

VCOSS

BROTHERHOOD OF ST LAURENCE

THE CENTRE FOR PUBLIC POLICY

**Joint submission to the
Productivity Commission Review of
National Competition Policy
Arrangements**

11 June 2004

Introduction

The Victorian Council of Social Service (VCOSS), the Brotherhood of St Laurence and the Centre for Public Policy, University of Melbourne (the Submission Partners) have collaborated in making a joint submission to the Productivity Commission's Review of National Competition Policy (NCP) arrangements. Each of these organisations welcomes the Productivity Commission's Review, believing that the Review provides an important opportunity to develop a model that incorporates a more satisfying concept of the public interest text, and which is based on a greater regard for the diversity of organisations that contribute together with governments in the promotion and support of the wellbeing of society.

An overview of each of the submission partners is provided below.

Victorian Council of Social Service

The Victorian Council of Social Service (VCOSS) is the peak body of the social and community sector in Victoria. VCOSS works to ensure that all Victorians have access to and a fair share of the community's resources and services, through advocating for the development of a sustainable, fair and equitable society, with a focus on the needs of Victorians on low incomes and/or who experience disadvantage.

VCOSS VISION

VCOSS believes a society that lives out the principles of equity and justice:

- ☐ ensures everyone has access to and a fair share of the community's resources and services
- ☐ involves all people as equals, without discrimination
- ☐ values and encourages people's participation in decision making about their own lives and their community.

This is consistent with Article 25 (1) of the 1948 Universal Declaration on Human Rights states:

"Everyone has the right to a standard of living adequate for the health and wellbeing of [her or] himself and of [her or] his family, including food, clothing, housing and medical care and necessary social services, and the right to security in the event of unemployment, sickness, disability, widowhood, old age or other lack of livelihood."

Brotherhood of St Laurence

The Brotherhood of St Laurence is an innovative welfare organisation with a strong 70 year history of advocacy and support. Established during the Great Depression, the Brotherhood of St Laurence was the vision and creation of Fr Gerard Tucker, a man who combined his Christian faith with a fierce determination to end social injustice. The Brotherhood has developed into an independent organisation with strong Anglican and community links. Today, we continue to fight for an Australia free of poverty.

THE VISION

Australia free of poverty

The Brotherhood of St Laurence will work with others to create

- ☐ an inclusive society in which everyone is treated with dignity and respect
- ☐ a compassionate and just society which challenges inequity
- ☐ connected communities in which we share responsibility for each other
- ☐ a sustainable society for our generation and future generations.

Centre for Public Policy, University of Melbourne

The Centre for Public Policy within the University of Melbourne was established in 1995 to provide a forum for teaching, research and informed discussion of issues relating to policy design and evaluation, public sector economics and public sector management and change. The Centre has established connections with similar institutions overseas. It has reciprocal arrangements with The Woodrow Wilson School of Public and International Affairs at Princeton University and The Public Policy Program at Georgetown University, Washington DC. The Centre also has strategic alliances with a range of institutions within the University of Melbourne, in particular the Faculty of Economics and Commerce, and the Centre for Comparative Constitutional Studies, enabling it to offer students a wide choice of options in putting together programs suited to individual needs.

The Centre's teaching programs are primarily intended for public and community sector leaders and managers or those wishing to pursue such a career. They have been designed to encourage deep thinking about policy issues, to challenge conventional ideas about the process of government and public sector management and to develop the student's capacity for high quality policy work and best practice management. The Centre's programs aim to provide professional qualifications for people involved in the public sector, for people with a professional interest in public policy and management and those interested in the analysis of government policy. Principal areas of specialisation are:

- ☐ policy analysis: policy design and evaluation, advising on policy;
- ☐ public sector management and change;
- ☐ public sector economics;
- ☐ policy research skills;
- ☐ media and communications skills;
- ☐ ethical and legal issues in the public sector.

Background

VCOSS and the Brotherhood of St Laurence held a joint workshop seminar on 4 June to both inform this submission and to provide an opportunity for other sector organisations to discuss issues and concerns that they may highlight in individual organisation submissions to the Review. This submissions draws on the discussion at this seminar as well as the experience of VCOSS members more broadly and the individual experience, research and work of each of VCOSS, the Brotherhood of St Laurence and the Centre for Public Policy.

A concern was expressed at the seminar regarding the short time frame for contributions to the Review. All organisations noted that they would welcome the opportunity to comment on the discussion paper draft, due in late August 2004.

Overview

The Submission Partners advocate that there are three key aspects requiring specific attention as part of the Commission's Review of National Competition Policy arrangements:

- ☐ Redefine the way in which the public interest test is conceived,
- ☐ importance of a proactive role for governments
- ☐ Encompass a broader definition of sustainability – incorporating social, environmental, cultural and economic sustainability

The Public Interest Test

The Submission Partners endorse two particular comments in the Productivity Commission's Issues Paper regarding the Review of National Competition Policy Arrangements:

"that competition is not an end in itself and ... it is not necessarily desirable or practical to promote competition in every activity. Accordingly a central feature of the NCP has been its focus on reform that is 'in the public interest'. In this context, explicit recognition needed to be given to social, environmental, equity and regional objectives when assessing particular reform options." (p.1)

"The Productivity Commission recognises that some groups will be disadvantaged by competition policy, hence the need for 'effective implementation mechanisms to ease the burden of adjustment and adverse distribution impacts associated with policy change.'"(p.1)

In relation to the second comment, the Submission Partners note that specific distributional impacts on vulnerable groups also have clear negative impacts on the Australian community as a whole. Any reconceptualisation of the public interest must take account of the concepts of distributive justice are critical, which relates to fairness in the distribution of goods. The Submission Partners advocate that residual markets are not only unacceptable in social justice terms, but are also unacceptable in relation to the broader economic and social impacts on the whole community.

The participants at the joint VCOSS – Brotherhood of St Laurence Seminar believed that the concept of the public interest has never been adequately dealt with under the current NCP arrangements. The Submission Partners strongly support this position. In view of the neglect of justification and review of this key concept of the public interest, the seminar participants offered the view that to date this key concept has been framed in narrow utilitarian terms.

It was noted at the Seminar that this utilitarian philosophy, which has informed much of orthodox economics conceptions of economic welfare, has itself fallen out of favour amongst many economists, and has been criticised by Amartya Sen. In general terms the net benefit is quantified in terms of preferences expressed in the market and is indifferent to what is actually preferred. When the *net public benefit* is measured in these narrowly economic terms, gnp is thought to be greatly by the growth of the drug trade even though many would consider this a sign of social decline. Sen notes that Rawls has provided a valuable alternative framework which has greater regard for social outcomes especially in terms of building into the public interest test a right to an equality of opportunity for all.

The Submission Partners recognise that this is not the only way of conceiving a public interest test but the advocate that it is vital that a new framework of contestability is developed which has a much greater regard for values other than economic efficiency. As such, alongside economic growth, other tests, such as contributions to social, environmental and cultural development and sustainability, are required. The Submission Partners direct the Commission to the last section of this submission for a more detailed discussion of sustainability.

A further key point, is that current NCP arrangements do not acknowledge in any way the significant contribution non-government community and social sector organisations to the social and economic growth. Non-government community and social sector organisations contribute to strengthening communities, social cohesion, equity, giving voice to disadvantaged groups and achieving change. The Submission Partners refer the Commission to the Australian Council of Social Service (ACOSS) paper, *Common Cause: Relationships and reforms in community services*,ⁱ for a fuller discussion of these issues.

The ACOSS paper, *Common Cause*, also notes that there is an urgent need to move to an evidence-based footing in the evaluation of NCP arrangements. The Submission Partners welcome the Productivity Commission's call for "factual input from participants" to inform the

Review (see the *Evidence – Social and economic impacts of NCP* section of this submission for specific references). The Submission Partners believe that any reconceptualisation of NCP must encompass mechanisms for research and evaluation to strengthen credibility in the community and to inform the new policy's ongoing effectiveness.

Currently, the NSW Government is negotiating a social compact with the community and social sector in that state, and the Victorian Government Department of Human Services signed a Partnership Agreement with the Victorian community and social sector. These follow similar moves in other Australian States and overseas. The Submission Partners believe that a study of these compacts and how they might inform a new basis for government – non-government – private sector relationships in the effective delivery of social services ought to be a key outcome of the Productivity Commission's current Inquiry into existing National Competition Policy arrangements.

The Submission Partners advocate that the public interest test requires a thorough reconceptualisation. Any reconceptualisation must take account of more aims than merely an increase in utility narrowly measured in economic terms. This reframing needs to bring into account broader social, environmental and cultural factors and avoid ideological assumptions that small government is necessarily best.

Proactive Government

The Submission Partners argue that Federal, State and local Governments should have a more proactive role. Governments should have a strong role

The participants at the joint VCOSS – Brotherhood of St Laurence Seminar believed that the current NCP arrangements, including the public interest test, implied too narrow a view of the role of government. In assessing public benefit, philosophical assumptions are important. The move towards a greater reliance on market mechanisms evident in the current NCP arrangements was based on a belief that the market in itself would produce better economic outcomes than more regulatory regimes. Within this belief, there appears to be an embedded assumption that small government with individuals left to compete in the market ought to be not just the kind of economy we want but the kind of society we seek more generally.

The Seminar participants considered that this approach only undermines the rights of those who already experience disadvantage in the community. Markets can be effective instruments for economic exchanges, but key concerns and issues arise when they are given too large a role in the distribution of resources in a society. The Submission Partners argue that when markets are viewed as the decisive means of redistribution with a minimal role for government, then social or distributive justice becomes disparaged.

The Submission Partners challenge this position emphasising the role of government in fostering the common good. This term, the common good, is not to be understood as the greatest good of the greatest number – as in utilitarianism, where little consideration is given to the fate of those who are poor or who experience disadvantage. The common, or, human good approach, fosters an organisation of society that favours the wellbeing of all its members, but particularly places a high priority on social equity and social justice, so that all can have reasonable opportunities in life.

The Submission Partners advocate that market mechanisms are one of the tools available for government policy, but of themselves ignore inequality of purchasing power, and so need to be regulated and augmented by other policies and mechanisms of redistribution.

Again, the Submission Partners advocate that the public interest test requires a thorough reconceptualisation. In addition to giving equal consideration to economic, social, environmental and cultural factors, any reframing must move away from the ideological assumption that small government is necessarily best.

Sustainability

Any new policy must encompass a broader definition of sustainability that incorporates social, environmental, cultural in addition to economic sustainability and efficiency, and which promotes social inclusion of all citizens.

The Submission Partners believe that the current NCP is uni-dimensional, with its primary, or sole, focus being economic, with minimal consideration given to social, environmental and cultural factors. Any new model must be multi-dimensional, with equal consideration given to each of social, environmental, cultural and economic factors.

A sustainable Australia

The importance of sustainability for the future of Australia is highlighted in the following:

*"If growth does not provide properly for the well-being of all Australians, if it does not contribute to the solution of existing social, cultural and environmental problems, if it increases disadvantage, produces new inequities, and further despoils the environment, then it not only causes pain and hardship to those affected but also undermines the fabric of the society and the future potential of the economy."*ⁱⁱ

Short-term economically-focused methods of determining outcomes and measuring progress are not adequate, and do not reflect, the real level of community well-being. There is a need for integrated long-term thinking and planning, which recognises the interdependence between social, environmental and economic challenges facing our community.

Internationally, progressive governments are recognising the importance of:

- ☐ Innovation and investment in social, environmental and economic capital;
- ☐ Sustainable resource usage;
- ☐ Linking economic growth with improving services and reducing inequities;
- ☐ Engaging with stakeholders effectively; and
- ☐ Substantially upgrading the skills, creativity and learning capabilities of public sector organisations to meet these challenges.ⁱⁱⁱ

The key to ensuring a sustainable future for all Australians is to integrate a sustainability approach across all government functions. The OECD's *Sustainable Development: Critical Issues* report^{iv} highlights that an integrated framework of effective institutions is essential for sustainability; noting that building the framework will require coherent integration of policies across the economic, social and environmental spheres, significant participation of the community in policy making and implementation, and a strong political commitment to a long-term perspective. It further notes that addressing the objectives of sustainability necessitates the institutional and technical capacity to assess the social, environmental and economic implications of development strategies and to formulate and implement appropriate policy responses.

The Submission Partners advocate that structures and standards need to be developed in a way that recognise and strengthen communities', families' and individuals' ability to accommodate change through their own resources, as well as through provision of community and government support. Partnerships can only work if both parties are equal, and work with respect for each other's strengths - without strong social capital one cannot create effective government-community partnerships.^v

Evidence – Social and Economic Impacts of NCP

The Submission Partners note the Commission's interest in receiving information regarding the effects of adjustment and the distributional consequences of reform, including at the rural and regional level. The participants at the joint VCOSS – Brotherhood of St Laurence Seminar noted that the so-called 'contract state' is widely viewed in the non-government community and social sector to have many flaws.

McDonald has provided a sound overview of many of the widely perceived failures of current NCP arrangements.^{vi} These are outlined below:

In general the competition approach, underlined by NCP arrangements, is associated with :

- ☐ Erosion of community service obligations
- ☐ Reduction of collaboration between agencies and increased secrecy
- ☐ Reduction of Choice for clients
- ☐ Limited opportunities for local planning
- ☐ Cost shifting
- ☐ Threats to continuity of care

The experience of service users is one of:

- ☐ Poorer access and loss of choice resulting from defunding of agencies
- ☐ Tighter eligibility criteria
- ☐ Less consultation
- ☐ Serious concerns regarding continuity of care

For non-government community and social sector agencies, key concerns related to:

- ☐ Increased administrative costs in tendering and reporting
- ☐ Reduced autonomy

The broader impacts on the service system include:

- ☐ Fragmentation of services
- ☐ More secretive and less collaborative
- ☐ Smaller agencies amalgamated or wound up
- ☐ Reduced volunteerism

For local communities, the impacts include:

- ☐ Reduced public accountability
- ☐ Increased economic disparity
- ☐ Hastened population decline

An even more insidious impact has been identified in a recent report from the Australia Institute,^{vii} documenting how dependence on competitively tendered contracts has radically impaired that right to speak out in advocacy for clients, which used to be the hallmark of the non-government community and social sector.

Below are listed a number of key publications which document some of these impacts, particularly from the perspective of community and social sector organisations. Many of these publications relate to the social and economic impacts of the introduction of competitive tendering policies in Victoria. We note the Commission's comment in the Issues Paper that competitive tendering, and other such competition-based reforms, are not formally part of NCP, however we believe that many of NCP principles and practices have been applied in these

instances and, as such, they contribute to developing an understanding of some of the broader social impacts of competition based reforms undertaken over the previous 10 years.

PUBLICATIONS LISTING

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Strategic Directions Forward

As outlined in this submission, the Submission Partners advocate that there are three key aspects requiring specific attention as part of the Commission's Review of National Competition Policy arrangements:

- ☐ Redefine the way in which the public interest test is conceived,
- ☐ importance of a proactive role for governments
- ☐ Encompass a broader definition of sustainability – incorporating social, environmental, cultural and economic sustainability

The Submission Partners emphasise that significant changes are required to NCP. Competition by itself, with a sole focus on economic growth, is not enough. Sustainability across social, environmental, cultural and economic measures are crucial in any reconceptualisation of NCP arrangements. A stronger, more proactive role for governments is also a key element of any reconceptualisation. It is the responsibility of the Federal Government to provide an appropriate institutional framework in which private markets can work with other players to achieve together democratically agreed aims of justice, equity and sustainability, rather than simply policy the rules of market activity.

In this context the distinctive role of the non-government community and social sector requires a new discussion and affirmation. As the Jobs Network and other initiatives has demonstrated, the competition model homogenises participants so that important differences between the roles and contributions of the government sector, the for profit-corporate sector and the not for profit non-government community and social sector have become blurred. As a result, the non-government community and social sector, for example, has had its roles of assisting the very disadvantaged compromised by the need to compete with for profit agencies who steer clear of costly engagements with the difficult groups. Further, valued practices of social collaboration between agencies have been undermined by competitive commercial practice.

Finally, the Submission Partners advocate that Australia needs a model which strengthens the capacity of the non-government community and social sector to function in a way which is

efficient in undertaking work in partnership with governments, but which also builds its capacity to do those things which are its particular strengths, including:

- ☐ Assisting and working with those who experience disadvantage in community based ways
- ☐ Developing and piloting innovative programs
- ☐ Advocating on behalf of and with those who are vulnerable and / or who experience social, economic and cultural disadvantage without fear of government reprisals.
- ☐ Creating deliberative forums
- ☐ Representing those who are vulnerable and / or experience disadvantage or marginalisation that otherwise have no public voice
- ☐ Providing opportunities for those most affected by governmental decisions to be involved in policy formation and evaluation
- ☐ Providing an effective channel for consultation and engagement with communities
- ☐ Contributing to ensuring governments are accountable to the wider community
- ☐ Counterbalancing the influence of corporate organisations over government decision making

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ENDNOTES

ⁱ Australian Council of Social Service (ACOSS), 1999, *Common cause: Relationships and reforms in community services, Paper 102*, Sydney: Australian Council of Social Service

ⁱⁱ Yencken, D. & Porter, L., 2001, *A just and sustainable Australia. ACOSS Paper 115, September*, The Australian Collaboration. Melbourne: ACOSS, p.6.

ⁱⁱⁱ Wiseman, J., 2001, *Learning about innovation and balance: Improving the productivity, sustainability and fairness of knowledge economies and societies*, Melbourne: Department of Premier and Cabinet.

^{iv} OECD, 2001, *Sustainable development: critical issues*, <http://www.oecd.org/EN/document/0,,EN-document-0-nodirectorate-no-4-8919-0,00.html>

^v Agencies working at the front line in community welfare in Victoria are seriously troubled by the effects of economic policy on the ability of people to live in stable relationships in families and households. The indicators show through in the effects of costs of housing, fragile income security, casualisation of labour, productivity increases, costs of education, gambling as leisure, increasing mental health issues, increasing single person households, increasing hours spent at work, or increasing numbers of jobless families. It is not enough to act in positive ways on community building initiatives without also addressing the effect of other policies on the stability of families and households. Otherwise the triple bottom line is an illusion. The sustainability of society depends upon the sustainability of families and households. Economic policies focus too much on individual productivity or profit to the detriment of the web of relationships that make humanity.

^{vi} McDonald, J., 2002, *Contestability and social justice: The limits of competitive tendering of welfare services*, *Australian Social Work*, June.

^{vii} Maddison, S., Denniss, R. & Hamilton, C., 2004, *Silencing dissent: Non-government organisations and Australian democracy*, The Australia Institute: <http://www.tai.org.au/>