems, a whole-of-government approach is needed that facilitates integrated working relationships between child protection and different government agencies.¹⁹ We agree with Bromfield and Holzer that government is the provider best-placed to deliver integrated, holistic services. Privatisation to for-profit or not-for-profit entities further disjoints services, and if the Commission is serious about integrated service delivery, then this inquiry should be examining ways that integrated services can be better delivered by government – not to further fragment and disjoint public services through further outsourcing.

Concluding comments

The CPSU notes that improvements could be made to service delivery (with the exception of public dental which the PC notes is functioning efficiently. It is the views of the CPSU that while outcomes are being achieved in this area, sustained underfunding means that over time, without a significant injection of funds, the quality of public dental care will continue to decline). However, introducing further ‘competition, contestability and user choice’ is unlikely to provide better services. Instead, we urge the Commission to explore other options for improving these service areas, such as increased funding and resourcing, co-design of services with citizens/communities, and integrated/holistic service delivery models.

¹⁹ Bromfield and Holzer, ‘A National Approach for Child Protection’,
<https://aifs.gov.au/cfca/sites/default/files/publication-documents/cdsmac.pdf>