

Submission by Hope Community Services to the Productivity Commission Issues Paper,
Human Services: Identifying sectors for reform, June 2016

About HOPE Community Services

Hope Community Services (HOPE) is a community service organisation dedicated to supporting people to successfully and meaningfully participate in life. We seek to address the structural drivers of exclusion and disadvantage in our society and in turn promote innovative policies and programs to support individual and community wellbeing and inclusion.

We have more than 100 years' history of care and support for young people and adults, families and communities affected by drug and alcohol use and social disadvantage. Through our diverse community programs that reach across the regions of Western Australia, we are committed to reducing alcohol and drug-related harm by providing hope and opportunities to those we care for and work with.

Services include counselling and outreach, education and rehabilitation, and youth justice.

We are a values-based organisation with a commitment to offering high quality and innovative services that are accessible to people of all cultural backgrounds.

Volunteers add value to our services and our strong links with community help to build capacity.

Connectedness

A key HOPE value is connectedness. Connection, interdependence and belonging are vital to the health and wellbeing of people and communities.

A shift to a competitive market process for funding community services endangers connectedness.

A large proportion of community services rely on building relationships and connectedness to create conditions in which people can heal and thrive.

HOPE works with some of our country's most vulnerable and disadvantaged people: living in poverty, homeless, in remote locations, victims of violence, isolated and disconnected from community and family, poorly educated. Most have multiple disadvantages and a complex mix of issues that they find difficult to sort through and address.

Relationship

Working towards a healthy, connected life takes time and relationships. Research shows that relationships with people with complex needs must be deeper, richer and more personalised – and rehabilitation needs time, the more the better. Relationships are



HOPE COMMUNITY SERVICES 56 Fourth Road, Armadale WA 6112

PO Box 165, Armadale 6992 **ABN** 92 342 882 170

P 08 9497 9498 **F** 08 9497 9424 **E** info@hopecs.org.au **W** hopecs.org.au

difficult to cost and unit pricing and competitive markets work against development of long-term, effective relationships.

People have different levels of resilience, capability and resourcefulness; the more complex a person's circumstances, or the deeper the wounds, the longer it can take to heal.

A solid, stable relationship of trust is a foundation on which a person's journey towards a healthy, connected life can be built. But relationships are subtle, sensitive, complex human interactions.

The most successful transitions from situations of complex hardship and disadvantage usually occur in an environment in which there is close collaboration and information-sharing amongst community service providers.

A relationship that leads to a person's successful journey to healthy life is difficult to translate into a unit of service delivery that can be unit-costed and packaged up.

Fiscal competition in a community service market that is not designed for it is not in the long-term interests of the consumer. The competition model is not appropriate when working with people of significant disadvantage and complex needs.

It is very clear that the people most in need, with the most complex issues, can't operate in a competitive services market. Will there be a different set of rules for them?

A competitive market approach pits providers against each other as competitors. This is in direct opposition to the highly desirable collaborative and partnership approach that delivers better outcomes for the people we serve.

Assumptions of the competitive market model do not fit reality

The competitive market model assumes that players in the market (our clients) have perfect access to information to allow them to make an informed choice.

In our world, this is not a prevailing condition. Few people have the sophistication and skills to navigate the services sector. The most vulnerable and disadvantaged people do not have access to perfect information; they barely have access to information at all. They often don't have access to computers for internet access; literacy skills may be low; they may live in regions where there are no services at all, let alone a choice. But more than this: people struggling with high stress and anxiety or multiple issues of disadvantage typically have reduced mental and emotional capacity to search for solutions and providers. If you are living on the streets, escaping from family violence at home, just surviving each day becomes the priority. Sorting through different offerings from a selection of providers is a fantasy, not a reality.

The competitive market model also assumes that consumer choice will lead to consumers choosing the best quality services and therefore drive up quality. This is not what happens. In reality, competition drives down price; in our world, this means that less time is available for the all-important relationship-building. Ultimately, cutting price results in declining quality.

To counter this flaw in the market model, the Productivity Commission suggests systems of quality standards, to protect consumers. This adds to the burden of cost and biases the market towards large organisations that can amortise quality systems across a large number of services. Small, niche, specialist organisations are the losers. This means that the very vulnerable and disadvantaged people in our society also lose – it is often the small organisations that are best at connecting with vulnerable and disadvantaged people, at building trust and relationships that offer a stepping stone towards a brighter future.

Changing the shape and nature of community services

The move to competitive markets risks changing the community services landscape in substantial ways that are not underpinned by policy and research evidence.

In Western Australia, we have had competitive tendering since 1993 – more than 20 years' experience. We have seen organisations undercut others on price to build up their business. But the prices don't cover adequately trained and qualified staff and results in lower quality. Or the program becomes obviously unsustainable and the government has to step in to fix the problem, supply bridging funding, close the program or ask another provider to step in.

There are costs to organisations that are undercut on price by other organisations seeking to increase their market share. The costs can be substantial but are rarely taken into account by funding organisations. They are a significant cost of the competitive market system.

Even more profound is the impact on communities and individuals of the discontinuities and disruptions to service that result. Add to this the impact of short-term funding cycles and changes that funding bodies make to programs, including ceasing funding, and you have a disastrous recipe for spiralling distrust and disconnection that becomes increasingly difficult to combat.

While we recognise that there are opportunities for innovation in a competitive marketplace, there are some real cost imposts on non-government organisations that disproportionately impact on small organisations. The costs of preparing offers can be considerable and represent a greater percentage of overheads of small organisations than large. This can be a sad waste of resources when there is no tangible benefit to the community at the end of the process.

Is it the right model?

In this Productivity Commission paper, we see a commitment to growing competition and the market model. This is accepted as the underlying assumption and the Productivity Commission paper is now looking for research about how to apply it.

But we have not seen any research about whether this is the right model.

Many of the disadvantaged and vulnerable people we work with are victims of the competitive market system that our whole society runs to. They are the people who don't fit, can't find a place or operate in our market economy.

The Productivity Commission is now trying to find a way to bring competitive markets into the sector that is trying to repair the losses and damage of competitive markets.

We need an independent investigation into the type of funding model that best fits the complexities and deep relationship-building required to meet the needs of severely disadvantaged people. The Productivity Commission is not an independent body for this investigation. Its mandate from government is predicated on the assumption that competition is a good and desirable aim.

Civil society

A civil society is about the community supporting itself and its members. The value that community organisations bring to civil society extends far beyond a costed unit of service multiplied by a number of people who purchase that unit.

The value includes volunteer time and energy contributed to caring for community members. It includes the commitment and understanding of everybody who works in the organisation. Value extends to the relationships the organisation builds with the people in the community. Value includes relationships and collaboration with other organisations that can contribute something to a person's journey to a healthy life.

All these values are essential parts of social capital. And they grow within and around people and organisations dedicated to values-based service.

Connectedness, relationships, capacity-building and social capital, and service responses to people with complex needs and high disadvantage, are not capable of a competitive pricing approach, which require tightly-defined, discrete and highly criteriorised categorisation.

Kind Regards

Mick Geaney
Chief Executive Officer