



25 July 2016

Professor Stephen King
Commissioner
Productivity Commission Inquiry into Human Services
Level 12,
530 Collins St
Melbourne
Victoria 3000

Transmitted via email

Dear Professor King,

Re: Productivity Commission Issues Paper into Human Services

The purpose of this submission is to provide Community Employers WA's (CEWA) brief comments on the Issues Paper seeking to identify sectors for reform in Human Services.

CEWA is a registered Employer Organisation with the Industrial Relations Commission of Western Australia, and represents non-government, not-for-profit employers in the community services sector of Western Australia. CEWA has 130 members comprising many of the largest and smaller Community Services Sector employers in WA, and continues to grow in numbers and influence. Our members employ in excess of 10,000 staff and are supported by over 10,000 volunteers. A list of our members is attached in Appendix 1.

Not-for-profit Community Services organisations are an important contributor to the provision of Human Services across Australia. We believe there are key differences and benefits provided by NFP Community Services organisations, with characteristics including:

- A stronger sense of community connectedness and a net contributor to social cohesion and social capital
- The opportunity for people across communities to volunteer time, resources and skills
- Capacity to raise donations and encourage philanthropy

- A significant level of longstanding investment in assets and infrastructure for the benefit of the community
- A potential partner for Corporate Social Responsibility to be embedded into for-profit organisations and where long-term partnerships can be created
- A stronger degree of trust, empathy, compassion and respect with clients and in the wider community
- The reinvestment of all monies solely towards their constitutional aims and objectives
- The value of the financial investment by government, and philanthropic and corporate partners, is enhanced by the Mission focus of NFP entities which often includes cross subsidisation or the provision of additional services
- A greater willingness to cross subsidise services so that there is broader geographical and service coverage
- A higher level of preparedness by employees to work in and support the Values and Mission of the Community services organisation
- A higher level of social innovation and capacity to respond to changing circumstances driven by Mission

These characteristics form the cornerstone of what is often considered as a 'Value Proposition' for NFP organisations and in a broad sense, contribute to the fabric of creating and maintaining a just and compassionate society. The high level of trust and respect which Australians hold for the NFP Community Services Sector are two of the enduring qualities of our nation, as are the volunteering and support by a wide cross section of society. It is worth noting, that the characteristics aren't primarily focused on 'value for money' or cost minimisation, but on the social aspects of community services.

Request for Information (Page 6 of the Issues Paper)

The above preliminary comments set an important context for the input the Commission is seeking in relation to what constitutes improved human services.

Whilst the concepts of quality, equity, efficiency, responsiveness and accountability are worthwhile attributes of human services, we believe that there are broader aspects to include. Mission based organisations have focused on these attributes for decades and also embrace the building of a more just and compassionate civil society as a whole. The importance of the 'we' in addition to the 'me' should encourage us to look at synergistic benefits rather than becoming solely 'individual' or economically focused. It is increasingly apparent that society is moving more and more into the 'I' world and whilst there are benefits in focusing on the individual, we believe there is a need for balance in also assessing the effectiveness of government policies and funding decisions at a holistic level.

Historically, the measurement and assessment of human services delivery has primarily been through the tracking of inputs and outputs. Whilst this provided statistical data and was generally easily measurable, it has more recently been acknowledged that this was somewhat one dimensional. The move to **outcomes assessments and results based accountability** is work in progress for many across the NFP sector with various senior university academic researchers undertaking detailed studies on how this is evolving. We believe that their work will help inform the Productivity Commission Inquiry and would encourage the Commission to closely monitor progress in this area. It should be noted that outcomes reporting is still at relatively early stages and many are grappling with the details behind the concept.

Areas such as the degree of social connectedness, social cohesion, the level of volunteering and the extent of growth in corporate social responsibility are all potential indicators of improved human services. NFP's have been and remain key contributors in these areas through the provision of community services, through health support and all levels of the education sector.

Other areas to assess in determining improved community services could include changes to levels of homelessness or domestic violence, changes to demand and availability of community services, reductions to the complexity of tendering and reporting for community services, simplification of government structures and the extent to which innovation and the localisation of community services is supported by government.

It is well known that there is **significant need for services in regional and remote areas** and that these have historically been underfunded. It will be important for these communities to be part of any reform agenda and for the Commission to recognise that the limited size of many of these communities simply won't warrant the introduction of multiple providers or a broader competitive regime. Localisation of services, particularly in regional areas will remain important. By way of example, in a 2014 tender, homelessness funding for Margaret River in WA was taken from a local service provider and awarded to organisations which were based over 100kms away, with no direct transport link. Fortunately after much advocacy and stress for all involved, this illogical decision by Canberra bureaucrats was reversed.

Recommendation – That the Productivity Commission report specifically recognises the unique role NFP's have in delivering community services and includes recommendations that they are well supported by government in continuing the sustainable delivery of services in both metro and regional areas. Furthermore we recommend that the definition of what constitutes improved human services, be broadened to encompass more holistic measures of improvements to community wellbeing.

Risks of the reforms

Many members of CEWA are very concerned with the implications of the **marketization of services**, the creation of faux markets for services and the potential consequences should there be **market failure**. A well-known **Case Study** on this was the growth of ABC Learning child care in the mid 2000's

which was followed by a major collapse of the organisation in 2008 and significant disruption to child care services for thousands of families. At the time of the liquidation of ABC Learning, the organisation controlled 2,000 child care centres, employed 16,000 staff and provided services to over 95,000 families. Whilst the freeing up of competition in this sector did create opportunities, it is clear in hindsight that there were also significant risks and implications of market failure.

There are several other examples of similar unintended consequences of government policy to encourage competition and in the current environment, many believe that the National Disability Insurance Scheme is creating the risk of significant instability and uncertainty with service providers across the country. In a recent analysis undertaken by the Disability Services Commission in Western Australia, they estimated that up to 30% of organisations are unlikely to be sustainable in their current form. The implications of this for the people they support are significant.

There is also concern with the likelihood of '**cherry picking**' of services – whereby for-profit organisations enter a market and are increasingly selective as to which services will enable them to maximise profits. Should the For-Profit not make a satisfactory return on their shareholders funds, they are just as likely to exit the market, leaving others to pick up the pieces. For the services they choose not to support, many of which are more complex in their needs and costs, or in remote and rural locations, it will be increasingly difficult for mission based organisations to be sustainable in such an environment. Added to this is the strong likelihood that government will be left to intervene, with the resulting impact of bureaucratic and costly processes.

More recently, we have seen comments from a major multi-national for profit service provider, of their decision to withdraw from the provision of key services due to losses being incurred. Their decisions were based on not achieving adequate profits for shareholders and a lack of scale in the provision of some services. We accept there can be market dynamics which influence such decisions, however we are conscious that in the interim, many existing providers will have ceased to exist, and that there has been a significant loss of knowledge, experience and continuity of service delivery. The risks and implications in an area which is working with people who are often not able to change easily or require significant long term support, are by their nature, much higher.

<p>Recommendation – a key component of the Commission's Inquiry, should be a thorough Risk analysis to understand the issues which could emerge from policy changes</p>
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Government Stewardship (Figure 2 Page 10)

As part of the assessment of areas suited to reform, it will be important for the Commission to be cognisant of the current complexity of tendering, monitoring and reporting at both Federal and State levels. Despite the efforts in 2014 of the Department of Social Services to extend the term of contracts to 5 years, many were left at 3 years and there were also substantial cuts to funding. The costs of shorter term contracts are material in terms of the workload in preparing a tender - as some may recall there were over 5,500 tenders in that round of contracting alone.

There is increased talk in the sector of the **co-design of services**, and collaboration for better outcomes. The reality to date has largely been government seeking for a number of service

providers to pool their limited resources to tender for a smaller part of the available funding. This has effectively been a shifting of risk and management of reporting to lead service providers so that the government is dealing directly with less service providers. True co-design should involve the funder, the providers and the people who are to receive the services with a focus on determining the best way to allocate funding and optimise outcomes. The result of this shifting of risk and management is that NFP's are increasingly wearing the costs previously incurred by government with no commensurate compensation . Any reform would benefit from an improved focus on properly managed and implemented co-design.

Recommendation – that the Productivity Commission recommends government engage in thorough co-design of services well before each tender with a focus and involvement of recipients, service providers and other stakeholders.

Potential Costs (Page 19)

The implementation costs of reforms are generally more substantial and take longer to work through than is often understood by many. The current changes to NDIS are a prime example of this with disability service providers actively looking at investing significant monies in new IT systems, preparing for the workforce changes due to the increased casualisation of workforces, the changes to organisational culture and to determining the additional funding required to operate in the new paradigm. We have seen a number of NFP's investing scarce resources in marketing and branding in preparation for NDIS and broader implementation costs around training, opening new offices and expanding data collection.

Many NFP service providers continue to be impacted by the excessive level of reporting to funding bodies, and in an individualised environment, this is likely to grow. Some are employing risk management teams, business development teams & contracting and marketing teams to cope with the changing landscape. All this comes at a material cost, often on an ongoing basis.

Related to this is the impact change can have on people who are vulnerable. It is important to appreciate that the building of trust and relationships with many clients can take considerable time, that there is a human investment which is often hard to quantify financially, yet we know it exists - that familiarity of someone who stops by to deliver a service each day or week or the volunteer who takes the time to sit with a person or family in need. The loss of such support due to the desire for greater efficiency or economies of scale is sometimes not measurable, but we know it is real.

We would **Recommend** the Commission **closely assesses the costs of reforms to competition**, to ascertain who will bear them and whether they are one off or ongoing. In many cases, we believe it will be found that the benefits for people receiving the services do not outweigh the costs.

Public Forums and Roundtables

We are appreciative of the opportunity to contribute to the Inquiry through this and subsequent submissions. There are numerous aspects to consider in this Inquiry, and we are mindful that our submission has only touched on a few areas.

Whilst it is good to be able to contribute through submissions, it would be even better for the Productivity Commission to meet with the community and representatives in person. To that end, we would be pleased to assist the Commission in facilitating interested stakeholders from the NFP Community Services sector in meeting with the Commission.

We also note the plan to conduct stakeholder visits, roundtables and public forums and would **strongly encourage** the Commission to take the time to visit each state (**including Western Australia**), to engage with interested parties.

Conclusion

We believe that the review of human services should factor in the critical role NFP's have in the provision of services and in the developing and maintaining a well supported and effective civil society. The focus of the review should be extended beyond the concepts of quality, equity, efficiency, responsiveness and accountability and would benefit from consideration of the broader holistic benefits NFP bring to the people we support and the communities in which we live. Any recommendations stemming from the review should incorporate the need to continue supporting the sustainability of services provided by NFP's.

Yours sincerely,

John Bouffler
Executive Director

APPENDIX 1

CEWA MEMBERSHIP LIST AS AT JUNE 2016

Aboriginal Legal Services of WA Inc
Accordwest
Activ Foundation Inc
Advocacy South West Inc
Advocare
Albany Youth Support Association
Alzheimer's Australia WA
Anglicare WA Inc
Armadale Community Family Centre
Association for Services to Torture & Trauma
Survivors (ASeTTS)
Asthma Foundation WA Inc
Australian Red Cross WA
Avivo
Baptistcare
Beehive Industries of WA
Bluesky Community Group
Brightwater Care Group
Broome Youth & Families Hub
Bunbury Community Legal Centre
Calvary Youth Services Mandurah Inc
Care Options
Centacare Employment and Training
Centacare Family Services
Centrecare Inc
Child Inclusive Learning and Development
Australia Inc (CHILD Australia)
CLAN WA
Coeliac Western Australia
Communicare
Community Legal Centres Association (WA) Inc
Community Vision Inc
ConnectGroups
Consumer Credit Legal Services WA
Consumers of Mental Health WA
Contenance Advisory Service of WA
Cyrenian House
Derbarl Yerrigan Health Services Inc
Diversity South
Employment Law Centre of WA
Escare Inc
Ethnic Communities Council of WA
Ethnic Disability Advocacy Centre
Family Support WA Inc
Financial Counsellors Association of WA Inc.
Fremantle Multicultural Centre Inc
Good Samaritan Industries
Gosnells Women's Health Service
Headwest
Health Consumers Council (WA) Inc
Helping Minds
Holyoake The Australian Institute For Alcohol &
Drug Addiction Resolutions
Hope Community Services
Identity WA
Inclusion WA
Interchange
Ishar Multicultural Women's Health Centre Inc
Kids Camps Inc
Koolkuna (The Eastern Region Domestic Violence
Services Network Inc)
LAMP Inc
Lifeline WA
Linkwest
Margaret River Community Resource Centre Inc
Meath Care Inc
Melville Cares Inc
MercyCare
Metropolitan Migrant Resource Centre
MIFWA
Mission Australia
Mosaic Community Care Inc
Multicultural Services Centre of Western
Australia Inc
National Disability Services WA
Ngala Family Resource Centre
Nulsen
Outcare (Inc)
Palmerston Association Inc
Parkerville Children Youth Care Inc
Pathways Southwest
Pat Thomas Memorial Community House Inc.
Patricia Giles Centre
Peel and Rockingham Volunteer Resource
Centres
People with Disabilities (WA)
Relationships Australia (Western Australia) Inc
Richmond Wellbeing
Rise Network
Rocky Bay Inc
Ruah Community Services
Secca

Shelter WA
SHQ
Silver Chain
South Coastal Women's Health Services
Southcare Inc
Southern Cross Care
Southside Care
St Bartholomew's House
St John of God Outreach Services
St Patrick's Community Support Centre
St Vincent de Paul Society
Sudbury Community Housing Association
Swan City Youth Service
Swan Emergency Accommodation
Technology Assisting Disability WA
Tenancy WA
The Gowrie (WA) Inc
The Salvation Army
The Spiers Centre Inc
The WA Aids Council
Therapy Focus Inc
Uniting Aid
UnitingCare West
Uniting Church in the City
Valued Independent People Inc
Vincentcare
Visability
Volunteer Task Force Inc.
WA Blue Sky Inc
WA No Interest Loans Inc.
WANADA
Wanslea Family Services Inc
We Can Community Services
Westcare Inc
Western Australian Association for Mental Health
Western Australian Council of Social Service Inc
Women's Council for DFV Services (WA)
Women's Health Resource Centre
Women's Health & Family Services
Yaandina Family Centre
YMCA Perth
Youth Focus
Youth Futures WA