



A•S•U
Australian Services Union

ASU Submission

Human Services: Identifying sectors for reform

Productivity Commission Inquiry

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1. Introduction

The Australian Services Union (ASU) is one of Australia's largest unions, representing approximately 135,000 members.

The ASU was created in 1993. It brought together three large unions – the Federated Clerks Union, the Municipal Officers Association and the Municipal Employees Union, as well as a number of smaller organisations representing social welfare workers, information technology workers and transport employees.

Current ASU members work in a wide variety of industries and occupations because the Union's rules traditionally and primarily cover workers in the following industries and occupations:

- Social and community services
- Local government
- State government
- Transport, including passenger air and rail transport, road, rail and air freight transport
- Clerical and administrative employees in commerce and industry generally
- Call centres
- Electricity generation, transmission and distribution
- Water industry
- Higher education (Queensland and South Australia)

The ASU has members in every State and Territory of Australia, as well as in most regional centres.

2. Who we represent in social and community services

The ASU is the largest union of workers in the social and community services sector. Our members predominantly work in non-government, not-for-profit organisations that support people experiencing or at the risk of experiencing crisis, disadvantage, social dislocation or marginalisation.

ASU Members work in services such as:

- youth refuges
- women's refuges
- homelessness services
- domestic violence support services
- community health services
- services that support young people remain engaged in education, training or employment
- family support services
- disability services
- community legal centres
- employment and training services
- employment services
- support for Aboriginal and Torres Strait Islander people
- community or neighbourhood centres
- community transport services
- home and community care services
- and migrant or ethnic services

The term non-government can be misleading as most organisations or services receive funding from the government; however, workers are not employed by the government. Funding sources are also not confined to the government with additional funds coming from philanthropic sources.

ASU members work for a broad range of services, from small local community services to large national community services. ASU members also work for both not-for-profit organisations (NFP) and for-profit providers, so we have a unique perspective of the operation of both models of service provision in this sector. That said, the majority of employers are not-for-profit organisations and are generally employed by community based management committees, boards or collectives. These employers administer government funds and oversee the management of an organisation or service.

3. The Inquiry

The ASU makes this submission having given consideration to the Productivity Commission's (PC's) Issues Paper. We are extremely concerned about moves to extend competitive models and contestability into human services and in particular to community services.

Competition and contestable markets have in recent years become a "mantra" for public policy makers in Australia. However, it is important that policy makers carefully consider the evidence and do not make assumptions that market mechanisms will necessarily yield the best results.

This is arguably the case in respect to the delivery of any publicly funded service, but particularly so in the case of social and community services which are essential to support those in times of crisis, disadvantage, social dislocation or marginalisation.

The Issues Paper suggests that improvements will arise from greater contestability, competition and user choice. However we believe the overall effects of contestability and competition are often negative as they lead to the excessive entry and growth of profit-maximising providers for services on which the most vulnerable and disadvantaged rely.

As identified in the PC's Issues Paper "some services are not well suited to the application of competition principles and reform options must be analysed on a service-by-service basis".¹ It is the ASU's view that the social and community services as detailed above should not be found to be appropriate services to be subjected to increased competition, contestability and user choice.

As outlined in the PC's Issues Paper the nature of some community services are based on outreach models that are not well-suited to a market driven model (for example, services supporting rough sleepers).²

Many ASU members work in organisations that are based on outreach models such as Micah Projects Incorporated, Kyabra Community Association, and Access Community Services Ltd in Queensland.

Further, the Issues Paper notes that services that involve repeat transactions are likely to have greater scope for user choice than one-off services.³ However, relational business models (where users benefit from continuity of service provisions over time from a trusted provider) were acknowledged in Harper's Competition Policy Review Final Report as being important as they "comprise longstanding and sophisticated networks made up of people, places and institutions that are grounded in relationships of trust".⁴

Many ASU members work in organisations that are involved in "relational" business models such as those who work in crisis assistance, case management, family support, domestic violence support, youth services, settlement services, rehabilitation services, and mental health support.

The ASU is strongly of the view that such services are not suited to the introduction of greater competition, contestability and user choice.

¹ Productivity Commission Issues Paper, Human Services: Identifying sectors for reform, p.8

² Ibid, p.15

³ Ibid, p.15

⁴ Competition Policy Review, Final Report, March 2015

4. Summary of ASU recommendations

The ASU makes the following recommendations to the Inquiry:

The Inquiry should find that:

1. social and community services are not suited to the introduction of further competition, contestability and user choice.
2. competitive tendering for social and community services is inefficient, expensive and results in less diversity of service provision.
3. for-profit organisations should not be able to tender for community services, because every dollar of Government funding for community services should go to supporting people in need – not profits for shareholders.
4. social and community services need longer-term secure funding, as the current short-term funding model has deleterious effect on service providers capacity to plan for and provide community services.
5. the existing diversity of social and community services (both small and large, generalist and specialist) should be protected.

5. Overview of not-for-profit social and community services sector

Social and community services have historically been at the forefront of responding to social issues of the day and providing opportunities for individual and families to participate in and shape their community. In its earlier years the role of government was primarily built around the development of infrastructure and industry, and not the delivery of human services. This led to the organic development of community organisations providing community and welfare services with the Commonwealth and State governments funding these organisations. Community services have often been the instigator and innovator for many community service delivery models.

The not-for-profit social and community sector is important for its economic contribution, for its growing public value in implementing government programs and delivering government services, and for its enormous role, extending far beyond the public funding that it receives, in creating a fairer and more civil society. The regulatory environment and contractual limitations imposed by governments has constrained the sector's capacity to manage limited resources, build scale, provide integrated services and focus on outcomes.⁵

Not-for-profit social and community services are at the frontline of this response. Most NFPs are small to medium sized organisations generally with less than 100 employees.⁶ NFPs provide crucial and unique services, developed out of close interagency collaboration, long and deep connections to their communities and a wealth of experience in service delivery.

By working collaboratively NFPs are able to draw on community strengths and bring together government, private and philanthropic resources to solve what are often complex problems that are unable to be solved by one organisation, program or intervention alone.⁷

⁵ Service Sector Reform: A roadmap for community and human services reform, July 2013 [online] Accessed at: <http://vcoss.org.au/documents/2013/11/FINAL-Report-Service-Sector-Reform.pdf>

⁶ ASU, Building Social Inclusion in Australia, p.12

⁷ Sustaining Community Sector Value in a Vital Community Services Industry, January 2016 [online] Accessed at: <http://www.actcoss.org.au/sites/default/files/public/documents/2016-briefing-community-services-industry-plan-02-jan2016.pdf>

For social and community services to thrive they must build relationships and create trust within the community. It is not about driving economic policy decisions by prioritising “value for money” in a competitive environment above all other considerations, and without regard to the community sector’s purpose or the expectations and values of people accessing services.⁸

NFPs are able to create value in ways that market-based mechanisms neither seek nor have the capacity to do. This sector characteristic was acknowledged in the 2010 PC Research Report into the Contribution of the Not-For-Profit Sector as follows:

*“the distinctive characteristics of community organisations give them a comparative advantage in delivering human services where the motivation to address disadvantage and knowledge of, and sensitively to, client needs are in scarce supply..... What appears particularly important to the comparative advantage of NFPs in delivering these types of services is their reach into the community and community participation in decision making processes”.*⁹

It went on:

“The potential benefits of NFPs delivering human services is well recognised by governments. The Commission’s survey of government agencies (appendix D) found that the top four motivations for engaging NFPs in the delivery of human services were that NFPs:

- *provide flexibility in service delivery*
- *are better able to package the service with other services for the target client group*
- *give value for money*
- *are representative of the clients the program is targeting.”*¹⁰

It is therefore imperative that the not-for-profit social and community services sector continues to deliver vital service delivery without the “threat of entry or replacement by an alternative provider” to ensure current providers are kept “on their toes”.¹¹ This will only be achieved by ensuring these services are not subject to the introduction of further competition, contestability and user choice.

6. The limits of “competition” in the area of community services

The ASU is concerned the unique role and relationships that locally based community organisations have in the lives of communities, due to their local knowledge, could be undermined if local services are replaced with large for-profit corporate services. By pitting organisations against one another, local services and local partnerships may be forever damaged with the real possibility that many of these services will close altogether.

A competitive market will provide enormous pressure on NFP community organisations to adopt bureaucratic structures and service delivery models. This is at odds with the NFP objective that community services is about relationships and trust, not about adhering to business models in the quest to be more competitive.

6.1 The mirage of “user choice”

The ASU holds serious concerns about the proposal that client directed service delivery (individualised funding) should be introduced in some sections of the social and community services sector. This funding approach has been applied in parts of the education and child care sectors and has resulted in a significant deterioration in service quality and workforce conditions.

⁸ Sustaining Community Sector Value in a Vital Community Services Industry, January 2016 [online] Accessed at: <http://www.actcoss.org.au/sites/default/files/public/documents/2016-briefing-community-services-industry-plan-02-jan2016.pdf>

⁹ PC Research Report, Contribution of the Not-For-Profit-Sector, p.305

¹⁰ PC Research Report, Contribution of the Not-For-Profit-Sector, p.305

¹¹ Productivity Commission Issues Paper, Human Services: Identifying sectors for reform, p.8

Our experience with individualised funding is that it can actually lead to less choice for users as it reduces government funding for smaller specialised providers and promotes the growth of large homogenous providers. Real user empowerment is achieved through resourcing organisations to work one-on-one with each client to develop their own care and support plan. Individualised plans, not individualised funding models are the answer to user choice and empowerment in this sector.

Ultimately user choice in these markets is a mirage. Market pressures drive a demand for the lowest common denominator meaning that quality service providers are driven out of the market resulting in a reduced diversity of choices for users. Safeguards cannot fully prevent the downward pressure that an individualised funding market creates on service quality, loss of diversity, social innovation, wages and conditions including increased use of casuals and independent contractors, or compensate for the information disadvantage that users have.

Individualised funding in this sector should be considered with caution, especially given service and program development could be compromised with agencies unable to grow and develop without the assurance of a stable funding model.

6.2 Quality of services is paramount

One of the ASU's main concerns about the marketisation of human services delivery is that markets are focused on "efficiency", with a quest for budgetary savings. This often comes at the expense of quality of service.

We are concerned that profit motives and cost reduction will inevitably lead to the erosion of the quality services that are provided to clients in need. In a bid to win tenders organisations may underestimate the true cost of service provision. This means poor quality services for clients and communities, and increased workloads for staff.

Through individualised funding models service providers learn quickly that in order to attract clients and therefore government funding, they must offer the cheapest product. Inevitably this means they employ lower skilled (and therefore lower paid) workers, who will have less time to spend on each client, and have bigger workloads. As Bob Davidson said:

"The quality of a service is critically dependent on the personal and professional skills of staff and the relationships they develop with users, and thus significantly reducing the number or quality of staff or the time they spend with clients can fundamentally alter the nature of the service that is provided".¹²

Large for-profit organisations can more easily thrive in an individual funding environment. They have the advertising budgets and economies of scale to market their service to users. It is the small NFPs that rely solely on government funding to operate who lose out. Unable to compete on price as they lack the economies of scale, and without a marketing budget they may be viewed by users as less attractive, even though they may very well provide a better quality service, and have a track record of better social outcomes.

6.3 Local is best - community connected and responsive

The not-for-profit social and community services sector brings a history of knowledge, expertise and lessons learnt from the long term commitment to an issue, client group or local community. They have their own history, values and identity, and this is often tied to the local community.

At their best NFPs have the capacity to not only be closely connected with their local community but to also understand the needs and be flexible in meeting those needs in a responsive and timely manner.

¹² Davidson. B. (2009), *For-profit organisations in managed markets for human services* [online] Accessed at: <https://ses.library.usyd.edu.au/handle/2123/7287>

What our members say: A CEO of a large regional community based organisation, which delivers out-of-home care and other programs, says: *‘Out of home care relies heavily on the relationships that we build up with other community based organisations. Local community services are best placed to understand their local communities and know how to respond to local needs, initiate and innovate. Competitive tendering is extremely time-consuming for those of us who must write the tenders. It also interferes with and interrupts relationships that have often developed over many years, so it is not a good use of our limited resources.’*

Whilst larger organisations may also value these things they can easily become ‘bureaucratised’ and in turn become less connected with local communities. A market driven by competition, contestability and user choice will bring standardised policies and systems that may cause larger organisations to become less flexible and responsive to their clients’ needs. In addition there is a risk of trust being lost when a for-profit provider is not experienced in local issues.

Over the years many NFP community services have been responsive and adaptive to unrecognised needs resulting from market or government failure. This is because they often provide services which may be too politically sensitive for governments to directly offer - for example, assistance for asylum seekers, needle injecting centres and support services to sexual health workers.¹³

They also offer specific services and initiatives for those in our community that may face extensive vulnerabilities - for example, CALD, indigenous and the LGBTIQ communities. Local community based organisations are able to give voice to the needs of these communities as well as creating opportunities to invest back into the organisation.

The ASU believes social and community services should remain with NFPs as they have the potential to improve the effectiveness of service delivery, especially if local knowledge is matched with sufficient funding flexibility targeted at community needs.¹⁴

6.4 Diversity in service providers

A one-size-fits-all approach favours larger services, and does not take into account the diversity in size, philosophy, service models and target groups among community services. Further, smaller community services may be less able to manage the loss of a significant contract than large service providers, meaning the loss of a contract could see a longstanding community service close altogether. This may see some providers withdraw from the market, leaving less diversity and less choice for users.

The community services sector needs diversity. The experiences of users of social and community services vary enormously and support services need to be responsive and able to support varying levels of need. Large organisations will suit some people, smaller specialised organisations will better support others. The funding model adopted needs to support a diversity of providers.

What our members say: Victoria, manager of a Sydney metropolitan specialist service for women and children at risk says: *‘Family violence is a terrible risk to children and young people. One of the most significant issues arising from the Going Home Staying Home changes was the loss of specialist services for women leaving violence – lumping in women and children who are traumatised with general homelessness has been very damaging. There appears to be a lack of recognition of the very specialised nature of providing DV services. Dealing with family violence requires very specialist skills within a longer term trauma-based framework. These highly skilled workers also need professional clinical supervision because they themselves are vulnerable to vicarious trauma as a result of the issues they are dealing with every day. One of the fears we have is that the proposed reforms to TEIP will make this situation worse.’*

¹³ Australian Council of Social Services Submission, June 2009 to the Productivity Commission inquiry into the Contribution of the Not for Profit Sector [online] Accessed at: http://www.acoss.org.au/images/uploads/ACOSS_submission_-_PC_Study_into_the_Contribution_of_the_Not_for_Profit_Sector.pdf

¹⁴ Service Sector Reform: A roadmap for community and human services reform, July 2013 [online] Accessed at: <http://vcoss.org.au/documents/2013/11/FINAL-Report-Service-Sector-Reform.pdf>

'In addition to the loss of these services, I have to say that the changes have impacted very badly on professionals in the sector. Domestic violence is not the same as any other area of work – constantly working with women and children in crisis leads to vicarious trauma in counsellors. We need specialist support and professional development if we are to maintain professional standards of service delivery. Our service has a reputation for providing world's best practice standards because as the manager I invest heavily in making sure that our team is well trained and well supported. Breaking down the relationships between services and forcing services to be preoccupied with tender applications means that we are being side tracked from what we need to do to build our team, our service and our community.'

6.5 Leaving the sector

Increasing competition could lead to some service providers contracting or withdrawing from the market, or changing the way they deliver services, leading to a loss of connection for vulnerable service users, as well as loss of choice.

Competition can also result in a race to the bottom on price, with the result being either that organisations are forced to deliver a poor quality service or to deliver services at a loss. Larger organisations may be able to cross-subsidise such losses, but this option is not available for smaller NFPs.

What our members say: Jo says: *'Workers at our service and in partner organisations are already very anxious about what will be the impact of the TEIP reforms. We saw what happened with Going Home Staying Home. While we did not lose our own funding, our partners were devastated. We rely heavily on these partnerships to provide the network of services that is needed to support women and children escaping violence. These are always complex issues and so they need an integrated response from a team of specialist community services.'*

6.6 The perils of competitive tendering

The 1990s saw governments move to use competitive tendering approaches in the social and community services sector. The idea behind competitive tendering is that it forces organisations to compete against each other in a competition to determine which one is able to provide a particular service for the lowest price for government. The model has no regard for how much a community values the service or its value to service users. It is not an approach that promotes cooperation, or adequate funding of services.

Smaller specialised NFPs are at significant structural disadvantage in competitive tendering processes despite providing crucial and unique services, developed out of long and deep connections to their communities and a wealth of experience in service delivery.

Competitive tendering is widely touted as achieving certain practise aims, but there is little evidence that it is more cost effective, efficient, stimulates innovation or provides improved outcomes for service users.

Simply put, competitive tendering does not work in the social and community services sector, for the following reasons:

i. It is inefficient and expensive

Services are often required to outlay capital to hire specialist tender writers. This is a significant barrier for smaller locally based and run social and community services. There are also significant costs incurred by government in the development of tender processes, most of which goes directly to the private sector.

ii. It does not promote diversity of service provision or competition

Evidence shows that where competitive tendering has been used, the result is overwhelmingly the consolidation of service providers. In the United Kingdom which recently underwent a similar experiment under its current conservative government, 60% of all government contracts are with just 100 suppliers with £4 billion with 4 multinationals, including Serco and G4S.¹⁵ Near monopolies are occurring in some contracted out areas of service delivery. This demonstrates that in practice competitive tendering means smaller local social and community organisations are cut out of funding opportunities and their local knowledge and experience in supporting vulnerable people, built up over decades, is lost.

iii. The social and community services sector operates in a fixed labour cost environment

This means that efficiencies can only be derived from reductions in quality of service, skills of staff or working conditions and security. Again, in the United Kingdom job losses have been significant, 500,000 – 700,000 jobs were slated to be axed and more than 60,000 had been cut by 2013.¹⁶

iv. It does not foster innovation

The social and community services sector must be innovative; it is the only way to improve service provision. But a competitive funding environment means services are likely to be less willing to work together sharing data, information and outcomes. Competitive tendering also disincentivises experimenting with new approaches, particularly if those things do not easily match up with the criteria and metrics used to allocate funding.

What our members say: The policy officer says: *Competitive tendering is not delivering the best outcomes. Corporate players that are now entering the human services sector are in a position to pay for professional tender writers. Often they have little or no experience in the field. They have no real idea of how much it costs to deliver a professional service. They employ professionals to write a winning tender and that is what they do. Often they underestimate the cost of service delivery to keep their price down. This means that they win the tender to deliver a very specialist service to an extremely vulnerable group of people – but there isn't enough money to do the job properly. Unfortunately, experienced services that are often very good at what they do, may miss out on tenders because they tender at the right price and they can't compete with the professional tender writers and their undercutting tender price. This is not a good way to deliver services. It is not a good way to maintain standards. Key performance indicators in human services can't just be about comparing bottom lines.'*

What our members say: Lisa, coordinator of Rozelle Neighbourhood Centre says: *'Putting domestic violence on the national agenda is all very well, but if we're going to provide the best possible service to our communities, we need to build professional capacity in the sector. That means building relationships, sharing information and resources. We recently applied for funding to run a training day for professionals in the area to share information about what they're doing so that we could provide better, more targeted and appropriate referrals – but we were told that there is no funding for this sort of project.'*

Our experience in 2014 relating to the Commonwealth community service tendering processes reforms by the Department of Social Services showed larger generic service providers, who are able to employ a team of tender writers, to be at a significant and largely unacknowledged advantage in this process. It means that in each funding round there is the potential for a complete reconfiguration of the service provision profile, leading to significant instability and uncertainty for services and service users.

¹⁵ ASU Submission (2015) *Inquiry into impact of service quality, efficiency and sustainability of recent Commonwealth community service tendering processes by the Department of Social Services* [online] Accessed at: <http://www.asu.asn.au/resources/submissions>

¹⁶ Ibid.

Under the reforms, competitive tendering to demonstrate 'collaboration' was forced on many smaller organisations to merge or form consortia, while ignoring the fact that most smaller, specialised local services have worked long and hard to build meaningful collaborative interagency relationships with each other. Instead, services were forced to see each other as predators not partners.

Currently in New South Wales targeted early intervention, mental health, drug and alcohol and out-of-home care programs are all under review by their various funding departments. The consistent concern expressed by our members in those sectors is that the same structures imposed by the Going Home Staying Home (GSHS) reforms (refer to Section 8.8 of this submission) will now be imposed on these other sectors. Without any doubt, the overwhelming concern expressed by the social and community services sector is competitive tendering.

Having witnessed the devastating impact of GSHS competitive tendering on refuges, experienced and skilled professional child protection workers, out-of-home care workers, mental health workers and addiction workers now fear that same impact in their own sector. It is with great concern that we point to international literature on competitive tendering and the marketization of child protection services, homelessness services, mental health services and disability services in the UK, which include frightening examples of the destruction of services and neglect of the most vulnerable in our community under this regime. There are also examples of specialist workers in these sectors being paid on zero hour contracts and billable hours, based upon one minute increments (refer to Section 8.4 of this submission). While we certainly do not compare the NSW funding structure to these horror stories, this international evidence provides a very clear warning about the marketization of social and community services, which is of course, competitive tendering taken to its logical and terrible conclusion.¹⁷

While clearly there is always a need for review and improvement in any service, it would be of enormous concern to our members and indeed to the entire social and community services sector if the current reviews result in the imposition of funding structures that would in turn mean a reduction in the positive, constructive and effective programs such as those outlined in this submission, which have been built over many years and have a record of success across the country.

What our members say: Nikki, coordinator of Liverpool Women's Resources Centre says: *'Going Home Staying Home was supposed to be about more resources coming to the western suburbs. We desperately need specialist services for women who are escaping violence. If they're there I haven't seen them. What I have seen is the breakdown of cooperation and support that used to exist. Services are now competing for what was always a very small pot of funds for women's refuge and support services. What makes things worse now is that instead of working together to share what few resources were available, workers are now competing for funds – so they compete for everything and don't share at all. This has been a devastating change to workers in this sector and of course it impacts very badly on our clients. We simply can't have that happen again in the TEIP reform process.'*

What our members say: A policy officer in a community based organization that delivers out-of-home care, homelessness, and housing, health and family services, says: *Competitive tendering has not worked in our sector. Of course there are some services that don't work well. The best way to assess a service is not what they put in a formal tender document, but their history of performance – whether or not they have delivered. Services that are performing well should not be forced to spend their time and resources going through a lengthy and resource sapping tendering process. The NSW Government Procurement Policy already has very good provisions to engage providers using methods other than competitive tendering, such as direct negotiation. These methods can use information from well-functioning and transparent performance monitoring systems and make it possible to endorse good performers.'*

¹⁷ Social Enterprise UK (2012) *The Shadow State – A report about outsourcing of public services* [online] Accessed at: http://www.socialenterprise.org.uk/uploads/files/2012/12/the_shadow_state_3_dec1.pdf

What our members say: The CEO says: *‘There is already a very high level of compliance requirements, accountability, administration, data collection and accreditation required of out-of-home-care services. There is now some discussion about introducing an additional quality assurance scheme. This will not reduce the number of children who are at risk and will not improve the quality of service as it will only serve to increase the administration burden. The high level compliance regime and contract management coupled with the accreditation status should mean the Department has adequate information to determine funding distribution when programs are due to be re-offered. Services that are not delivering should be firstly supported and assisted. If that does not assist then they should be performance managed rather than being defunded through a competitive tendering process. The reliance on competitive tendering and the results is often disruptive to the community and it interferes with continuity of service for vulnerable children and their families.’*

What our members say: The ASU represents workers at FAMS. FAMS say¹⁸: *‘The competitive tendering process can undermine relationships between organisations and frustrate cooperation. There can be no argument that NGO’s must be viable in order to remain providing quality services to vulnerable children and families. But that must be balanced with the need for place based services, accessible and trusted within their local community, with specialist expertise and local knowledge. FAMS accepts that there must be a level of contestability within the procurement process to ensure that those NGO’s best placed to deliver a quality service are funded. However, FAMS strongly opposes a blanket competitive tendering process.’*

Within funding contracts, FAMS strongly suggests that NGO’s should be supported to develop projects that focus on building relationships and developing innovative ways to work together using a cross sector approach. This could involve developing resources for learning and engagement opportunities to bridge the gaps in service delivery and create a well informed and educated multi-disciplinary service system. This could also include funding for partnership building. Currently funding does not reflect the time required to network and build connections, establish and form partnerships, cultivate solid governance arrangements, develop shared measurement systems and engage in real coordination and planning focused on outcomes for families and children. Ultimately, this work should contribute to a better functioning service system but required investment, time and resources to do it well.’

6. For-profits should not be able to tender for social and community services

A market driven environment will likely create a lucrative market for private providers, with a business model geared around attracting as many people as possible to their service, with their priority to turn a profit for their shareholders.¹⁹

In our view, it is a gross misuse of public funds for businesses that operate for-profit to be able to obtain taxpayer funding to deliver essential government services for vulnerable, disadvantaged and marginalised people, and to be able to make profit from this work.

Currently the not-for-profit community services sector is purpose driven rather than market driven. Accordingly:

“This means that surpluses are reinvested back to provide a dividend for community stakeholders, rather than individual shareholders. This may take the form of an enhanced range of services, increased provision of services, or higher quality services.”²⁰

¹⁸ FAMS 2016

¹⁹ Leighton, D., (2013) *Will charitable disability services become prey?* [online] Accessed at: <http://www.abc.net.au/rampup/articles/2013/04/10/3733162.htm>

The Australian Council of Social Service made this important observation in their submission to the Productivity Commission's inquiry into the Contribution of the not-for-profit sector:

*“Community based organisations have seen themselves as offering something unique, they are locally run. They engage with the community in a range of ways, and typically adapt to the specific problems and needs in their community. They are often highly entrepreneurial. Being tied to a community they have developed ways of surviving through waves of different funding regimes and winning or losing contracts. They don't have the option of simply moving on. Their entrepreneurialism extends to the way in which they see and deal with local problems... They have the ability to deliver services in a way that takes advantage of the assets in the local community and they will reinvest in that community to build those local assets ”.*²¹

There is little impetus for-profit businesses to invest in many of the areas that community based NFPs have traditionally supported: community development, community strengthening, and research.²²

Furthermore, organisations who will make profits from delivering services dealing with disadvantaged people or social problems will have no incentive to work to reduce the incidence of the particular social problem, as its business model would, perversely, rely on the existence of the social problem.

7. Impacts and uncertainty on the workforce

The provision of social and community services depends on the existence on an adequate, accessible and sufficiently skilled workforce. Our members working in the NFP community services sector hold a unique position in which they not only support and care for the most vulnerable members of society, but they are also key advocates for their rights and aspirations to fully participate in society.

The community services sector is a growing sector. According to ABS Labour Force Survey data, in 2014 there were 605,900 paid workers employed in community services industries, representing 5% of the 11.6 million employed people in Australia across all industries. The number of workers in community services industries increased from 393,600 in 2004 to 605,900 in 2014—an increase of 54%. In comparison, the number of employed in all industries increased by 21% over the same period.²³ It is anticipated workforce growth will continue well into the future. It is therefore imperative that during this Inquiry process the Commission takes into account a workforce strategy that supports attracting and retaining workers in the sector. Increasing competition and introducing for-profit incentives into the sector work against this objective and will have detrimental effects in terms of outcomes and service quality for people being supported.

The PC's Issues Paper suggests that putting users front and centre will lead to improvement in quality by providing users with 'choice' about the services they access. However scant attention has been paid to the ways in which individualised funding mechanisms might undermine the achievement of good quality human services by undercutting the employment conditions of the workforce.

In the social and community service sector 70% of our membership is female with approximately 80% being reliant on the *Social, Community, Home Care and Disability Services Industry Award 2010*. In 2012, workers in the social and community services sector were the subject of an Equal Remuneration Order (ERO) which awarded increases of between 23% and 45% following a successful application by the ASU and other unions. The ERO will be phased in over eight years and when fully implemented, will go a long way towards addressing historic gender based undervaluation of work in the social and community services sector. However, these workers continue to rely very heavily on the terms of the *Social, Community, Home Care and Disability Services Industry Award 2010* with respect to conditions of employment such as allowances, overtime and penalty rates.

²⁰ Australian Council of Social Services Submission, June 2009 to the Productivity Commission inquiry into the Contribution of the Not for Profit Sector [online] Accessed at: http://www.acoss.org.au/images/uploads/ACOSS_submission_-_PC_Study_into_the_Contribution_of_the_Not_for_Profit_Sector.pdf

²¹ Ibid, p.13

²² Leighton, D., (2013) *Will charitable disability services become prey?* [online] Accessed at: <http://www.abc.net.au/rampup/articles/2013/04/10/3733162.htm>

²³ Australian Government (2015) *Australia's welfare spending and workforce* [online] Accessed at: <http://www.aihw.gov.au/australias-welfare/2015/spending-and-workforce/#4>

This means labour costs are fixed, and the only way for an organisation to manage such costs is by hiring employees on lower pay grades (and therefore with less experience or qualifications) or with less job security (for example, casual employees).

Ongoing downward pressure on social and community services sector funding has led to a sector that has a large component of casual workers, or other forms of insecure employment such as short-term contracts. Funding is typically provided on the basis of competitive tendering and often involves short-term grants. It is subject to performance criteria and regular review. The nature of the funding has contributed to the following features in the sector:

- i. a significant proportion of employees in the sector are engaged on a part-time and/or casual basis;
- ii. a significant proportion of employees are engaged on temporary contracts;
- iii. there is limited access to paid overtime;
- iv. there is relatively high turnover of employees between employers but within the sector, leading to very limited access to long service leave;
- v. low wages meaning limited accumulation of superannuation benefits;
- vi. high levels of unpaid work;
- vii. employees undertaking unpaid training in the employees' own time.²⁴

We are concerned that user choice models of service delivery lead to 'on-demand' workforces employed on insecure and fixed-term employment contracts.

In their *Secure Jobs, Better Future* paper the Australian Council of Trade Unions (ACTU) identified fixed term employment as generally having similar wages and conditions to ongoing employees, with the important exception of job security. In addition, many workers on fixed-term contracts face difficulties accessing similar training and career opportunities to their permanent counterparts.²⁵

Workers' ability to approach work in a confident, planned, professional and organised way is undermined by a culture of constant change. Already social and community service organisations are increasingly opting for part-time, casual and less qualified staff to keep costs to a minimum in order to win contracts and stay in business. Australian research shows that contracting out does lead to fewer staff being employed by service organisations.²⁶ Employers are increasingly only employing workers on fixed term contracts – this would only get worse under these proposed changes.

What our members say: *'I am currently employed as a Community Mental Health Practitioner. The last three years have been stressful at work, as we have seen the restructuring of adult residential services and recommissioning on mental health services with massive redundancies. The result has meant new staff are now placed on 6-month and 1-year renewable contracts, with provision for early termination. Job insecurity does impact on both staff and clients and it is hard to be fully productive when you are required to look for a new job. It is incredibly stressful applying for jobs in order to keep employment.'*

In this time I have seen across the sector a huge erosion in employment conditions. Now EFT means effective full time, which could be anything from a new standard of 6.5 to 7.5 hours. All these reductions are designed to reduce staff costs and eliminate penalties and paid tea breaks. It means that anyone changing jobs is forced to have a decrease in pay, so going from 7.6 – less 7.2 and dropping hours and going down the employment band, can mean sacrificing up to \$150.00 per week.'

²⁴ ASU Submission to Fair Work Commission – C2010/3131 – Application for an Equal Remuneration Order in the Social and Community Services Industry

²⁵ ACTU paper *Secure Jobs Better Future Paper* (2011) [online] Accessed at: <http://www.actu.org.au/media/125289/Future%20of%20work%20industrial%20options%20paper.pdf>

²⁶ Australian Government (1998) *Will Privatisation and Contracting Out Delivery Community Services?* [online] Accessed at: http://www.aph.gov.au/About_Parliament/Parliamentary_Departments/Parliamentary_Library/pubs/rp/RP9798/98RP15

What our members say: *'Personal carer workers (PCA) are now the equivalent of exploitative factory piece workers from the 80's with their employment conditions. PCA staff are required to use their own cars, not paid for travel time (often required to commute for 20- 40 minutes between jobs.) The service slots can be short, such as 30-60 minutes. They are only paid for direct client work and many contractors have health care cards because of their low income. So to be paid for 3 hours work might entail working and driving for 5 hours and often the spread of hours can be greater. If this independent working contract was to become the employment norm in community services, people will just leave.'*

An additional workforce issue will be the attraction and retention of highly skilled and qualified workers. We believe the sector will have difficulty recruiting and retaining staff when permanent positions are unavailable, with the only option being the acceptance of insecure work. This is of particular concern in regional and remote areas where it can be hard to find qualified and experienced workers in the current environment, let alone under a new more "competitive" model where workers are overworked, deskilled, and undervalued - one can only ask where the motivation is to stay?

Furthermore the government and providers may experience indirect costs due to the constant workforce churn if competition is allowed to dictate the new market driven environment. As workers leave the sector to pursue a career elsewhere the government and providers will need to recruit, train, process termination costs, and contend with loss of productivity measures.

To plan and develop the social and community services sector of the future it is imperative that all stakeholders work together in developing a long term and viable workforce strategy. The ASU along with our members look forward to participating in this important process.

8. Case studies from Australia and Overseas

The ASU provides the following case studies from Australia and overseas where the principles of competition, contestability and user choice have been applied.

8.1 Lessons from the social care market, United Kingdom

The market in social care services provides the best available example of what happens to the quality of care and the terms and conditions of the care workforce when competitive pressures are used to bring about a reduction in the cost of care to the taxpayer.

The introduction of competition between providers to win contracts on a lowest-cost basis has driven down the quality of care in many instances with acknowledgment the current system 'incentivises poor care, low wages and neglect, often acting with little regard for the people it is supposed to be looking after'.²⁷

The drive to keep costs down through competitive market pressures has led to the deregulation and casualisation of the social care workforce. Many workers often receive pay below the minimum wage and a significant proportion are operating on 'zero hours contracts'.²⁸ As the main cost of care provision is the workforce many private firms, seeking to compete in a market designed to drive down costs, respond by reducing rates of pay, limiting the training available to workers whilst expecting them to take on more complex tasks.²⁹ These issues are discussed in detail below.

²⁷ Centre for Health and Public Interest (2013) *The future of the NHS? Lessons from the market in social care in England* [online] Accessed at: <https://chpi.org.uk/wp-content/uploads/2013/10/CHPI-Lessons-from-the-social-care-market-October-2013.pdf>

²⁸ Ibid.

²⁹ Ibid.

8.2 Big Society, United Kingdom

In Britain, the private sector now dominates service provision that once largely fell to the public and not-for-profit sectors. This is largely due to the introduction of the Big Society under the UK coalition government's policy platform for the social and community services sector. The Big Society initiative was launched in 2010 with the vision of seeing "people, in their everyday lives, in their homes, in their neighbourhoods, in their workplace not always turning to officials, local authorities or central government for answers to the problems they face but instead feel both free and powerful enough to help themselves and their own communities".³⁰ Recent evidence suggests that not only has the Big Society initiative failed but the voluntary sector's influence over government has also been reduced.³¹

A recent study by the think tank Civil Exchange has found the UK experience demonstrates that for-profit providers are notoriously unreliable and expensive in the provision of local community services and there is scant evidence that for-profit providers have better service delivery or client outcomes than not-for-profit community-based organisations. In fact, they frequently cost the government more than they save.

In their report *Whose Society? The final Big Society audit report*³² they outline five main reasons for the Big Society's failure. These include:

1. "the market-based model for increasing competition and choice in public services has undermined the achievement of key goals"
2. "power is not being transferred from the State on any scale" and that the Big Society has failed to live up to its promise to give more power to ordinary people
3. there has been a "failure to target those in society who benefit least from society". It adds that this is creating the "Big Society Gap", where those that need it the most are experiencing the worst from public services and the voluntary sector.
4. "failure to establish a strong partnership with the voluntary sector", which "might have been expected to be at the very heart of a meaningful Big Society".
5. "the failure to mobilise the private sector to work for the common good". It adds that levels of corporate giving have not increased to "replace shrinking State funding for the voluntary sector".

Not surprisingly the report recommended less competition and more collaboration between the Government, communities and voluntary groups to draw on the strengths of different communities, with local recipients being given more of a stake in decisions that affect them.

8.3 Children's care homes, United Kingdom

The care system for children in England has undergone a significant transformation in recent years. Private companies now run 75% of all children's homes in England with only 11% of children's home places now run by charities (NFP), whereas previously the vast majority of children's homes were in council-managed provision.³³ Children's homes in England are diverse and include homes for: children who are looked after by a local authority either as a short-term measure or more long term; homes for disabled children and young people; homes for children and young people with emotional/behavioural difficulties – including mental health; and homes for children who have a drug or alcohol addiction.³⁴

³⁰ David Cameron "Speech on the Big Society" (2010) [online] Accessed at: <http://www.britishpoliticalspeech.org/speech-archive.htm?speech=321>

³¹ Civil Society News (2015) *Big Society has failed, concludes Civil Exchange* [online] Accessed at: http://www.civilsociety.co.uk/governance/news/content/18887/think_tank_study_concludes_big_society_has_failed#.V4dTJ_RknnM

³² Ibid.

³³ BBC News (2012) *Are some children's homes putting profit before child protection?* [online] Accessed at: <http://www.bbc.com/news/education-18649389>

³⁴ UK Government, Ofsted (2016) [online] Accessed at: https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/511220/Introduction_to_childrens_homes.pdf

The involvement of for-profit businesses in running homes has proved controversial as many are perceived as putting profit above other considerations. A major review in 2012 found dozens of for-profit children's homes failed to provide acceptable standards of care for the most vulnerable in society.³⁵

Young people in care require intensive support, treatment, education and health initiatives caused by terrible neglect and abuse. To compromise their quality of care to make profits is a travesty.

Regional inequalities have been exacerbated as private firms who provide children's residential care do so where it is cheapest for them – children are placed away from their home boroughs where property prices are lowest. This cuts children off from social and familial relationships and makes them more vulnerable to abuse.³⁶ This is emblematic of the problems that can arise when profit motives overshadow social outcomes.

Earlier this year MP Ann Coffey warned that children's homes in England are being run in the interests of the providers rather than for the benefit of children and young people. The MP suggested homes were being set up in low-cost areas to suit business purposes, rather than what is best for children.³⁷

A further problem experience in children's homes is it is often hard to pinpoint which private firm owns what as they always seem to be perpetual motion, as they buy one another and take one another over and offload assets.

This case study highlights the problems associated with private equity firms and multinationals making profit from society's most vulnerable. It is clear big for-profit firms do not invest in children's homes for altruistic purposes with many putting profit before child protection.

8.4 Adult Social Care, United Kingdom

As with children's homes, adult social care is quite fragmented and dominated by private companies. Adult social care "comprises personal care and practical support for adults with physical disabilities, learning disabilities, or physical or mental illnesses, as well as support for their carers".³⁸ Unfortunately many of these big private providers are based upon fragile and high high-risk investment models (designed to maximise short-term financial returns) that they are at risk of market failure.

There has already been one spectacular such failure – Southern Cross in 2011. Southern Cross was the largest provider of care homes and long term care beds in the UK as increasing demand for care home places and increased lifespans led to its quick expansion. There were many acquisitions over the years with the last one by Blackstone Capital Partners separating the operating company from the property assets. Whilst the financial boom lasted Southern Cross was able to generate large profits however things turned sour during the financial crisis with the company eventually forced to close.³⁹ The inappropriate nature of these high-risk financial models premised upon quick and unrealistic returns highlights the bizarre situation that now exists whereby some of the biggest private providers of health and care are using tax havens to avoid their fiscal responsibilities and then begging the taxpayer to underwrite their morally dubious investment techniques.

³⁵ Independent (2013) *Revealed: Private equity firms are making millions out of failing children's care homes – yet care for vulnerable is 'unacceptable'* [online] Accessed at: <http://www.independent.co.uk/news/uk/home-news/revealed-private-equity-firms-are-making-millions-out-of-failing-children-s-care-homes-yet-care-for-8815656.html>

³⁶ Social Enterprise UK (2012) *The Shadow State – A report about outsourcing of public services* [online] Accessed at: http://www.socialenterprise.org.uk/uploads/files/2012/12/the_shadow_state_3_dec1.pdf

³⁷ Researching Reform News (2016) MP: "Children's homes are run in the interests of providers, not kids" [online] Accessed at: <https://researchingreform.net/2016/01/12/mp-childrens-homes-are-run-in-the-interests-of-providers-not-kids/>

³⁸ National Audit Office (2014) *Adult social care in England: overview* [online] Accessed at: <https://www.nao.org.uk/wp-content/uploads/2015/03/Adult-social-care-in-England-overview.pdf>

³⁹ LGiU report (2015) *Care and continuity: Contingency planning for provider failure* [online] Accessed at: <http://www.lgiu.org.uk/report/care-and-continuity-guide/>

Where providers are at risk of market failure the workforce suffers as organisations try to reduce the overheads paid to staff. This has led to the restriction of annual leave, reducing the numbers of qualified staff, increasing resident-staff ratios, removing sick pay, failing to pay the National Minimum Wage and increased use of zero-hour contracts. Moreover there is evidence that pay rates and staff retention rates are significantly lower in the private sector than in the smaller local authority and voluntary provider sectors.⁴⁰

Alarming staff are often paid, not by the hour, but by the minute; they are not paid travelling time to get from one appointment to the next and 2009-10 saw an increase in 15 and 30-minute appointments, and a decrease in 60-minute appointments, ramping up the amount of every hour that workers spend in unpaid transit.⁴¹

Additionally there is very little training, and almost no career progression as both would interfere with the minimum-wage business model, but in their absence, staff turnover is high and morale is low.

It is well known that the minimum wage is not a living wage, and that the zero-hours contract has left many people struggling to manage even when they have work. In the care sector, to be paid the minimum wage for a predictable number of hours per week would seem like luxury.⁴²

Australian examples

8.5 Client directed 'individualised funding' model in child care

One need only look at what the individualised funding system has done to child care in Australia to see the devastating effects that such a system has had on the child care workforce and on users.

The collapse of ABC Learning was the unfortunate but inevitable consequence of a system over-reliant on private providers and neglected by government. The community and public sector provides just 30% (approximately) of child care in Australia, with private for-profit centres accounting for approximately 70% of centres.

This growth in private providers and emphasis on a market directed child care policy has coincided with deteriorating quality in centres, poor wages and conditions for child care workers, and oversupply of child care places in some areas and chronic shortages in others.

The government introduced the individualised funding model, the 'Child Care Benefit', to the child care market in July 2000. This replaced a model of direct operational grants that were administered to private, public and not-for-profit childcare providers. This scheme led to the proliferation of for-profit child care providers as operators attracted by profit rather than the public interest enter the market.

The model reduced government oversight and regulation of the industry as the government abandoned its regulatory responsibilities and put their faith in the individual consumer who through making a 'choice' would create market signals that would both regulate and distribute funds effectively for the sector.

Unsurprisingly users failed to live up to the standard of the perfect decision maker who can evaluate quality levels, educational value, staffing levels and expertise against cost, location and other relevant factors. Understandably they made decisions on brand, location, cost or they made no decision at all and just secured a place wherever one became available because the market had failed so badly to ensure the adequate supply of places. The market signals sent to service providers were that quality could be sacrificed as long as cost was low and places were available.

⁴⁰ London school of economics and political science (2016) *The Unsuccessful privatisation of social care: why it matters and how to curb it* [online] Accessed at: <http://blogs.lse.ac.uk/politicsandpolicy/why-social-care-privatisation-is-unsuccessful/>

⁴¹ Social Enterprise UK (2012) *The Shadow State – A report about outsourcing of public services* [online] Accessed at: http://www.socialenterprise.org.uk/uploads/files/2012/12/the_shadow_state_3_dec1.pdf

⁴² Ibid.

This was evidenced by the growth of ABC Learning. In 1997 ABC Learning was Australia's largest child care provider with just 18 centres. Through a strategy of 'creeping acquisitions', buying small independent centres, community based centres, and taking over its corporate competitors, ABC Learning maintained its status as Australia's largest child care provider operating 1084 centres prior to its collapse in November 2008.⁴³

ABC Learning should never have been able to get to the size it did. The eventual collapse and market failure were due to several issues including: instability of corporate providers; imperfect planning; and imperfect information. Quality issues were also identified and included: staffing and quality child care; poor wages; poor conditions; reliance on unqualified casuals; and child/staff ratios.⁴⁴

At the time in comparing the ABC Learning Award 'ABC Development Learning Centres Multiple Business' and various States' local government awards, it became abundantly clear where and how ABC Learning was making its profits. At the entry level rate for unqualified or untrained child care workers on the ABC Learning Award workers received \$497.60 a week. In contrast workers at an equivalent level on local government agreements earned between \$579.30 and \$624 a week.⁴⁵

The individualised funding model in child care has had a devastating effect on the child care industry and resulted in the proliferation of low quality care services where staff are underpaid and often unqualified. Consumers have not been able to exercise choice because quality services were driven out of the market by the market pressure for low cost services. It is not a funding model that should be imported to any other service sector where quality is a desired outcome.

The growth and subsequent collapse of ABC Learning (including the impact on families and young children stranded without care in the transition period) is a result of poor child care policy at a government level that has allowed the market to determine supply, location, and service quality.

The ASU strongly opposes an individualised funding model. Our experience with individualised funding in the child care industry has reinforced to us the damaging effects of this funding model on the effective delivery of essential human services and maintenance of a sustainable workforce. Individualised funding depresses wages and conditions, and erodes the quality of services. We advocate a direct funding model for community services that provides funding to organisations to a level that adequately remunerates workers and sustains a quality service.

8.6 Employment services

In 1998 the Australian government privatised the Commonwealth Employment Service (CES) and handed over labour market program delivery to for-profit private providers on a competitive tender basis (the Job Network). These reforms were justified by the Howard Federal Government in terms of improving efficiency and overall employment outcomes through the active encouragement of competition between service providers. With the basic assumption that when shielded from competition service providers lack incentives to act cost-efficiently, to innovate and to be responsive to clients' needs in a changing market.

Many providers pointed to negative impacts on relations within the not-for-profit sector. Mission Australia detailed how competition "has threatened and in some instances destroyed the high levels of collaboration and cooperation once a characteristic of the community services sector".⁴⁶

Also evident were the negative impacts on communities where long-established local agencies ran into financial difficulties as a result of entry into the Job Network. Such difficulties meant employment losses, as well as reduced pay levels and increased stress amongst staff in the privatisation process.

⁴³ ASU Submission (2009) *Inquiry into the provision of child care* [online] Accessed at: <http://www.asu.asn.au/resources/submissions>

⁴⁴ Ibid.

⁴⁵ Ibid.

⁴⁶ Eardley, T, (2003) *Outsourcing Employment Services: What have we learned from the Job Network?* [online] Accessed at: <http://www.docs.fce.unsw.edu.au/fce/Research/ResearchMicrosites/CAER/WorkshopPapers/Outsourcing/OUT01.doc>

The Productivity Commission's Independent Review of the Job Network in 2002 found that the payments structure to Job Network providers led to a substantial proportion of recipients being 'parked' – that is, taken onto the private agency books to get the first incentive payment but then ignored because the prospects of getting any further payments (for successful job placement) were bleak.

The prices attached to employment outcomes also did not adequately reflect all the costs of unemployment which include not only income and output loss, but the deleterious effects on self-confidence, competence, social integration and harmony, and the appreciation and use of individual freedom and responsibility.⁴⁷

Evaluations of the effectiveness of the Job Network showed it failed to provide sustained employment prospects for the vast majority of the case load. In order to meet performance targets specified in their contracts many private providers assumed a police-type role imposing fines and disciplining the unemployed – the people they were meant to be supporting!

In recent years many providers have been caught for cheating and fabricating their reporting in their ambition to increase their revenue. Some have been caught and forced to pay the money back, while others got away with it. Surprisingly none have been sent to prison for the frauds.⁴⁸

In our submission to the Senate inquiry into the DEEWR Tender Process to Award Employment Service Contracts we highlighted ASU member issues experienced due to the transition to Job Services Australia, these included: employers trying to avoid their responsibilities for payment of redundancy pay by trying to get employees to resign during the transition process; and members receiving significant cuts in salary from their old employer to their new employer (drops of up to \$5000pa were not uncommon).

These issues highlight the fraught nature of industries that need to tender and re-tender for contracts with many employees losing their jobs and in the process the industry losing highly skilled, quality employees.

8.7 NDIS

The NDIS is the National Disability Insurance Scheme. It is a new funding scheme to provide support and services for people living with a disability across Australia. At the heart of the NDIS are the objectives of competition, contestability and informed user choice – exactly the same goals as those being proposed by this Inquiry.

Whilst the NDIS is still only in its infancy there has already been some evidence of a growth of more insecure employment arrangements being used to deliver in-home care services. "These range from web venues that connect clients with self-employed aged care workers - charging a fee to both to the worker and the client for each service 'engagement'- to increasing numbers of providers employing workers through labour hire arrangements or as 'self-employed' contractors, to increasing levels of casualisation among direct employees".⁴⁹

Many ASU members working under the NDIS are employed under the *Social, Community Home Care and Disability Services Industry Award*. The Award is currently subject to attack in the Fair Work Commission by employer organisations who wish to reduce minimum engagement of casuals; take away regular and secure hours for part-time workers; increase workers hours without paying penalties; require workers work 24 hours in a client's home but only be paid for 12 hours; and reduce penalty rates applicable to a sleepover.

⁴⁷ Four Corners, The Job Game (2015) [online] Accessed at: <http://www.abc.net.au/4corners/stories/2015/02/23/4183437.htm>

⁴⁸ Four Corners, The Job Game (2015) [online] Accessed at: <http://www.abc.net.au/4corners/stories/2015/02/23/4183437.htm>.

⁴⁹ RMIT University (Submission 290) to the inquiry into the *Future of Australia's aged care sector workforce*

Employers are also looking to restructure their organisations to create casual and short-term positions because they are worried the NDIS will not deliver enough funds to cover wages and leave entitlements. There is also a move in some organisations to create a “two tiered” workforce with a small number of permanent supervisors and administrators and a large group of casual, hourly paid, disability workers.

In the Victorian NDIS trial sites significant workforce issues were exposed:

“(t)here have already been lots of one hour shifts, lots of travel time. We’ve got staff working 15 hours to get 8 hours’ pay, and they’re running their own vehicles. ... We try and have shifts backing on to each other but it’s not always do-able”⁵⁰

While “the low level of pricing of direct care and support work and lack of certainty of demand in the NDIS competitive market, made it difficult to recruit and retain workers and to provide the same level of training and supervision as prior to the NDIS.”⁵¹

In addition several providers reported increased reliance on casual staff as a way to manage more frequent roster changes, which require notice time or consultation arrangements when involving permanent staff. Some trial sites were found to offer pay and conditions that undercut the award or did not apply with occupational health and safety or other regulatory requirements.”⁵²

It is acknowledged widely in the sector that the disability workforce will need to double by 2020 to meet the increased demand for services under the NDIS. There needs to be consideration for how the NDIS will attract workers to the sector and how it will retain the current skilled and experienced workforce. An essential element of this is career progression and professional standards. Market mechanisms do not address professional standards and service quality – rather, government must play an integral role in such regulation and investment.

The NDIS experience shows us that even in a fully market driven system, there needs to be safeguards for workers and clients to ensure quality services and stable workforce demands are met.

The ASU believe good quality care in community services requires a stable workforce with adequate staffing and an appropriate staff mix, as well as working conditions that allow workers the time to develop and maintain care relationships with their clients.

8.8 Australia: Going Home Staying Home Reforms

The Going Home Staying Home (GSHS) reform was introduced as part of the overarching *NSW 2021: A Plan to Make NSW Number One*. The Government asserted that the aim of the reforms was to improve upstream causes of homelessness including: housing affordability, mental health, alcohol abuse, and drug addiction.⁵³ However, in fact the effect of the GSHS changes has been devastating on the sector and in particular on the very vulnerable clients who need to access specialist homelessness services such as women’s refuges.

⁵⁰ Charlesworth, S. & Macdonald, F. (2016) Cash for care under the NDIS: Shaping care workers working conditions? [online] Accessed at: https://www.researchgate.net/publication/296623648_Cash_for_care_under_the_NDIS_Shaping_care_workers_working_conditions

⁵¹ Charlesworth, S. & Macdonald, F. (2016) *Cash for care under the NDIS: Shaping care workers working conditions?* [online] Accessed at: https://www.researchgate.net/publication/296623648_Cash_for_care_under_the_NDIS_Shaping_care_workers_working_conditions

⁵² Ibid.

⁵³ McMahon, O. (2015) *No Place Like 'Home': Examining the 'Going Home Staying Home' reforms* [online] Accessed at: http://scu.edu.au/law-justice/download.php?doc_id17260&site_id=63&file_ext=.pdf.

The immediate impact of GSHS was to see 336 individual services 'consolidated' into 149 'tender packages' operated by 69 non-government organisations.⁵⁴ In practical terms this meant that all of the organisations that had operated to provide refuges were forced to compete for a much smaller number of tenders in order to maintain funding for their services. Small, independent not-for-profit organisations, many of which had been providing specialist services and programs for many years found it almost impossible to compete with larger organisations that entered the competition for tenders – many for the first time. As a result, many of the smaller services lost their funding altogether, or found themselves unwilling sub-contractors to the larger organisations, delivering a very different sort of service within a very different framework.

Services that previously operated as specialist women's services, such as refuges for women experiencing domestic and family violence, have been dramatically transformed. It is estimated that more than 80 women's refuges have closed as a result of GSHS.⁵⁵ For example, under the reforms these specialist services have been transferred to large charities that do not specialise in these services, i.e. they only provide accommodation for both homeless women and men.

The ASU represents workers throughout the homelessness sector and in particular has strong links with women's refuges. The Coalition for Women's Refuges represents feminist organisations and individuals who campaigning on a voluntary basis to reinstate, strengthen and expand women's only specialist services in NSW following the devastating effects of the "Going Home Staying Home" reforms. SOS Women's Services was established in April 2014 to advocate for specialist women's refuges in Sydney's inner-city that were facing closure under the NSW Government's Going Home Staying Home (GSHS) reforms. It has now broadened its advocacy to articulating the necessity of women's services across NSW.

Following the GSHS reforms, SOS reported that: "Since the GSHS reforms were introduced, there has been a huge loss of specialist refuges in NSW. As FACS' own website states, there are now only 28 women-only refuges in NSW with only 18 operated by women's organisations. There used to be more than 70." And "Of the women's organisations that survived the reforms, many have merged, been forced to reduce staff and are no longer 24/7".⁵⁶

Key problems⁵⁷

- The Government's reforms have encouraged the mixing of client groups, meaning many refuges now take in homeless women with women and children with specific needs, eg. escaping domestic violence. As a result, many refuges are full and there are concerns about safety and compromised quality of care
- Because services are at capacity, there has been an over-reliance on referring vulnerable women and children to caravan parks and motels instead of the specialist care provided by refuges
- Women accessing the Link2Home service are being given poor information and are required to answer a lengthy questionnaire
- Some refuges have a three day turnaround for taking women in, leaving them in unsafe situations
- The loss of 24/7 on-site or on-call access to refuges
- Local Department of Family and Community Services staff are failing to address serious concerns repeatedly being raised by services and staff are afraid to speak out because they think they will lose their jobs/funding if they complain
- Inexperienced and lack of on-site staff at refuges operated by major charities and poor communication with other services.

⁵⁴ Great Lakes Advocate News (2014) 'Going Home, Staying Home' reforms backlash [online] Accessed at: <http://www.greatlakesadvocate.com.au/story/2451559/going-home-staying-home-reforms-backlash/>

⁵⁵ The Conversation (2015) *The evidence supports specialist refuges for domestic violence* [online] Accessed at: <http://theconversation.com/the-evidence-supports-specialist-refuges-for-domestic-violence-37066>

⁵⁶ SOS Women's Services (2015) *SOS Infosheet* [online] Accessed at: <http://www.soswomensservices.com/media/>

⁵⁷ Ibid.

In a submission to the Senate Inquiry into Domestic Violence, the Coalition for Women's Refuges stated: "Not only are beds more limited than ever, the accommodation available is inappropriate for the purpose of providing safe accommodation to women and children fleeing domestic violence. Male staffingand corporate management [are increasingly] the norm."⁵⁸

"Other features of the reforms include the introduction of a Common Assessment Tool, a Client Information Management System (CIMS) and a Vacancy Management System (VMS) to be used by all SHS providers..... However domestic violence refuge workers report that the lengthy generic questionnaire now used is inappropriate for DV clients and in fact operates as an active deterrent for many women seeking assistance. Furthermore, the centralised management systems pose confidentiality and safety concerns. The 24 hour Link2Home phone line does not adequately replace community based refuges accessible in the evenings and on weekends, since clients are now typically offered only "T.A" – temporary accommodation, which means a motel room with limited or no support services, trained staff or specialised care."⁵⁹

"Furthermore, the implementation of the "No Wrong Door" policy requires all SHS providers to ensure any homeless client contacting them is assisted in finding an appropriate service. This means even the few remaining specialised domestic violence workers have much of their time taken up assisting other homeless persons suffering mental health issues or substance abuse and have far less time to focus on providing counselling and support for women and children in their care fleeing domestic violence."⁶⁰

"Surveys of the remaining refuges, referral services and women accessing these services and the results confirm anecdotal accounts from refuge workers that the sector is indeed in crisis following the "reforms". It is our submission that the policies adopted by the NSW government in relation to women's refuges are incompatible with Australia's international obligations pursuant to the Convention on the Elimination of All Forms of Discrimination against Women (CEDAW)."⁶¹

There is a perception among some governments that marketising community assets, including social and community services will shift risk away from government. No government likes to see media headlines about the failure of a government employee at FACS, or a government funded organisation, such as a refuge, to save the life of a woman or child at risk. There is a mistaken belief that if it is a corporate organisation that has the contract for provision of these services, then government is no longer responsible. This is a fundamental error, both in understanding of public perception and the role of government. Surely it is the first and foremost responsibility of government to protect their most vulnerable citizens. Moreover, there is clear and consistent international and Australian evidence that the public believes government should provide social and community services to vulnerable people and that when these services fail, regardless of who is the winning tender, it is government that is responsible.

Following the 2016 reforms there has been consistent and prominent media commentary on the continuing injuries and deaths of women and children fleeing family violence. Without exception that commentary in NSW refers to the failure of the GHSH reforms. For example, In March 2016, the SMH reported on the recent murders of several women who had sought refuge accommodation in NSW: "More than one third of women's refuges in NSW are not contactable after-hours....and more than half the refuges contacted could not admit women after-hours or on the weekends."⁶² And "...women, including [a woman] who was murdered after trying to escape domestic violence, have been unable to access women's refuges. After she died, Fairfax media reported that [the woman] made up to 12 calls to refuges but was turned away in the month before she was stabbed to death. There is something systematically and fundamentally wrong with the system when this happens."⁶³

⁵⁸ Coalition for Women's Refuges Submission to the Inquiry into Domestic Violence and Gender Inequality [Submission 29]

⁵⁹ Ibid.

⁶⁰ Ibid.

⁶¹ Ibid.

⁶² Sydney Morning Herald (2016) Women's refuges uncontactable after-hours: survey [online] Accessed at: <http://www.smh.com.au/nsw/womens-refuges-uncontactable-afterhours-survey-20160310-gnfdlt>

⁶³ Sydney Morning Herald (2016) Women's refuges uncontactable after-hours: survey [online] Accessed at: <http://www.smh.com.au/nsw/womens-refuges-uncontactable-afterhours-survey-20160310-gnfdlt>

The GSH reforms have seen many services no longer open 24 hours a day, or simply closed all together. The botched tender process saw over 400 job losses and a loss of accessible refuges in regional areas.⁶⁴

The GSH reforms are a clear example of the failure of increased market contestability and competition in human services. Rather than being recognised for the work they do - uncertainty, competition and closure has been forced upon them. This loss of a quarter of a century of built up trust, networks and expertise is devastating not only to the women and children experiencing domestic violence but also to the broader community.⁶⁵

The Government's model and its rollout shows a lack of understanding for the needs of women and the sector, and a degree of heartlessness about the impact on vulnerable women and their families.

9. Social impact bonds

Social Impact Bonds (SIB) are increasingly being introduced in various states in Australia. Governments are providing non-government organisations the ability to access the bonds in areas such as child protection, corrective services, justice, education, housing, health and disability services etc. It displaces funding from the public sector to the non-government sector for service provision and as such is a form of privatisation.

Social impact bonds and social financing are designed to return a profit of 8% -15% to private investors. This amount dedicated to profit is either funding redirected from direct program provision, or an additional cost for service provision.

A recent example is the New South Wales Government and UnitingCare's Newpin pilot SIB program in 2013 with \$7m of private investment. Based on the terms of the SIB, the program managed to reach a contract milestone that led to interest payments of 7.5% of the initial investment being returned to investors.

Many have lauded this trial as a success however the ASU is concerned social impact bonds may lead to a bias in service delivery - that programs would target the 'easier' client groups, leaving those with complex issues and needs between the gaps of the service system.

A further concern is that by creating a private investors market in social programs one might compromise the nature of philanthropy and the NFP sector in a more intrinsic way. One of the ways in which the NFP sector has defined itself as distinct from the for-profit sector is by putting process and care for people above outcome and profit. While SIBs might on one hand be welcome in that they shift focus to outcomes, they may also present a challenge to the fundamental way in which the NFP sector has been defined and understood.⁶⁶

Further, the use of SIBs reduces public funding invested in community services. This is dangerous, as it does not account for potential market downturns, and does not address circumstances where a service is of great social importance, but is not 'popular' or 'attractive' for companies to invest in.

The ASU believes services for those experiencing extreme vulnerabilities in human services are best provided by the NFP sector, with effective prevention programmes the only way to achieve the right health and social outcomes, including cost savings in the long term. We submit that social impact bonds should not be recommended as an innovative model in the Final Report.

⁶⁴ Bega District News (2014) *Homeless service tender papers to be made public* [online] Accessed at: <http://www.begadistrictnews.com.au/story/2662586/homeless-service-tender-papers-to-be-made-public/>

⁶⁵ Faruqi, M (2014) Speech: Going Home, Staying Home Program [online] Accessed at: <http://www.mehreenfaruqi.org.au/speech-going-home-staying-home-program/>

⁶⁶ SACOSS (2013) Social Impact Bonds: New financing for the NFP sector? [online] Accessed at: <https://www.sacoss.org.au/sites/default/files/public/documents/Reports/140122%20SACOSS%20Information%20Paper%20on%20Social%20Impact%20Bonds.pdf>

10. Local government provision of human services

The ASU also represents members who work in local government delivering human services. Therefore, we wish to provide some additional material in relation to local government human services.

Local government in Australia has played a significant and expanding role in the provision of various services to communities. These have included a broad range of human services which enhance the quality of life of their communities and help to build the resilience of local networks of community organisations. Information sharing and collaboration is critical to the human services industry and local government plays an important role in helping to strengthen such collaboration and help to build social cohesion.

The nature of human services delivered by local councils varies from council to council, including:

- Childcare;
- Aged care;
- Drug and alcohol management;
- Housing and homelessness services;
- Prevention of family violence;
- Refugee settlement;
- Maternal and child health services;
- Community development activities and outreach; and
- Social inclusion activities such as multicultural festivals, cultural groups, exercise groups, transport assistance and educational discussions and forums.

The ALGA described the role of local governments in the following way:

*Communities also require their local governments to address the accessibility and inclusiveness of such services to meet the needs of those with disability. There is also a wide range of contemporary issues in which local government plays a vital role, including the prevention of family violence and refugee settlement. Many councils already have a role in these areas, but could do more in partnership with the Federal Government, if appropriately resourced.*⁶⁷

Given the large range of services provided by local governments in their communities and the existing local government infrastructure, local government provides good value for money in human service delivery. Local councils also support not-for-profit community organisations to deliver local services through, for example:

- Infrastructure support. Councils often develop and maintain lease and service agreements with various local human service providers.
- Sponsorship and support may take many forms including small local service grants, professional development opportunities, co-ordination of network meetings, advice to committees of management, provision of resources (such as toy and library resources) and other services.
- Co-ordination of some services which are provided independently of councils. For example in the area of Early Childhood Education and Care, many councils actively co-ordinate local Family Day Care (FDC) services and provide an advisory role which assists family day care workers to deliver quality education programs.
- Planning and regulatory enforcement endeavours to balance a range of community priorities including public safety concerns.

As such, local government services are a critical connection for a range of services as well as being a frequent point of contact for local community members.

⁶⁷ Australian Local Government Association (ALGA), Local Government's Plan for an Innovative and Prosperous Australia, 2016, p12 [online] <http://alga.asn.au/site/misc/alga/downloads/publications/ALGA%20Election%20Document%202016.pdf>

10.1 Connection to local community

Like social and community services discussed earlier in this submission, local governments are embedded in and connected to the local communities they support. Local governments have established mechanisms of community consultation and accountability through social planning mechanisms and other forms of citizen engagement. These place councils in a strategic position in communities, enabling the identification of deficiencies or gaps in local service provision. This flow of communication enables councils to advocate for the needs of local communities from an informed base which can assist in policy and program development.

Therefore, local governments, along with social and community services, are uniquely placed to work with their communities and be responsive to the needs of the communities.

Whilst local government has undertaken many efficiency drives, the importance of citizen engagement and other broad social commitments, of necessity, remain integral to local government service provision. This approach is significantly different to the ethos of the for-profit sector which has a key focus on increasing profits.

The ASU is concerned that efforts to increase 'efficiency' by focusing on increasing competition is flawed and does not sufficiently value the importance of industry collaboration and the need for stability for organisations which provide valued services for the community.

Three key elements – collaboration, stability and community engagement - can be critical to the provision of quality services for vulnerable members of the community, whether the service is provided by a local council or a local community service.

Council services help connect people with external providers of services as well as encouraging collaboration across services. This can be critically important to communities, particularly in regional and remote areas where the local authority may be the major employer, service provider and key connection for a broad range of services for many local people.

However increasing the role of competition will, by contrast, create uncertainty, increase the sense of insecurity by service users and make this area of work considerably less attractive for workers. This latter point can be of particular concern in regional and rural areas where skill shortages persist.

10.2 Community development and outreach work

The outreach and community development work undertaken by local councils is not naturally able to be opened up to notions of "user choice" and competition. Local festivals and informal educational opportunities are critical to the life of a community, and ensuring as many people as possible engage in that community, but are not amenable to users 'choosing' a particular service.

The ASU is strongly of the view that human services delivered by local governments are not suitable for the introduction of greater competition, contestability and user choice.

11. Conclusion

The ASU believes services for those experiencing extreme vulnerabilities in human services are best provided by the NFP sector, with effective prevention programs the only way to achieve the right health and social outcomes.

We believe competition has limits in the area of human service provisions and as such governments must play an important role in providing a safety net for vulnerable, disadvantaged and marginalised people. User choice should not be the central principle for the delivery of social and community service delivery. Quality of service, community connections and diversity in service providers are paramount to the delivery of human services.

NFP social and community services are at the heart of actively addressing disadvantage and identifying changing social needs, as well as building community cohesion. It is vital these services are not left behind in the governments push towards an even more profitable and competitive economy.

In addition we submit that social impact bonds should not be recommended as an innovative model in the Final Report.

If invited to do so, the ASU would welcome the opportunity to appear before the Commission at a future date and at any public hearing(s) in order to represent the arguments more fully, on behalf of our members.