



A•S•U

Human Services inquiry
Productivity Commission
Locked Bag 2, Collins Street East
Melbourne Vic 8003

[By email: humanservices@pc.gov.au](mailto:humanservices@pc.gov.au)

**Australian
Services
Union**

**National Office
Melbourne & Sydney**

All correspondence to:

Ground Floor
116 Queensberry St
Carlton South VIC 3053

T: (03) 9342 1400
F: (03) 9342 1499
E: info@asu.asn.au
W: www.asu.asn.au

National Secretary
David Smith

Assistant National Secretaries
Greg McLean
Linda White

Re: Human Services Inquiry – Family and Community Services

The Australian Services Union (**ASU**) refers to its two earlier submissions made to this inquiry, and welcomes the opportunity to make a further submission to this inquiry.

The ASU is one of Australia's largest unions, representing approximately 135,000 members. The ASU is the largest union of workers in the social and community services sector.

Given the detailed submissions the ASU has already made to this inquiry, we do not intend to traverse all of the issues set out in the Draft Report. We wish to focus on three draft recommendations contained in the Draft Report, as set out below.

Draft recommendation 7.2 – Selection criteria for providers that do not discriminate on the basis of organisational type

The ASU vehemently opposes this recommendation. ASU members are strongly of the view that for-profit providers should not be able to obtain public funds to deliver critical services to vulnerable, disadvantaged and marginalised people, and make a profit from this work.

We believe that every cent of public money that is spent on providing services social support services should be directed to the supports – not in to the pockets of big business or shareholders. If there is an excess of funds available, that should be put back in to service provision.

We are concerned that a profit motive incentivises the driving down of labour costs by eroding wages and conditions. It also incentivises driving down the quality of service provision. There would be little impetus for for-profit providers to invest in their local community in the same way that local community organisations do, through community development and community strengthening.

We also believe that an approach of allowing companies make a profit off community service provision is inconsistent with community attitudes and expectations in relation to services to vulnerable people.

Finally, we again draw your attention to the numerous examples of failures in community service provision by for-profit providers, including:

- Big Society, UK

In its 2015 audit report, Civil Exchange concluded that the UK Big Society initiative had largely failed.¹ It identified a driving factor of this failure to be the market-based model for increasing competition in public service undermining the achievement of key goals. The model concentrated power in the hands of 'quasi monopoly' private sector providers, rather than in those of local people and organisations.

¹ *Whose Society? The Final Big Society Audit* (2015) Civil Exchange.

- Children's care homes, UK

75% of children's care homes in the UK are run by private companies, with just 11% being run by not-for-profit providers. In 2012 it was identified that dozens of the for-profit children's homes had failed to provide an acceptable standard of care.²

- Adult Social Care, UK

The provision of adult social care in the UK is dominated by for-profit providers. There are examples of spectacular failures in this sector, for example Southern Cross. Due to corporate sleights of hand the operating company was separated from the property assets, and the company was able to make large profits during the property boom – however when the global financial crisis struck the company went under. This is a prime example of what can go wrong when profits are prioritised rather than focussing on the quality of supports.

- The collapse of ABC Learning in Australia

The community and public sector provides approximately just 30% 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 collapse of ABC Learning was the unfortunate but inevitable consequence of a system over-reliant on private providers and neglected by government.

- The Job Network in Australia

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). 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.

Not-for-profit providers identified negative impacts of the reform. 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".³

Evaluations of the effectiveness of the Job Network showed it failed to provide sustained employment prospects for the vast majority of the case load. 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.

² 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>

³ 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/OUTO1.doc>

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.⁴

To compromise the quality of support to vulnerable people in Australia in the name of “competition” and profits would be a travesty. At its highest we say that for-profit companies should not be able to tender for community services. At its lowest we say that the nature of the organisation and its broader social impact should be a factor taken into account when determining tenders.

Draft recommendation 7.5 – Increase default contract lengths to seven years

We wholeheartedly support this recommendation. This will provide much needed certainty to community service providers and their workforce.

Draft recommendation 7.6 – Provide payments to providers that reflect the efficient cost of service provision

We support funding being made available to providers on the basis of the actual cost of delivering the relevant service, as opposed to an arbitrary ‘carve up’ of funding. We also welcome the Productivity Commission’s reference to this cost including workforce capacity building and coordination between service providers. Further to this, we think the Productivity Commission should be express in its report that the efficient cost of service provision includes:

- Sufficient funds to meet the relevant applicable employment terms and conditions;
- Appropriate training and supervision for employees;
- Adequate time to meet the non-client facing elements of service delivery (including travel, administration, reporting etc); and
- An appropriate supervisor to support worker ratio.

We look forward to addressing these matters in more detail at the public hearing of this inquiry. If you have any additional queries in relation to the matters set out here, please do not hesitate to contact us.

Yours faithfully,

Linda White
Assistant National Secretary

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